

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, 2023 (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 10577

(Address of principal executive offices and Zip Code)

(914) 253-2000

Registrant's telephone number, including area code

N/A

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

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Stock, par value 1-2/3 cents per share	PEP	The Nasdaq Stock Market LLC
0.250% Senior Notes Due 2024	PEP24	The Nasdaq Stock Market LLC
2.625% Senior Notes Due 2026	PEP26	The Nasdaq Stock Market LLC
0.750% Senior Notes Due 2027	PEP27	The Nasdaq Stock Market LLC
0.875% Senior Notes Due 2028	PEP28	The Nasdaq Stock Market LLC
0.500% Senior Notes Due 2028	PEP28a	The Nasdaq Stock Market LLC
3.200% Senior Notes Due 2029	PEP29	The Nasdaq Stock Market LLC
1.125% Senior Notes Due 2031	PEP31	The Nasdaq Stock Market LLC
0.400% Senior Notes Due 2032	PEP32	The Nasdaq Stock Market LLC
0.750% Senior Notes Due 2033	PEP33	The Nasdaq Stock Market LLC
3.550% Senior Notes Due 2034	PEP34	The Nasdaq Stock Market LLC
0.875% Senior Notes Due 2039	PEP39	The Nasdaq Stock Market LLC
1.050% Senior Notes Due 2050	PEP50	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

Number of shares of Common Stock outstanding as of April 18, 2023 was 1,377,693,115.

PepsiCo, Inc. and Subsidiaries**Table of Contents**

	<u>Page No.</u>
Part I	Financial Information
Item 1.	Condensed Consolidated Financial Statements <u>2</u>
	Condensed Consolidated Statement of Income – 12 Weeks Ended March 25, 2023 and March 19, 2022 <u>2</u>
	Condensed Consolidated Statement of Comprehensive Income – 12 Weeks Ended March 25, 2023 and March 19, 2022 <u>3</u>
	Condensed Consolidated Statement of Cash Flows – 12 Weeks Ended March 25, 2023 and March 19, 2022 <u>4</u>
	Condensed Consolidated Balance Sheet – March 25, 2023 and December 31, 2022 <u>6</u>
	Condensed Consolidated Statement of Equity – 12 Weeks Ended March 25, 2023 and March 19, 2022 <u>7</u>
	Notes to the Condensed Consolidated Financial Statements <u>8</u>
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations <u>22</u>
	Report of Independent Registered Public Accounting Firm <u>40</u>
Item 3.	Quantitative and Qualitative Disclosures About Market Risk <u>41</u>
Item 4.	Controls and Procedures <u>41</u>
Part II	Other Information
Item 1.	Legal Proceedings <u>42</u>
Item 1A.	Risk Factors <u>42</u>
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds <u>42</u>
Item 6.	Exhibits <u>42</u>

PART I FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Income

PepsiCo, Inc. and Subsidiaries

(in millions except per share amounts, unaudited)

	12 Weeks Ended	
	3/25/2023	3/19/2022
Net Revenue	\$ 17,846	\$ 16,200
Cost of sales	7,988	7,433
Gross profit	9,858	8,767
Selling, general and administrative expenses	7,229	6,580
Gain associated with the Juice Transaction ^(a)	—	(3,322)
Impairment of intangible assets (see Notes 1 and 4)	—	242
Operating Profit	2,629	5,267
Other pension and retiree medical benefits income	61	134
Net interest expense and other	(200)	(240)
Income before income taxes	2,490	5,161
Provision for income taxes	546	888
Net income	1,944	4,273
Less: Net income attributable to noncontrolling interests	12	12
Net Income Attributable to PepsiCo	\$ 1,932	\$ 4,261
Net Income Attributable to PepsiCo per Common Share		
Basic	\$ 1.40	\$ 3.08
Diluted	\$ 1.40	\$ 3.06
Weighted-average common shares outstanding		
Basic	1,378	1,383
Diluted	1,384	1,391

(a) In the 12 weeks ended March 19, 2022, we sold our Tropicana, Naked and other select juice brands to PAI Partners for \$3.5 billion in cash and a 39% noncontrolling interest in a joint venture, Tropicana Brands Group (TBG), operating across North America and Europe (Juice Transaction). See Note 12 for further information.

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

PepsiCo, Inc. and Subsidiaries

(in millions, unaudited)

	12 Weeks Ended	
	3/25/2023	3/19/2022
Net income	\$ 1,944	\$ 4,273
Other comprehensive loss, net of taxes:		
Net currency translation adjustment	(235)	(560)
Net change on cash flow hedges	(59)	106
Net pension and retiree medical adjustments	(4)	13
Other	(1)	(4)
	<u>(299)</u>	<u>(445)</u>
Comprehensive income	1,645	3,828
Less: Comprehensive income attributable to noncontrolling interests	12	12
Comprehensive Income Attributable to PepsiCo	<u>\$ 1,633</u>	<u>\$ 3,816</u>

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

PepsiCo, Inc. and Subsidiaries

(in millions, unaudited)

	12 Weeks Ended	
	3/25/2023	3/19/2022
Operating Activities		
Net income	\$ 1,944	\$ 4,273
Depreciation and amortization	590	555
Gain associated with the Juice Transaction	—	(3,322)
Impairment and other (credits)/charges	(13)	482
Operating lease right-of-use asset amortization	116	103
Share-based compensation expense	93	81
Restructuring and impairment charges	112	27
Cash payments for restructuring charges	(64)	(32)
Acquisition and divestiture-related charges	2	56
Cash payments for acquisition and divestiture-related charges	(4)	(17)
Pension and retiree medical plan expense/(income)	30	(1)
Pension and retiree medical plan contributions	(175)	(178)
Deferred income taxes and other tax charges and credits	78	257
Change in assets and liabilities:		
Accounts and notes receivable	(348)	(837)
Inventories	(542)	(549)
Prepaid expenses and other current assets	(288)	(190)
Accounts payable and other current liabilities	(2,259)	(1,238)
Income taxes payable	290	489
Other, net	46	(133)
Net Cash Used for Operating Activities	(392)	(174)
Investing Activities		
Capital spending	(581)	(522)
Sales of property, plant and equipment	19	3
Acquisitions, net of cash acquired, investments in noncontrolled affiliates and purchases of intangible and other assets	(16)	(13)
Proceeds associated with the Juice Transaction	—	3,456
Other divestitures, sales of investments in noncontrolled affiliates and other assets	85	5
Short-term investments, by original maturity:		
More than three months - purchases	(158)	—
More than three months - maturities	100	—
Three months or less, net	19	22
Other investing, net	—	4
Net Cash (Used for)/Provided by Investing Activities	(532)	2,955

(Continued on following page)

Condensed Consolidated Statement of Cash Flows (continued)

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

	12 Weeks Ended	
	<u>3/25/2023</u>	<u>3/19/2022</u>
Financing Activities		
Proceeds from issuances of long-term debt	\$ 2,986	\$ —
Payments of long-term debt	(1,251)	(1,251)
Short-term borrowings, by original maturity:		
More than three months - proceeds	393	559
More than three months - payments	(1)	—
Three months or less, net	491	647
Cash dividends paid	(1,608)	(1,505)
Share repurchases - common	(160)	(193)
Proceeds from exercises of stock options	46	49
Withholding tax payments on restricted stock units (RSUs) and performance stock units (PSUs) converted	(116)	(85)
Other financing	(3)	(1)
Net Cash Provided by/(Used for) Financing Activities	<u>777</u>	<u>(1,780)</u>
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(116)	(17)
Net (Decrease)/Increase in Cash and Cash Equivalents and Restricted Cash	<u>(263)</u>	<u>984</u>
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	<u>5,100</u>	<u>5,707</u>
Cash and Cash Equivalents and Restricted Cash, End of Period	<u>\$ 4,837</u>	<u>\$ 6,691</u>
Supplemental Non-Cash Activity		
Right-of-use assets obtained in exchange for lease obligations	\$ 213	\$ 100

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Balance Sheet

PepsiCo, Inc. and Subsidiaries

(in millions except per share amounts)

	(Unaudited)	
	3/25/2023	12/31/2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,770	\$ 4,954
Short-term investments	434	394
Accounts and notes receivable, less allowance (\$184 and \$150, respectively)	10,469	10,163
Inventories:		
Raw materials and packaging	2,435	2,366
Work-in-process	115	114
Finished goods	3,147	2,742
	5,697	5,222
Prepaid expenses and other current assets	1,057	806
Total Current Assets	22,427	21,539
Property, plant and equipment	50,022	49,784
Accumulated depreciation	(25,794)	(25,493)
Property, Plant and Equipment, net	24,228	24,291
Amortizable Intangible Assets, net	1,250	1,277
Goodwill	18,089	18,202
Other Indefinite-Lived Intangible Assets	14,273	14,309
Investments in Noncontrolled Affiliates	3,123	3,073
Deferred Income Taxes	4,211	4,204
Other Assets	5,441	5,292
Total Assets	\$ 93,042	\$ 92,187
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt obligations	\$ 4,281	\$ 3,414
Accounts payable and other current liabilities	21,556	23,371
Total Current Liabilities	25,837	26,785
Long-Term Debt Obligations	37,486	35,657
Deferred Income Taxes	4,039	4,133
Other Liabilities	8,505	8,339
Total Liabilities	75,867	74,914
Commitments and contingencies		
PepsiCo Common Shareholders' Equity		
Common stock, par value 1 ² / ₃ ¢ per share (authorized 3,600 shares; issued, net of repurchased common stock at par value: 1,378 and 1,377 shares, respectively)	23	23
Capital in excess of par value	3,996	4,134
Retained earnings	68,142	67,800
Accumulated other comprehensive loss	(15,601)	(15,302)
Repurchased common stock, in excess of par value (489 and 490 shares, respectively)	(39,518)	(39,506)
Total PepsiCo Common Shareholders' Equity	17,042	17,149
Noncontrolling interests	133	124
Total Equity	17,175	17,273
Total Liabilities and Equity	\$ 93,042	\$ 92,187

See accompanying notes to the condensed consolidated financial statements.

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

	12 Weeks Ended			
	3/25/2023		3/19/2022	
	Shares	Amount	Shares	Amount
Common Stock				
Balance, beginning of period	1,377	\$ 23	1,383	\$ 23
Change in repurchased common stock	1	—	1	—
Balance, end of period	<u>1,378</u>	<u>23</u>	<u>1,384</u>	<u>23</u>
Capital in Excess of Par Value				
Balance, beginning of period		4,134		4,001
Share-based compensation expense		94		83
Stock option exercises, RSUs and PSUs converted		(116)		(106)
Withholding tax on RSUs and PSUs converted		(116)		(85)
Balance, end of period		<u>3,996</u>		<u>3,893</u>
Retained Earnings				
Balance, beginning of period		67,800		65,165
Net income attributable to PepsiCo		1,932		4,261
Cash dividends declared – common ^(a)		(1,590)		(1,492)
Balance, end of period		<u>68,142</u>		<u>67,934</u>
Accumulated Other Comprehensive Loss				
Balance, beginning of period		(15,302)		(14,898)
Other comprehensive loss attributable to PepsiCo		(299)		(445)
Balance, end of period		<u>(15,601)</u>		<u>(15,343)</u>
Repurchased Common Stock				
Balance, beginning of period	(490)	(39,506)	(484)	(38,248)
Share repurchases	(1)	(174)	(1)	(213)
Stock option exercises, RSUs and PSUs converted	2	162	2	156
Balance, end of period	<u>(489)</u>	<u>(39,518)</u>	<u>(483)</u>	<u>(38,305)</u>
Total PepsiCo Common Shareholders' Equity		<u>17,042</u>		<u>18,202</u>
Noncontrolling Interests				
Balance, beginning of period		124		108
Net income attributable to noncontrolling interest		12		12
Distributions to noncontrolling interests		(1)		—
Other, net		(2)		(2)
Balance, end of period		<u>133</u>		<u>118</u>
Total Equity		<u>\$17,175</u>		<u>\$18,320</u>

(a) Cash dividends declared per common share were \$1.15 and \$1.075 for the 12 weeks ended March 25, 2023 and March 19, 2022, respectively.

See accompanying notes to the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

Note 1 - Basis of Presentation and Our Divisions

Basis of Presentation

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) for interim financial information and with the rules and regulations for reporting the Quarterly Report on Form 10-Q (Form 10-Q). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The condensed consolidated balance sheet at December 31, 2022 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. These financial statements have been prepared on a basis that is substantially consistent with the accounting principles applied in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (2022 Form 10-K). This report should be read in conjunction with our 2022 Form 10-K. In our opinion, these financial statements include all normal and recurring adjustments necessary for a fair presentation. The results for the 12 weeks ended March 25, 2023 are not necessarily indicative of the results expected for any future period or the full year.

Raw materials, direct labor and plant overhead, as well as purchasing and receiving costs, costs directly related to production planning, inspection costs and raw materials handling facilities, are included in cost of sales. The costs of moving, storing and delivering finished product, including merchandising activities, are included in selling, general and administrative expenses.

While our financial results in the United States and Canada (North America) are reported on a 12-week basis, all of our international operations are reported on a monthly calendar basis for which the months of January and February are reflected in our results for the 12 weeks ended March 25, 2023 and March 19, 2022.

The preparation of our condensed consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in our condensed consolidated financial statements and related disclosures. Additionally, the business and economic uncertainty resulting from the Russia-Ukraine conflict and the high interest rate and inflationary cost environment has made such estimates and assumptions more difficult to calculate. Accordingly, actual results and outcomes could differ from those estimates.

Our significant interim accounting policies include the recognition of a pro rata share of certain estimated annual sales incentives and certain advertising and marketing costs in proportion to revenue or volume, as applicable, and the recognition of income taxes using an estimated annual effective tax rate.

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

Our Divisions

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

- 1) Frito-Lay North America (FLNA), which includes our branded convenient food businesses in the United States and Canada;

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

Net revenue of each division is as follows:

	12 Weeks Ended	
	3/25/2023	3/19/2022
FLNA	\$ 5,583	\$ 4,839
QFNA	777	713
PBNA	5,798	5,353
LatAm	1,777	1,474
Europe	1,886	1,797
AMESA	1,019	1,004
APAC	1,006	1,020
Total	<u>\$ 17,846</u>	<u>\$ 16,200</u>

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

	12 Weeks Ended			
	3/25/2023		3/19/2022	
	Beverages^(a)	Convenient Foods	Beverages^(a)	Convenient Foods
LatAm	10 %	90 %	10 %	90 %
Europe	45 %	55 %	50 %	50 %
AMESA	30 %	70 %	30 %	70 %
APAC	15 %	85 %	15 %	85 %
PepsiCo	40 %	60 %	40 %	60 %

- (a) Beverage revenue from company-owned bottlers, which primarily includes our consolidated bottling operations in our PBNA and Europe divisions, is approximately 35% of our consolidated net revenue in each of the 12 weeks ended March 25, 2023 and March 19, 2022. Generally, our finished goods beverage operations produce higher net revenue but lower operating margin as compared to concentrate sold to authorized bottling partners for the manufacture of finished goods beverages.

Operating profit of each division is as follows:

	12 Weeks Ended	
	3/25/2023	3/19/2022
FLNA	\$ 1,599	\$ 1,296
QFNA	188	159
PBNA ^(a)	483	3,434
LatAm	364	323
Europe ^{(a) (b)}	71	(136)
AMESA	168	180
APAC	227	215
Total divisions	3,100	5,471
Corporate unallocated expenses	(471)	(204)
Total	<u>\$ 2,629</u>	<u>\$ 5,267</u>

- (a) In the 12 weeks ended March 19, 2022, we recorded a gain of \$3,024 million and \$298 million in our PBNA and Europe divisions, respectively, associated with the Juice Transaction. The total after-tax amount was \$2,870 million or \$2.06 per share. See Note 12 for further information.
- (b) In the 12 weeks ended March 19, 2022, we recognized impairment and other charges/credits as follows:
- (1) Pre-tax charges of \$241 million (\$241 million after-tax or \$0.17 per share), as a result of the Russia-Ukraine conflict, including impairment related to property, plant and equipment, allowance for expected credit losses, inventory write downs and other charges, with \$140 million recorded in cost of sales, \$100 million recorded in selling, general and administrative expenses and \$1 million recorded in impairment of intangible assets.
 - (2) Pre-tax brand portfolio impairment charges of \$241 million (\$193 million after-tax or \$0.14 per share) in impairment of intangible assets related to the repositioning or discontinuation of certain juice and dairy brands in Russia. See Note 4 for further information. For information on indefinite-lived intangible assets, see Notes 2 and 4 to our consolidated financial statements in our 2022 Form 10-K.

Note 2 - Recently Issued Accounting Pronouncements

Adopted

In September 2022, the Financial Accounting Standards Board issued guidance to enhance the transparency of supplier finance programs to allow financial statement users to understand the effect on working capital, liquidity and cash flows. The new guidance requires disclosure of key terms of the program, including a description of the payment terms, payment timing and assets pledged as security or other forms of guarantees provided to the finance provider or intermediary. Other requirements include the disclosure of the amount that remains unpaid as of the end of the reporting period, a description of where these obligations are presented in the balance sheet and a rollforward of the obligation during the annual period. We adopted the guidance in the first quarter of 2023, except for the rollforward, which is effective in fiscal year 2024 with early adoption permitted. We currently plan to adopt the rollforward guidance when effective. See Note 13 for disclosures currently required under this guidance.

Note 3 - Restructuring and Impairment Charges

2019 Multi-Year Productivity Plan

We publicly announced a multi-year productivity plan on February 15, 2019 (2019 Productivity Plan) that will leverage new technology and business models to further simplify, harmonize and automate processes; re-engineer our go-to-market and information systems, including deploying the right automation for each market; and simplify our organization and optimize our manufacturing and supply chain footprint. To build on the successful implementation of the 2019 Productivity Plan, in 2022, we expanded and extended the plan through the end of 2028 to take advantage of additional opportunities within the initiatives described above. As a result, we expect to incur pre-tax charges of approximately \$3.65 billion, including cash expenditures of approximately \$2.9 billion. These pre-tax charges are expected to consist of approximately 55% of severance and other employee-related costs, 10% for asset impairments (all non-cash) resulting from plant closures and related actions, and 35% for other costs associated with the implementation of our initiatives.

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

	FLNA	QFNA	PBNA	LatAm	Europe	AMESA	APAC	Corporate
Expected pre-tax charges	15 %	1 %	25 %	10 %	25 %	5 %	4 %	15 %

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

	12 Weeks Ended	
	3/25/2023	3/19/2022
Cost of sales	\$ 3	\$ 5
Selling, general and administrative expenses	110	22
Other pension and retiree medical benefits income ^(a)	(1)	—
Total restructuring and impairment charges	\$ 112	\$ 27
After-tax amount	\$ 98	\$ 21
Impact on net income attributable to PepsiCo per common share	\$ (0.07)	\$ (0.02)

	12 Weeks Ended		Plan to Date through 3/25/2023
	3/25/2023	3/19/2022	
FLNA	\$ 7	\$ 3	\$ 217
QFNA	—	—	19
PBNA	5	3	231
LatAm	5	6	176
Europe	89	7	432
AMESA	5	2	87
APAC	1	1	78
Corporate	1	5	230
	113	27	1,470
Other pension and retiree medical benefits (income)/expense ^(a)	(1)	—	97
Total	\$ 112	\$ 27	\$ 1,567

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

	12 Weeks Ended		Plan to Date
	3/25/2023	3/19/2022	through 3/25/2023
Severance and other employee costs	\$ 92	\$ 11	\$ 899
Asset impairments	—	—	190
Other costs	20	16	478
Total	<u>\$ 112</u>	<u>\$ 27</u>	<u>\$ 1,567</u>

Severance and other employee costs primarily include severance and other termination benefits, as well as voluntary separation arrangements. Other costs primarily include costs associated with the implementation of our initiatives, including contract termination costs, consulting and other professional fees.

A summary of our 2019 Productivity Plan activity for the 12 weeks ended March 25, 2023 is as follows:

	Severance and Other Employee Costs	Other Costs	Total
Liability as of December 31, 2022	\$ 188	\$ 8	\$ 196
2023 restructuring charges	92	20	112
Cash payments	(44)	(20)	(64)
Non-cash charges and translation	(4)	—	(4)
Liability as of March 25, 2023	<u>\$ 232</u>	<u>\$ 8</u>	<u>\$ 240</u>

Substantially all of the restructuring accrual at March 25, 2023 is expected to be paid by the end of 2023.

Other Productivity Initiatives

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

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

See Notes 1 and 4 for impairment and other charges/credits taken related to the Russia-Ukraine conflict and brand portfolio impairment charges.

Note 4 - Intangible Assets

During the 12 weeks ended March 19, 2022, we repositioned or discontinued certain juice and dairy brands in Russia in our Europe division. As a result, we recognized pre-tax impairment charges (included in brand portfolio impairment charges) of \$241 million (\$193 million after-tax or \$0.14 per share) in impairment of intangible assets, primarily related to indefinite-lived intangible assets. See Note 1 for further information.

For further information on indefinite-lived intangible assets, see Notes 2 and 4 to our consolidated financial statements in our 2022 Form 10-K.

A summary of our amortizable intangible assets is as follows:

	3/25/2023			12/31/2022		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Acquired franchise rights	\$ 833	\$ (202)	\$ 631	\$ 837	\$ (200)	\$ 637
Customer relationships	563	(240)	323	571	(237)	334
Brands	1,085	(969)	116	1,097	(973)	124
Other identifiable intangibles	445	(265)	180	447	(265)	182
Total	<u>\$ 2,926</u>	<u>\$ (1,676)</u>	<u>\$ 1,250</u>	<u>\$ 2,952</u>	<u>\$ (1,675)</u>	<u>\$ 1,277</u>

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

	Balance 12/31/2022	Translation and Other	Balance 3/25/2023
<i>FLNA</i>			
Goodwill	\$ 451	\$ (2)	\$ 449
Brands	251	—	251
Total	702	(2)	700
<i>QFNA</i>			
Goodwill	189	—	189
Total	189	—	189
<i>PBNA</i>			
Goodwill	11,947	(7)	11,940
Reacquired franchise rights	7,061	(12)	7,049
Acquired franchise rights	1,758	(2)	1,756
Brands	2,508	1	2,509
Total	23,274	(20)	23,254
<i>LatAm</i>			
Goodwill	436	7	443
Brands	75	2	77
Total	511	9	520
<i>Europe</i>			
Goodwill	3,646	(56)	3,590
Reacquired franchise rights	421	(8)	413
Acquired franchise rights	148	(1)	147
Brands	1,664	(1)	1,663
Total	5,879	(66)	5,813
<i>AMESA</i>			
Goodwill	1,015	(52)	963
Brands	156	(13)	143
Total	1,171	(65)	1,106
<i>APAC</i>			
Goodwill	518	(3)	515
Brands	267	(2)	265
Total	785	(5)	780
Total goodwill	18,202	(113)	18,089
Total reacquired franchise rights	7,482	(20)	7,462
Total acquired franchise rights	1,906	(3)	1,903
Total brands	4,921	(13)	4,908
Total	\$ 32,511	\$ (149)	\$ 32,362

Note 5 - Income Taxes

In 2021, we received a final assessment from the Internal Revenue Service (IRS) audit for the tax years 2014 through 2016. The assessment included both agreed and unagreed issues. On October 29, 2021, we filed a formal written protest of the assessment and requested an appeals conference. In 2022, we came to an agreement with the IRS to settle one of the issues assessed in the 2014 through 2016 tax audit. The agreement covers tax years 2014 through 2019. As a result, we adjusted our reserves for uncertain tax positions, including any correlating adjustments impacting the mandatory transition tax liability under the Tax Cuts and Jobs Act (TCJ Act). Tax years 2014 through 2019 remain under audit for other issues. See Note 5 to our consolidated financial statements in our 2022 Form 10-K for further information. There were no tax amounts recognized in the 12 weeks ended March 25, 2023 and March 19, 2022 from this agreement.

Note 6 - Share-Based Compensation

The following table summarizes our total share-based compensation expense, which is primarily recorded in selling, general and administrative expenses:

	12 Weeks Ended	
	3/25/2023	3/19/2022
Share-based compensation expense – equity awards	\$ 93	\$ 81
Share-based compensation expense – liability awards	6	5
Acquisition and divestiture-related charges	—	3
Restructuring charges	1	(1)
Total	\$ 100	\$ 88

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

	12 Weeks Ended			
	3/25/2023		3/19/2022	
	Granted^(a)	Weighted-Average Grant Price	Granted^(a)	Weighted-Average Grant Price
Stock options	2.0	\$ 171.00	2.1	\$ 163.00
RSUs and PSUs	2.1	\$ 171.00	2.3	\$ 163.00

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

We granted long-term cash awards to certain executive officers and other senior executives with an aggregate target value of \$19 million and \$18 million during the 12 weeks ended March 25, 2023 and March 19, 2022, respectively.

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

	12 Weeks Ended	
	3/25/2023	3/19/2022
Expected life	7 years	7 years
Risk-free interest rate	4.2 %	1.7 %
Expected volatility	16 %	16 %
Expected dividend yield	2.7 %	2.5 %

Note 7 - Pension and Retiree Medical Benefits

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

	12 Weeks Ended					
	Pension				Retiree Medical	
	U.S.		International		3/25/2023	3/19/2022
	3/25/2023	3/19/2022	3/25/2023	3/19/2022		
Service cost	\$ 76	\$ 114	\$ 8	\$ 17	\$ 6	\$ 8
Other pension and retiree medical benefits income:						
Interest cost	137	88	25	17	8	4
Expected return on plan assets	(197)	(215)	(35)	(42)	(3)	(3)
Amortization of prior service credits	(6)	(6)	—	—	(1)	(2)
Amortization of net losses/(gains)	16	33	2	5	(6)	(3)
Settlement/curtailment gains	—	—	—	—	—	(16)
Special termination benefits	(1)	6	—	—	—	—
Total other pension and retiree medical benefits income	(51)	(94)	(8)	(20)	(2)	(20)
Total	\$ 25	\$ 20	\$ —	\$ (3)	\$ 4	\$ (12)

We regularly evaluate opportunities to reduce risk and volatility associated with our pension and retiree medical plans.

During the 12 weeks ended March 25, 2023 and March 19, 2022, we made discretionary contributions of \$125 million and \$75 million, respectively, to our U.S. qualified defined benefit plans, and \$17 million and \$10 million, respectively, to our international defined benefit plans. We expect to make an additional discretionary contribution of \$125 million to our U.S. qualified defined benefit plans in the third quarter of 2023.

Note 8 - Debt Obligations

In the 12 weeks ended March 25, 2023, we issued the following notes:

Interest Rate	Maturity Date	Principal Amount ^(a)
Floating rate	February 2026	\$ 350
4.550 %	February 2026	\$ 500
4.450 %	May 2028	\$ 650
4.450 %	February 2033	\$ 1,000
4.650 %	February 2053	\$ 500

(a) Excludes debt issuance costs, discounts and premiums.

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

In the 12 weeks ended March 25, 2023, \$1.3 billion of USD-denominated senior notes matured and were paid. Subsequent to March 25, 2023, we discharged via legal defeasance \$94 million outstanding principal amount of certain notes originally issued by our subsidiary, The Quaker Oats Company, following the deposit of \$102 million of U.S. government securities with the Bank of New York Mellon, as trustee, in the fourth quarter of 2022.

As of March 25, 2023, we had \$800 million of commercial paper outstanding, excluding discounts.

Note 9 - Financial Instruments

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

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

There have been no material changes during the 12 weeks ended March 25, 2023 with respect to our risk management policies or strategies and valuation techniques used in measuring the fair value of the financial assets or liabilities disclosed in Note 9 to our consolidated financial statements in our 2022 Form 10-K.

Certain of our agreements with our counterparties require us to post full collateral on derivative instruments in a net liability position if our credit rating is at A2 (Moody's Investors Service, Inc.) or A (S&P Global Ratings) and we have been placed on credit watch for possible downgrade or if our credit rating falls below either of these levels. The fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position as of March 25, 2023 was \$228 million. We have posted no collateral under these contracts and no credit-risk-related contingent features were triggered as of March 25, 2023.

The notional amounts of our financial instruments used to hedge the above risks as of March 25, 2023 and December 31, 2022 are as follows:

	Notional Amounts^(a)	
	3/25/2023	12/31/2022
Commodity	\$ 1.8	\$ 1.8
Foreign exchange	\$ 2.8	\$ 3.0
Interest rate	\$ 1.3	\$ 1.3
Net investment ^(b)	\$ 2.9	\$ 2.9

(a) In billions.

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

As of March 25, 2023, approximately 4% of total debt, after the impact of the related interest rate derivative instruments, was subject to variable rates, compared to 1% as of December 31, 2022.

Debt Securities

Available-for-Sale

Investments in available-for-sale debt securities are reported at fair value. Changes in the fair value of available-for-sale debt securities are generally recognized in accumulated other comprehensive loss within common shareholders' equity. Changes in the fair value of available-for-sale debt securities impact earnings only when such securities are sold, or an allowance for expected credit losses or impairment is recognized. We regularly evaluate our investment portfolio for expected credit losses and impairment. In making this judgment, we evaluate, among other things, the extent to which the fair value of a debt security is less than its amortized cost; the financial condition of the issuer, including the credit quality, and any changes thereto; and our intent to sell, or whether we will more likely than not be required to sell, the debt security before recovery of its amortized cost basis. Our assessment of whether a debt security has a credit loss or is impaired could change in the future due to new developments or changes in assumptions related to any particular debt security. There were no unrealized gains and losses on our investments as of March 25, 2023. There were no impairment charges related to our investments for the 12 weeks ended March 25, 2023.

Fair Value Measurements

The fair values of our financial assets and liabilities as of March 25, 2023 and December 31, 2022 are categorized as follows:

	Fair Value Hierarchy Levels ^(a)	3/25/2023		12/31/2022	
		Assets ^(a)	Liabilities ^(a)	Assets ^(a)	Liabilities ^(a)
Available-for-sale debt securities ^(b)	2	\$ 658	\$ —	\$ 660	\$ —
Index funds ^(c)	1	\$ 250	\$ —	\$ 257	\$ —
Prepaid forward contracts ^(d)	2	\$ 14	\$ —	\$ 14	\$ —
Deferred compensation ^(e)	2	\$ —	\$ 432	\$ —	\$ 434
Derivatives designated as cash flow hedging instruments:					
Foreign exchange ^(f)	2	\$ 23	\$ 34	\$ 24	\$ 22
Interest rate ^(f)	2	—	175	—	164
Commodity ^(g)	2	2	50	2	60
		\$ 25	\$ 259	\$ 26	\$ 246
Derivatives not designated as hedging instruments:					
Foreign exchange ^(f)	2	\$ 17	\$ 17	\$ 21	\$ 21
Commodity ^(g)	2	9	45	11	51
		\$ 26	\$ 62	\$ 32	\$ 72
Total derivatives at fair value ^(h)		\$ 51	\$ 321	\$ 58	\$ 318
Total		\$ 973	\$ 753	\$ 989	\$ 752

- (a) Fair value hierarchy levels are categorized consistently by Level 1 (quoted prices in active markets for identical assets) and Level 2 (significant other observable inputs) in both years. Unless otherwise noted, financial assets are classified on our balance sheet within prepaid expenses and other current assets and other assets. Financial liabilities are classified on our balance sheet within accounts payable and other current liabilities and other liabilities.
- (b) Primarily related to our investment in Celsius Holdings, Inc. convertible preferred stock. The fair value of our investment approximates the transaction price and any accrued dividends, as well as the amortized cost. As of March 25, 2023, \$99 million and \$559 million were classified as short-term investments and other assets, respectively. As of December 31, 2022, \$3 million, \$104 million and \$553 million were classified as cash equivalents, short-term investments and other assets, respectively.
- (c) Based on the price of index funds. These investments are classified as short-term investments and are used to manage a portion of market risk arising from our deferred compensation liability.
- (d) Based primarily on the price of our common stock.
- (e) Based on the fair value of investments corresponding to employees' investment elections.
- (f) Based on recently reported market transactions of spot and forward rates.
- (g) Primarily based on recently reported market transactions of swap arrangements.
- (h) Derivative assets and liabilities are presented on a gross basis on our balance sheet. Amounts subject to enforceable master netting arrangements or similar agreements which are not offset on our balance sheet as of March 25, 2023 and December 31, 2022 were not material. Collateral received or posted against our asset or liability positions was not material. Exchange-traded commodity futures are cash-settled on a daily basis and, therefore, not included in the table.

The carrying amounts of our cash and cash equivalents and short-term investments recorded at amortized cost approximate fair value (classified as Level 2 in the fair value hierarchy) due to their short-term maturity. The fair value of our debt obligations as of March 25, 2023 and December 31, 2022 was \$39 billion and \$35 billion, respectively, based upon prices of identical or similar instruments in the marketplace, which are considered Level 2 inputs.

Losses/(gains) on our cash flow and net investment hedges are categorized as follows:

	12 Weeks Ended			
	Losses/(Gains) Recognized in Accumulated Other Comprehensive Loss		Losses/(Gains) Reclassified from Accumulated Other Comprehensive Loss into Income Statement ^(a)	
	3/25/2023	3/19/2022	3/25/2023	3/19/2022
Foreign exchange	\$ 16	\$ (8)	\$ 1	\$ (4)
Interest rate	11	(3)	3	20
Commodity	65	(189)	9	(78)
Net investment	37	(51)	—	—
Total	\$ 129	\$ (251)	\$ 13	\$ (62)

(a) Foreign exchange derivative losses/(gains) are included in net revenue and cost of sales. Interest rate derivative losses/(gains) are included in selling, general and administrative expenses. Commodity derivative losses/(gains) are included in either cost of sales or selling, general and administrative expenses, depending on the underlying commodity. See Note 11 for further information.

Based on current market conditions, we expect to reclassify net losses of \$119 million related to our cash flow hedges from accumulated other comprehensive loss within common shareholders' equity into net income during the next 12 months.

Losses/(gains) recognized in the income statement related to our non-designated hedges are categorized as follows:

	12 Weeks Ended					
	3/25/2023			3/19/2022		
	Cost of sales	Selling, general and administrative expenses	Total	Cost of sales	Selling, general and administrative expenses	Total
Foreign exchange	\$ (1)	\$ (5)	\$ (6)	\$ 11	\$ (27)	\$ (16)
Commodity	31	50	81	(74)	(92)	(166)
Total	\$ 30	\$ 45	\$ 75	\$ (63)	\$ (119)	\$ (182)

Note 10 - Net Income Attributable to PepsiCo per Common Share

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

	12 Weeks Ended			
	3/25/2023		3/19/2022	
	Income	Shares ^(a)	Income	Shares ^(a)
Basic net income attributable to PepsiCo per common share	\$ 1.40		\$ 3.08	
Net income available for PepsiCo common shareholders	\$ 1,932	1,378	\$ 4,261	1,383
Dilutive securities:				
Stock options, RSUs, PSUs and other ^(b)	—	6	—	8
Diluted	\$ 1,932	1,384	\$ 4,261	1,391
Diluted net income attributable to PepsiCo per common share	\$ 1.40		\$ 3.06	

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

(b) The dilutive effect of these securities is calculated using the treasury stock method.

The weighted-average amount of antidilutive securities excluded from the calculation of diluted earnings per common share was 3 million and immaterial for the 12 weeks ended March 25, 2023 and March 19, 2022, respectively.

Note 11 - Accumulated Other Comprehensive Loss Attributable to PepsiCo

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

	Currency Translation Adjustment	Cash Flow Hedges	Pension and Retiree Medical	Other	Accumulated Other Comprehensive Loss Attributable to PepsiCo
Balance as of December 31, 2022 ^(a)	\$ (12,948)	\$ 1	\$ (2,361)	\$ 6	\$ (15,302)
Other comprehensive (loss) before reclassifications ^(b)	(350)	(92)	(9)	(1)	(452)
Amounts reclassified from accumulated other comprehensive loss ^(c)	108	13	5	—	126
Net other comprehensive (loss)	(242)	(79)	(4)	(1)	(326)
Tax amounts	7	20	—	—	27
Balance as of March 25, 2023 ^(a)	<u>\$ (13,183)</u>	<u>\$ (58)</u>	<u>\$ (2,365)</u>	<u>\$ 5</u>	<u>\$ (15,601)</u>

(a) Pension and retiree medical amounts are net of taxes of \$1,184 million as of both December 31, 2022 and March 25, 2023.

(b) Currency translation adjustment primarily reflects depreciation of the Egyptian pound and Russian ruble.

(c) Release of currency translation adjustment is in relation to the sale of a non-strategic brand and an investment within our AMESA division.

	Currency Translation Adjustment	Cash Flow Hedges	Pension and Retiree Medical	Other	Accumulated Other Comprehensive Loss Attributable to PepsiCo
Balance as of December 25, 2021 ^(a)	\$ (12,309)	\$ 159	\$ (2,750)	\$ 2	\$ (14,898)
Other comprehensive (loss)/income before reclassifications ^(b)	(549)	200	(8)	—	(357)
Amounts reclassified from accumulated other comprehensive loss	—	(62)	25	—	(37)
Net other comprehensive (loss)/income	(549)	138	17	—	(394)
Tax amounts	(11)	(32)	(4)	(4)	(51)
Balance as of March 19, 2022 ^(a)	<u>\$ (12,869)</u>	<u>\$ 265</u>	<u>\$ (2,737)</u>	<u>\$ (2)</u>	<u>\$ (15,343)</u>

(a) Pension and retiree medical amounts are net of taxes of \$1,283 million as of December 25, 2021 and \$1,279 million as of March 19, 2022.

(b) Currency translation adjustment primarily reflects depreciation of the Russian ruble, partially offset by the appreciation of the South African rand, Brazilian real and Canadian dollar.

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

	12 Weeks Ended		Affected Line Item in the Income Statement
	3/25/2023	3/19/2022	
Currency translation:			
Divestitures	\$ 108	\$ —	Selling, general and administrative expenses
Cash flow hedges:			
Foreign exchange contracts	\$ (2)	\$ (2)	Net revenue
Foreign exchange contracts	3	(2)	Cost of sales
Interest rate derivatives	3	20	Selling, general and administrative expenses
Commodity contracts	10	(76)	Cost of sales
Commodity contracts	(1)	(2)	Selling, general and administrative expenses
Net losses/(gains) before tax	13	(62)	
Tax amounts	(4)	10	
Net losses/(gains) after tax	\$ 9	\$ (52)	
Pension and retiree medical items:			
Amortization of prior service credits	\$ (7)	\$ (8)	Other pension and retiree medical benefits income
Amortization of net losses	12	35	Other pension and retiree medical benefits income
Settlement/curtailment gains	—	(2)	Other pension and retiree medical benefits income
Net losses before tax	5	25	
Tax amounts	(1)	(6)	
Net losses after tax	\$ 4	\$ 19	
Total net losses/(gains) reclassified, net of tax	\$ 121	\$ (33)	

Note 12 - Acquisitions and Divestitures

Juice Transaction

In the 12 weeks ended March 19, 2022, we sold our Tropicana, Naked and other select juice brands to PAI Partners for \$3.5 billion in cash and a 39% noncontrolling interest in TBG, operating across North America and Europe. In the United States, PepsiCo acts as the exclusive distributor for TBG's portfolio of brands for small-format and foodservice customers with chilled direct-store-delivery. We have significant influence over our investment in TBG and account for our investment under the equity method, recognizing our proportionate share of TBG's earnings on our income statement (recorded in selling, general and administrative expenses).

As a result of this transaction, in the year ended December 31, 2022, we recorded a pre-tax gain of \$3.3 billion (\$2.9 billion after-tax or \$2.08 per share) in our PBNA and Europe divisions, including \$520 million related to the remeasurement of our 39% ownership in TBG at fair value using a combination of the transaction price, discounted cash flows and an option pricing model related to our liquidation preference in TBG. See Note 13 to our consolidated financial statements in our 2022 Form 10-K for further information.

In the 12 weeks ended March 19, 2022, we recorded a pre-tax gain of \$3.3 billion (\$2.9 billion after-tax or \$2.06 per share) in our PBNA and Europe divisions.

Acquisition and Divestiture-Related Charges

Acquisition and divestiture-related charges include merger and integration charges and costs associated with divestitures. Divestiture-related charges reflect transaction expenses, including consulting, advisory and other professional fees.

A summary of our acquisition and divestiture-related charges is as follows:

	12 Weeks Ended	
	3/25/2023	3/19/2022
PBNA	\$ 2	\$ 37
Europe	—	10
Corporate	—	3
Total ^(a)	2	50
Other pension and retiree medical benefits expense	—	6
Total acquisition and divestiture-related charges	\$ 2	\$ 56
After-tax amount	\$ 1	\$ 47
Impact on net income attributable to PepsiCo per common share	\$ —	\$ (0.03)

(a) Recorded in selling, general and administrative expenses.

Note 13 - Supply Chain Financing Arrangements

As part of our evolving market practices, we work with our suppliers to optimize our terms and conditions, which include the extension of payment terms. Our current payment terms with a majority of our suppliers generally range from 60 to 90 days, which we deem to be commercially reasonable. We will continue to monitor economic conditions and market practice working with our suppliers to adjust as necessary. We also maintain voluntary supply chain finance agreements with several participating global financial institutions. Under these agreements, our suppliers, at their sole discretion, may elect to sell their accounts receivable with PepsiCo to these participating global financial institutions. Supplier participation in these financing arrangements is voluntary. Our suppliers negotiate their financing agreements directly with the respective global financial institutions and we are not a party to these agreements. These financing arrangements allow participating suppliers to leverage PepsiCo’s creditworthiness in establishing credit spreads and associated costs, which generally provides our suppliers with more favorable terms than they would be able to secure on their own. Neither PepsiCo nor any of its subsidiaries provide any guarantees to any third party in connection with these financing arrangements. We have no economic interest in our suppliers’ decision to participate in these agreements. Our obligations to our suppliers, including amounts due and scheduled payment terms, are not impacted. All outstanding amounts related to suppliers participating in such financing arrangements are recorded within accounts payable and other current liabilities in our condensed consolidated balance sheet. As of March 25, 2023 and December 31, 2022, \$1.9 billion and \$1.7 billion, respectively, of our accounts payable are to suppliers participating in these financing arrangements.

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

FINANCIAL REVIEW

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

Our Critical Accounting Policies and Estimates

The critical accounting policies and estimates below should be read in conjunction with those outlined in our 2022 Form 10-K.

Total Marketplace Spending

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

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

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

Income Taxes

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

Our Business Risks

This Form 10-Q contains statements reflecting our views about our future performance that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (Reform Act). Statements that constitute forward-looking statements within the meaning of the Reform Act are generally identified through the inclusion of words such as "aim," "anticipate," "believe," "drive," "estimate," "expect," "expressed confidence," "forecast," "future," "goal," "guidance," "intend," "may," "objective," "outlook," "plan," "position," "potential," "project," "seek," "should," "strategy," "target," "will" or similar statements or variations of such words and other similar expressions. All statements addressing our future operating performance, and statements addressing events and developments that we expect or anticipate will occur in the future, are forward-looking statements within the meaning of the Reform Act. These forward-looking statements are based on currently available information, operating plans and projections about future events and trends. They inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in any such forward-looking statement. Such risks and uncertainties include, but are not limited

to: the risks associated with the deadly conflict in Ukraine; future demand for PepsiCo's products; damage to PepsiCo's reputation or brand image; product recalls or other issues or concerns with respect to product quality and safety; PepsiCo's ability to compete effectively; PepsiCo's ability to attract, develop and maintain a highly skilled and diverse workforce or effectively manage changes in our workforce; water scarcity; changes in the retail landscape or in sales to any key customer; disruption of PepsiCo's manufacturing operations or supply chain, including continued increased commodity, packaging, transportation, labor and other input costs; political or social conditions in the markets where PepsiCo's products are made, manufactured, distributed or sold; PepsiCo's ability to grow its business in developing and emerging markets; changes in economic conditions in the countries in which PepsiCo operates; future cyber incidents and other disruptions to our information systems; failure to successfully complete or manage strategic transactions; PepsiCo's reliance on third-party service providers and enterprise-wide systems; climate change or measures to address climate change; strikes or work stoppages; failure to realize benefits from PepsiCo's productivity initiatives; deterioration in estimates and underlying assumptions regarding future performance that can result in an impairment charge; fluctuations or other changes in exchange rates; any downgrade or potential downgrade of PepsiCo's credit ratings; imposition or proposed imposition of new or increased taxes aimed at PepsiCo's products; imposition of limitations on the marketing or sale of PepsiCo's products; changes in laws and regulations related to the use or disposal of plastics or other packaging materials; failure to comply with personal data protection and privacy laws; increase in income tax rates, changes in income tax laws or disagreements with tax authorities; failure to adequately protect PepsiCo's intellectual property rights or infringement on intellectual property rights of others; failure to comply with applicable laws and regulations; and potential liabilities and costs from litigation, claims, legal or regulatory proceedings, inquiries or investigations; and other risks and uncertainties including those described in "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks," included in our 2022 Form 10-K and in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks" and "Item 1A. Risk Factors" of this Form 10-Q. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

Risks Associated with Commodities and Our Supply Chain

During the 12 weeks ended March 25, 2023, we continued to experience significantly higher operating costs, including on transportation, labor and commodity (including energy) costs, which we expect to continue for the remainder of 2023. Many of the commodities used in the production and transportation of our products are purchased in the open market. The prices we pay for such items are subject to fluctuation, and we manage this risk through the use of fixed-price contracts and purchase orders, pricing agreements and derivative instruments, including swaps and futures. A number of external factors, including the deadly conflict in Ukraine, the inflationary cost environment, adverse weather conditions, supply chain disruptions (including raw material shortages) and labor shortages, have impacted and may continue to impact transportation, labor and commodity availability costs. When prices increase, we may or may not pass on such increases to our customers without suffering reduced volume, revenue, margins and operating results.

See Note 9 to our condensed consolidated financial statements in this Form 10-Q and Note 9 to our consolidated financial statements in our 2022 Form 10-K for further information on how we manage our exposure to commodity prices.

Risks Associated with Climate Change

Certain jurisdictions in which our products are made, manufactured, distributed or sold have either imposed, or are considering imposing, new or increased legal and regulatory requirements to reduce or mitigate the potential effects of climate change, including regulation of greenhouse gas emissions and potential carbon pricing programs. These new or increased legal or regulatory requirements, along with initiatives to meet our sustainability goals, could result in significant increased costs and additional investments in facilities and equipment. However, we are unable to predict the scope, nature and timing of any new or increased environmental laws and regulations and therefore cannot predict the ultimate impact of such laws and regulations on our business or financial results. We continue to monitor existing and proposed laws and regulations in the jurisdictions in which our products are made, manufactured, distributed and sold and to consider actions we may take to potentially mitigate the unfavorable impact, if any, of such laws or regulations.

Risks Associated with International Operations

In the 12 weeks ended March 25, 2023, our financial results outside of North America reflect the months of January and February. In the 12 weeks ended March 25, 2023, our operations outside of the United States generated 36% of our consolidated net revenue, with Mexico, Canada, China, Russia, the United Kingdom and Brazil comprising approximately 20% of our consolidated net revenue. As a result, we are exposed to foreign exchange risk in the international markets in which our products are made, manufactured, distributed or sold. In the 12 weeks ended March 25, 2023, unfavorable foreign exchange reduced net revenue growth by 2.5 percentage points primarily due to declines in the Egyptian pound, Turkish lira, Canadian dollar and Chinese yuan, partially offset by an appreciation of the Mexican peso. Currency declines against the U.S. dollar which are not offset could adversely impact our future financial results.

In addition, volatile economic, political and social conditions and civil unrest in certain markets in which our products are made, manufactured, distributed or sold, including in Argentina, Brazil, China, Mexico, the Middle East, Pakistan, Russia, Turkey and Ukraine, and natural disasters, debt and credit issues and currency controls or fluctuations in certain of these international markets, continue to, and the threat or imposition of new or increased tariffs or sanctions or other impositions in or related to these international markets may, result in challenging operating environments. We continue to monitor the economic, operating and political environment in these markets closely, including risks of additional impairments or write-offs, and to identify actions to potentially mitigate any unfavorable impacts on our future results.

See Notes 1 and 4 to our consolidated financial statements in our 2022 Form 10-K for a discussion of the Russia-Ukraine conflict charges, including impairment charges. Also see Note 1 to our condensed consolidated financial statements in this Form 10-Q for charges taken as a result of the Russia-Ukraine conflict in the 12 weeks ended March 19, 2022.

See Note 9 to our condensed consolidated financial statements in this Form 10-Q for the fair values of our financial instruments as of March 25, 2023 and December 31, 2022 and Note 9 to our consolidated financial statements in our 2022 Form 10-K for a discussion of these items.

Risks Associated with the Deadly Conflict in Ukraine

In addition to the risks associated with international operations discussed above, we continue to face risks associated with the deadly conflict in Ukraine. The conflict has continued to result in worldwide geopolitical and macroeconomic uncertainty, and certain of our operations in Ukraine remain suspended. We have suspended sales to our customers of Pepsi-Cola and certain of our other global beverage brands, our discretionary capital investments and advertising and promotional activities in Russia, which has

negatively impacted and could continue to negatively impact our business. We continue to offer our other products in Russia.

The conflict has resulted and could continue to result in volatile commodity markets, supply chain disruptions, increased risk of cyber incidents or other disruptions to our information systems, reputational risks, heightened risks to employee safety, business disruptions (including labor shortages), significant volatility of the Russian ruble, limitations on access to credit markets and other corporate banking services, including working capital facilities, reduced availability and increased costs for transportation, energy, packaging, raw materials and other input costs, environmental, health and safety risks related to securing and maintaining facilities, additional sanctions, export controls and other legislation or regulations (including restrictions on the transfer of funds to and from Russia). The ongoing conflict could result in the temporary or permanent loss of assets or additional impairment charges. We cannot predict how and the extent to which the conflict will continue to affect our employees, customers, operations or business partners or our ability to achieve certain of our sustainability goals. The conflict has adversely affected and could continue to adversely affect demand for our products and our global business. See Notes 1 and 4 to our consolidated financial statements in our 2022 Form 10-K, for a discussion of the Russia-Ukraine conflict charges, including impairment charges. Also see Note 1 to our condensed consolidated financial statements in this Form 10-Q for charges taken as a result of the Russia-Ukraine conflict in the 12 weeks ended March 19, 2022.

The extent of the impact of these tragic events on our business remains uncertain and will continue to depend on numerous evolving factors that we are not able to accurately predict, including the duration and scope of the conflict, regional instability and ongoing and additional financial and economic sanctions, export controls and other legislation imposed by governments. We will continue to monitor and assess the situation as circumstances evolve and to identify actions to potentially mitigate any unfavorable impacts on our future results.

Imposition of Taxes and Regulations on our Products

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

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

OECD Global Minimum Tax

Numerous countries have agreed to a statement in support of the Organization for Economic Co-operation and Development (OECD) model rules that propose a global minimum tax rate of 15% and European Union member states have agreed to implement the global minimum tax. Certain countries, including European Union member states, are expected to enact legislation to be effective as early as 2024, with widespread implementation of a global minimum tax expected by 2025. As the legislation becomes effective in countries in which we do business, our taxes could increase and negatively impact our provision for income taxes. We will continue to monitor pending legislation and implementation by individual countries and evaluate the potential impact on our business in future periods.

Retail Landscape

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

Cautionary statements included above and in “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks” in our 2022 Form 10-K should be considered when evaluating our trends and future results.

Results of Operations – Consolidated Review

Consolidated Results

Volume

Physical or unit volume is one of the key metrics management uses internally to make operating and strategic decisions, including the preparation of our annual operating plan and the evaluation of our business performance. We believe volume provides additional information to facilitate the comparison of our historical operating performance and underlying trends and provides additional transparency on how we evaluate our business because it measures demand for our products at the consumer level. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Financial Results – Volume” included in our 2022 Form 10-K for further information on volume. Unit volume growth adjusts for the impacts of acquisitions and divestitures. Acquisitions and divestitures, when used in this report, reflect mergers and acquisitions activity, as well as divestitures and other structural changes, including changes in ownership or control in consolidated subsidiaries and nonconsolidated equity investees. Further, unit volume growth excludes the impact of an additional week of results every five or six years (53rd reporting week), where applicable, including in our fourth quarter 2022 financial results.

We report all of our international operations on a monthly calendar basis. The 12 weeks ended March 25, 2023 and March 19, 2022 include volume outside of North America for the months of January and February.

Consolidated Net Revenue and Operating Profit

	12 Weeks Ended		
	3/25/2023	3/19/2022	Change
Net revenue	\$ 17,846	\$ 16,200	10 %
Operating profit	\$ 2,629	\$ 5,267	(50)%
Operating margin	14.7 %	32.5 %	(17.8)

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

Operating profit decreased 50% and operating margin decreased 17.8 percentage points. Operating profit performance was primarily driven by a 73-percentage-point unfavorable impact of the gain associated with the Juice Transaction in the prior year, certain operating cost increases, a 33-percentage-point impact of higher commodity costs, a decrease in organic volume and a 4-percentage-point impact of higher mark-to-market losses on commodity derivatives. These impacts were partially offset by effective net pricing, productivity savings, and a 5-percentage-point impact each of the charges associated with the Russia-Ukraine conflict and the impairment of intangible assets related to the repositioning or discontinuation of certain juice and dairy brands in Russia. The operating margin decline primarily reflects the gain associated with the Juice Transaction in the prior year.

Other Consolidated Results

	12 Weeks Ended		
	3/25/2023	3/19/2022	Change
Other pension and retiree medical benefits income	\$ 61	\$ 134	\$ (73)
Net interest expense and other	\$ (200)	\$ (240)	\$ 40
Tax rate	21.9 %	17.2 %	
Net income attributable to PepsiCo ^(a)	\$ 1,932	\$ 4,261	(55)%
Net income attributable to PepsiCo per common share – diluted ^(a)	\$ 1.40	\$ 3.06	(54)%

(a) For the 12 weeks ended March 19, 2022, the gain associated with the Juice Transaction contributed to both net income attributable to PepsiCo and net income attributable to PepsiCo per common share. See Note 12 to our condensed consolidated financial statements for further information.

Other pension and retiree medical benefits income decreased \$73 million, primarily due to higher interest cost and recognition of fixed income losses on plan assets, partially offset by lower amortization of net losses on pension obligations and higher rate on expected return on plan assets, all driven primarily by higher interest rates.

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

The reported tax rate increased 4.7 percentage points, primarily reflecting the prior-year impact of the Juice Transaction.

Results of Operations – Division Review

While our financial results in North America are reported on a 12-week basis, all of our international operations are reported on a monthly calendar basis for which the months of January and February are reflected in our results for the 12 weeks ended March 25, 2023 and March 19, 2022.

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.

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

Net Revenue and Organic Revenue Growth

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

	12 Weeks Ended 3/25/2023					
	Reported % Change, GAAP Measure	Impact of		Organic % Change, Non-GAAP Measure ^(a)	Impact of	
		Foreign exchange translation	Acquisitions and divestitures		Organic volume ^(b)	Effective net pricing
FLNA	15 %	—	—	16 %	—	16
QFNA	9 %	1	—	10 %	(5)	15
PBNA	8 %	—	3	12 %	(3)	15
LatAm	21 %	(6)	1	16 %	1	15
Europe	5 %	5	4	14 %	(9)	23
AMESA	2 %	28	—	29 %	(2)	31
APAC	(1)%	6	—	4 %	2	2.5
Total	10 %	2.5	2	14 %	(2)	16

(a) Amounts may not sum due to rounding.

(b) Excludes the impact of acquisitions and divestitures. In certain instances, the impact of organic volume on net revenue growth differs from the unit volume change disclosed in the following divisional discussions due to the impacts of product mix, nonconsolidated joint venture volume, and, for our franchise-owned beverage businesses, temporary timing differences between bottler case sales and concentrate shipments and equivalents (CSE). We report net revenue from our franchise-owned beverage businesses based on CSE. The volume sold by our nonconsolidated joint ventures has no direct impact on our net revenue.

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

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

Operating Profit and Operating Profit Adjusted for Items Affecting Comparability

	12 Weeks Ended 3/25/2023					
	Reported, GAAP Measure	Items Affecting Comparability ^(a)				Core, Non-GAAP Measure
		Mark-to-market net impact	Restructuring and impairment charges	Acquisition and divestiture-related charges	Impairment and other charges/credits ^(b)	
FLNA	\$ 1,599	\$ —	\$ 7	\$ —	\$ —	\$ 1,606
QFNA	188	—	—	—	—	188
PBNA	483	—	5	2	—	490
LatAm	364	—	5	—	—	369
Europe	71	—	89	—	—	160
AMESA	168	—	5	—	(13)	160
APAC	227	—	1	—	—	228
Corporate unallocated expenses	(471)	71	1	—	—	(399)
Total	\$ 2,629	\$ 71	\$ 113	\$ 2	\$ (13)	\$ 2,802

	12 Weeks Ended 3/19/2022						
	Items Affecting Comparability ^(a)						Core, Non-GAAP Measure
	Reported, GAAP Measure	Mark-to-market net impact	Restructuring and impairment charges	Acquisition and divestiture-related charges	Gain associated with the Juice Transaction	Impairment and other charges/credits	
FLNA	\$ 1,296	\$ —	\$ 3	\$ —	\$ —	\$ —	\$ 1,299
QFNA	159	—	—	—	—	—	159
PBNA	3,434	—	3	37	(3,024)	—	450
LatAm	323	—	6	—	—	—	329
Europe	(136)	—	7	10	(298)	482	65
AMESA	180	—	2	—	—	—	182
APAC	215	—	1	—	—	—	216
Corporate unallocated expenses	(204)	(112)	5	3	—	—	(308)
Total	\$ 5,267	\$ (112)	\$ 27	\$ 50	\$ (3,322)	\$ 482	\$ 2,392

(a) See “Items Affecting Comparability.”

(b) The income amount reflects adjustments to the charges recorded in the prior year related to the sale of a non-strategic brand.

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

	12 Weeks Ended 3/25/2023								
	Reported % Change, GAAP Measure	Impact of Items Affecting Comparability ^(a)					Impact of		Core Constant Currency % Change, Non-GAAP Measure ^(b)
		Mark-to-market net impact	Restructuring and impairment charges	Acquisition and divestiture-related charges	Gain associated with the Juice Transaction	Impairment and other charges/credits	Core % Change, Non-GAAP Measure ^(b)	Foreign exchange translation	
FLNA	23 %	—	—	—	—	—	24 %	—	24 %
QFNA	18 %	—	—	—	—	—	18 %	—	19 %
PBNA	(86)%	—	—	(1)	96	—	9 %	1	10 %
LatAm	13 %	—	(1)	—	—	—	12 %	(6)	6 %
Europe	n/m	—	n/m	n/m	n/m	n/m	148 %	11	159 %
AMESA	(6)%	—	2	—	—	(7)	(12)%	23	11 %
APAC	5.5 %	—	1	(1)	—	—	5.5 %	6	11 %
Corporate unallocated expenses	132 %	(105)	3	1	—	—	30 %	—	30 %
Total	(50)%	4	2	(1)	73	(11)	17 %	2	19 %

(a) See “Items Affecting Comparability” for further information.

(b) Amounts may not sum due to rounding.

n/m - Not meaningful due to the impact of impairment and other charges in 2022.

FLNA

Net revenue grew 15%, primarily driven by effective net pricing.

Unit volume declined slightly, primarily driven by a high-single-digit decline in dips, a mid-single-digit decline in trademark Tostitos and a double-digit decline in our Sabra joint venture products, partially offset by double-digit growth in trademark Chester’s and Fritos.

Operating profit increased 23%, primarily reflecting the effective net pricing and productivity savings. These impacts were partially offset by certain operating cost increases, including strategic initiatives, a 15-percentage-point impact of higher commodity costs, primarily cooking oil, potatoes and ingredients, and higher advertising and marketing expenses.

QFNA

Net revenue grew 9%, primarily driven by effective net pricing, partially offset by a decrease in organic volume.

Unit volume declined 5%, primarily reflecting double-digit declines in oatmeal and rice/pasta sides.

Operating profit grew 18%, primarily reflecting the effective net pricing and productivity savings. These impacts were partially offset by certain operating cost increases, a 17-percentage-point impact of higher commodity costs, primarily grains, higher advertising and marketing expenses and the decrease in organic volume.

PBNA

Net revenue increased 8%, primarily driven by effective net pricing, partially offset by a decrease in organic volume. The Juice Transaction reduced net revenue growth by 3 percentage points.

Unit volume decreased 2%, driven by a 4% decrease in non-carbonated beverage (NCB) volume and a 1% decrease in carbonated soft drink volume. The NCB volume decrease primarily reflected a high-single-digit decrease in Gatorade sports drinks and mid-single-digit decreases in our overall water portfolio and our Lipton ready-to-drink tea portfolio, partially offset by a double-digit increase in our juice and juice drinks portfolio (adjusted for the impact of the Juice Transaction).

Operating profit decreased 86%, primarily reflecting a 96-percentage-point impact of the prior-year gain of \$3.0 billion associated with the Juice Transaction. Operating profit also decreased due to certain operating cost increases, including information technology costs, a 45-percentage-point impact of higher commodity costs, including energy, sweeteners and packaging materials, the decrease in organic volume, and higher advertising and marketing expenses. Additionally, net unfavorable insurance adjustments and the loss in net revenue due to the Juice Transaction negatively impacted operating profit performance by 8 percentage points and 6 percentage points, respectively. These impacts were partially offset by the effective net pricing and productivity savings. Certain costs associated with remediating a service disruption from a third-party payroll service provider in the prior year positively contributed 7 percentage points to operating profit performance.

LatAm

Net revenue increased 21%, primarily reflecting effective net pricing and a 6-percentage-point impact of favorable foreign exchange.

Convenient foods unit volume grew 1%, primarily reflecting mid-single-digit growth in Mexico and low-single-digit growth in Brazil.

Beverage unit volume grew 5%, primarily reflecting double-digit growth in Brazil and Peru, high-single-digit growth in Mexico and Guatemala and mid-single-digit growth in Colombia, partially offset by a mid-single-digit decline in Argentina. Additionally, Chile experienced mid-single-digit growth.

Operating profit increased 13%, primarily reflecting the net revenue growth and productivity savings. These impacts were partially offset by certain operating cost increases, an 18-percentage-point impact of higher commodity costs, primarily cooking oil and grains, higher advertising and marketing expenses and a 3-percentage-point unfavorable impact of certain indirect tax credits in Brazil compared to the prior year. Favorable foreign exchange contributed 6 percentage points to operating profit growth.

Europe

Net revenue increased 5%, reflecting effective net pricing, partially offset by an organic volume decline, a 5-percentage-point impact of unfavorable foreign exchange and a 2-percentage-point unfavorable impact of the Juice Transaction.

Convenient foods unit volume declined 5%, primarily reflecting a double-digit decline in Ukraine and high-single-digit declines in Russia and the United Kingdom, partially offset by high-single-digit growth in France and slight growth in Turkey. Additionally, the Netherlands declined slightly.

Beverage unit volume declined 11%, primarily reflecting double-digit declines in Russia, Germany and Ukraine, partially offset by low-single-digit growth in Turkey. Additionally, the United Kingdom and France experienced mid-single-digit declines.

Operating profit improvement primarily reflects the favorable impact of prior-year charges associated with the Russia-Ukraine conflict and impairment of intangible assets related to the repositioning or discontinuation of certain juice and dairy brands in Russia (brand portfolio impairment charges), the effective net pricing, productivity savings and a 39-percentage-point favorable impact of higher payments to employees for a change in pension benefits in the prior year. These impacts were partially offset by the unfavorable impact of the prior-year gain associated with the Juice Transaction and higher restructuring and impairment charges. Additionally, operating profit improvement was negatively impacted by certain operating cost increases, a 238-percentage-point impact of higher commodity costs, primarily cooking oil, sweeteners and ingredients, the organic volume decline and higher advertising and marketing expenses. Unfavorable foreign exchange negatively impacted operating profit improvement by 11 percentage points.

AMESA

Net revenue increased 2%, primarily reflecting effective net pricing, partially offset by an organic volume decline. Unfavorable foreign exchange reduced net revenue growth by 28 percentage points, primarily due to weakening of the Egyptian pound.

Convenient foods unit volume declined 8%, primarily reflecting a double-digit decline in South Africa, partially offset by double-digit growth in the Middle East. Additionally, India and Pakistan each experienced a low-single-digit decline.

Beverage unit volume grew 15%, primarily reflecting double-digit growth in India, partially offset by a low-single-digit decline in Nigeria. Additionally, the Middle East experienced high-single-digit growth and Pakistan experienced double-digit growth.

Operating profit decreased 6%, primarily reflecting a 77-percentage-point impact of higher commodity costs, primarily cooking oil and packaging materials, certain operating cost increases and higher advertising and marketing expenses. These impacts were partially offset by the effective net pricing, productivity savings and a 7-percentage-point favorable impact of adjustments to the charges recorded in the prior year related to the sale of a non-strategic brand. Unfavorable foreign exchange negatively impacted operating profit performance by 23 percentage points, primarily due to weakening of the Egyptian pound.

APAC

Net revenue decreased 1%, reflecting a 6-percentage-point impact of unfavorable foreign exchange, partially offset by effective net pricing and organic volume growth.

Convenient foods unit volume grew 4%, primarily reflecting high-single-digit growth in China, partially offset by a double-digit decline in Thailand and a mid-single-digit decline in Australia.

Beverage unit volume grew 2%, primarily reflecting double-digit growth in Vietnam and low-single-digit growth in China, partially offset by a double-digit decline in the Philippines and a slight decline in Thailand.

Operating profit increased 5.5%, primarily reflecting the effective net pricing and productivity savings. These impacts were partially offset by a 12-percentage-point impact of higher commodity costs, primarily

cooking oil and potatoes, and certain operating cost increases. Unfavorable foreign exchange reduced operating profit growth by 6 percentage points.

Non-GAAP Measures

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

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

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

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

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

These measures exclude the net impact of mark-to-market gains and losses on centrally managed commodity derivatives that do not qualify for hedge accounting, restructuring and impairment charges related to our 2019 Productivity Plan, charges associated with our acquisitions and divestitures, the gain associated with the Juice Transaction, impairment and other charges/credits comprised of Russia-Ukraine conflict charges and brand portfolio impairment charges, and the impact of settlement and curtailment gains and losses related to pension and retiree medical plans (see “Items Affecting Comparability” for a detailed description of each of these items). We also evaluate performance on operating profit and net income attributable to PepsiCo per common share – diluted, each adjusted for items affecting comparability on a constant currency basis, which measure our financial results assuming constant foreign currency exchange rates used for translation based on the rates in effect for the comparable prior-year period. In order to compute our constant currency results, we multiply or divide, as appropriate, our current-year U.S. dollar results by the current-year average foreign exchange rates and then multiply or

divide, as appropriate, those amounts by the prior-year average foreign exchange rates. We believe these measures provide useful information in evaluating the results of our business because they exclude items that we believe are not indicative of our ongoing performance or that we believe impact comparability with the prior year.

Organic revenue growth

We define organic revenue growth as a measure that adjusts for the impacts of foreign exchange translation, acquisitions and divestitures and where applicable, the impact of the 53rd reporting week, including in our fourth quarter 2022 financial results. We believe organic revenue growth provides useful information in evaluating the results of our business because it excludes items that we believe are not indicative of ongoing performance or that we believe impact comparability with the prior year.

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

Free cash flow

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

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

Items Affecting Comparability

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

	12 Weeks Ended 3/25/2023							
	Cost of sales	Gross profit	Selling, general and administrative expenses	Operating profit	Other pension and retiree medical benefits income	Provision for income taxes ^(a)	Net income attributable to noncontrolling interests	Net income attributable to PepsiCo
Reported, GAAP Measure	\$ 7,988	\$ 9,858	\$ 7,229	\$ 2,629	\$ 61	\$ 546	\$ 12	\$ 1,932
Items Affecting Comparability								
Mark-to-market net impact	(14)	14	(57)	71	—	17	—	54
Restructuring and impairment charges	(3)	3	(110)	113	(1)	14	1	97
Acquisition and divestiture-related charges	—	—	(2)	2	—	1	—	1
Impairment and other charges/credits	4	(4)	9	(13)	—	—	—	(13)
Core, Non-GAAP Measure	<u>\$ 7,975</u>	<u>\$ 9,871</u>	<u>\$ 7,069</u>	<u>\$ 2,802</u>	<u>\$ 60</u>	<u>\$ 578</u>	<u>\$ 13</u>	<u>\$ 2,071</u>

12 Weeks Ended 3/19/2022

	Cost of sales	Gross profit	Selling, general and administrative expenses	Gain associated with the Juice Transaction	Impairment of intangible assets	Operating profit	Other pension and retiree medical benefits income	Provision for income taxes ^(a)	Net income attributable to PepsiCo
Reported, GAAP Measure	\$ 7,433	\$ 8,767	\$ 6,580	\$ (3,322)	\$ 242	\$ 5,267	\$ 134	\$ 888	\$ 4,261
Items Affecting Comparability									
Mark-to-market net impact	33	(33)	79	—	—	(112)	—	(26)	(86)
Restructuring and impairment charges	(5)	5	(22)	—	—	27	—	6	21
Acquisition and divestiture-related charges	—	—	(50)	—	—	50	6	9	47
Gain associated with the Juice Transaction	—	—	—	3,322	—	(3,322)	—	(452)	(2,870)
Impairment and other charges/credits	(140)	140	(100)	—	(242)	482	—	48	434
Pension and retiree medical-related impact	—	—	—	—	—	—	(16)	(4)	(12)
Core, Non-GAAP Measure	\$ 7,321	\$ 8,879	\$ 6,487	\$ —	\$ —	\$ 2,392	\$ 124	\$ 469	\$ 1,795

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

	12 Weeks Ended		
	3/25/2023	3/19/2022	Change
Net income attributable to PepsiCo per common share – diluted, GAAP measure	\$ 1.40	\$ 3.06	(54)%
Mark-to-market net impact	0.04	(0.06)	
Restructuring and impairment charges	0.07	0.02	
Acquisition and divestiture-related charges	—	0.03	
Gain associated with the Juice Transaction	—	(2.06)	
Impairment and other charges/credits	(0.01)	0.31	
Pension and retiree medical-related impact	—	(0.01)	
Core net income attributable to PepsiCo per common share – diluted, non-GAAP measure	\$ 1.50	\$ 1.29	16 %
Impact of foreign exchange translation			2
Growth in core net income attributable to PepsiCo per common share – diluted, on a constant currency basis, non-GAAP measure			18 %

Mark-to-Market Net Impact

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

Restructuring and Impairment Charges

2019 Multi-Year Productivity Plan

The 2019 Productivity Plan, publicly announced on February 15, 2019, will leverage new technology and business models to further simplify, harmonize and automate processes; re-engineer our go-to-market and information systems, including deploying the right automation for each market; and simplify our organization and optimize our manufacturing and supply chain footprint. To build on the successful implementation of the 2019 Productivity Plan, in 2022, we expanded and extended the plan through the

end of 2028 to take advantage of additional opportunities within the initiatives described above. As a result, we expect to incur pre-tax charges of approximately \$3.65 billion, including cash expenditures of approximately \$2.9 billion. Plan to date through March 25, 2023, we have incurred pre-tax charges of \$1.6 billion, including cash expenditures of \$1.1 billion. For the remainder of 2023, we expect to incur pre-tax charges of approximately \$475 million, and cash expenditures of approximately \$500 million. These charges will be funded primarily through cash from operations. We expect to incur the majority of the remaining pre-tax charges and cash expenditures in our 2023 through 2024 financial results, with the balance to be incurred through 2028. Charges include severance and other employee costs, asset impairments and other costs.

See Note 3 to our condensed consolidated financial statements in this Form 10-Q, as well as Note 3 to our consolidated financial statements in our 2022 Form 10-K, for further information related to our 2019 Productivity Plan.

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

Acquisition and Divestiture-Related Charges

Acquisition and divestiture-related charges include merger and integration charges and costs associated with divestitures. Divestiture-related charges reflect transaction expenses, including consulting, advisory and other professional fees. See Note 12 to our condensed consolidated financial statements for further information.

Gain Associated with the Juice Transaction

We recognized a gain associated with the Juice Transaction in our PBNA and Europe divisions. See Note 12 to our condensed consolidated financial statements for further information.

Impairment and Other Charges/Credits

We recognized Russia-Ukraine conflict charges and brand portfolio impairment charges as described below.

Russia-Ukraine Conflict Charges

In connection with the deadly conflict in Ukraine, we recognized charges related to property, plant and equipment impairment, allowance for expected credit losses, inventory write-downs and other costs. See Note 1 to our condensed consolidated financial statements for further information.

Brand Portfolio Impairment Charges

We recognized asset impairment charges as a result of management's decision to reposition or discontinue certain brands. We also recognized adjustments to the charges recorded in the prior year related to the sale of a non-strategic brand. See Notes 1 and 4 to our condensed consolidated financial statements for further information.

Pension and Retiree Medical-Related Impact

Pension and retiree medical-related impact relates to curtailment gains resulting from the Juice Transaction.

Our Liquidity and Capital Resources

We believe that our cash generating capability and financial condition, together with our revolving credit facilities, working capital lines and other available methods of debt financing, such as commercial paper borrowings and long-term debt financing, will be adequate to meet our operating, investing and financing

needs, including with respect to our net capital spending plans. Our primary sources of liquidity include cash from operations, proceeds obtained from issuances of commercial paper and long-term debt, and cash and cash equivalents. These sources of cash are available to fund cash outflows that have both a short- and long-term component, including debt repayments and related interest payments; payments for acquisitions; operating leases; purchase, marketing, and other contractual commitments, including capital expenditures and the transition tax liability under the TCJ Act. In addition, these sources of cash fund other cash outflows including anticipated dividend payments and share repurchases. We do not have guarantees or off-balance sheet financing arrangements, including variable interest entities, that we believe could have a material impact on our liquidity. See “Our Business Risks” and Notes 8 and 12 to our condensed consolidated financial statements included in this Form 10-Q and “Item 1A. Risk Factors,” “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks” and Note 8 to our consolidated financial statements included in our 2022 Form 10-K for further information.

Our sources and uses of cash were not materially adversely impacted by the Russia-Ukraine conflict in the 12 weeks ended March 25, 2023 and, to date, we have not identified any material liquidity deficiencies as a result of the conflict. Based on the information currently available to us, we do not expect the impact of the Russia-Ukraine conflict to have a material impact on our future liquidity. We will continue to monitor and assess the impact the Russia-Ukraine conflict may have on our business and financial results. See “Our Business Risks,” Note 1 to our condensed consolidated financial statements and “Item 1A. Risk Factors” included in our 2022 Form 10-K for further information related to the impact of the Russia-Ukraine conflict on our business and financial results.

As of March 25, 2023, cash, cash equivalents and short-term investments in our consolidated subsidiaries subject to currency controls or currency exchange restrictions were not material.

The TCJ Act imposed a one-time mandatory transition tax on undistributed international earnings. As of March 25, 2023, our mandatory transition tax liability was \$2.6 billion, which must be paid through 2026 under the provisions of the TCJ Act. See “Our Liquidity and Capital Resources,” “Our Critical Accounting Policies” and Note 5 to our consolidated financial statements included in our 2022 Form 10-K for further discussion of the TCJ Act.

Supply chain financing arrangements did not have a material impact on our liquidity or capital resources in the periods presented and we do not expect such arrangements to have a material impact on our liquidity or capital resources for the foreseeable future. See Note 13 to our condensed consolidated financial statements for further discussion of supply chain financing arrangements.

Operating Activities

During the 12 weeks ended March 25, 2023, net cash used for operating activities was \$0.4 billion, compared to net cash used for operating activities of \$0.2 billion in the prior-year period. The decrease in operating cash flow primarily reflects unfavorable working capital comparisons, partially offset by favorable operating profit performance in the current year.

Investing Activities

During the 12 weeks ended March 25, 2023, net cash used for investing activities was \$0.5 billion, primarily reflecting net capital spending of \$0.6 billion.

We regularly review our plans with respect to net capital spending, including in light of the ongoing uncertainty caused by the Russia-Ukraine conflict on our business, and believe that we have sufficient liquidity to meet our net capital spending needs.

Financing Activities

During the 12 weeks ended March 25, 2023, net cash provided by financing activities was \$0.8 billion, primarily reflecting proceeds from issuances of long-term debt of \$3.0 billion and net proceeds of short-term borrowings of \$0.9 billion, partially offset by the return of operating cash flow to our shareholders through dividend payments of \$1.6 billion and share repurchases of \$0.2 billion and payments of long-term debt borrowings of \$1.3 billion.

We annually review our capital structure with our Board of Directors, including our dividend policy and share repurchase activity. On February 10, 2022, we announced a share repurchase program providing for the repurchase of up to \$10.0 billion of PepsiCo common stock which commenced on February 11, 2022 and will expire on February 28, 2026. In addition, on February 9, 2023, we announced a 10% increase in our annualized dividend to \$5.06 per share from \$4.60 per share, effective with the dividend expected to be paid in June 2023. We expect to return a total of approximately \$7.7 billion to shareholders in 2023, comprising dividends of approximately \$6.7 billion and share repurchases of approximately \$1.0 billion.

Free Cash Flow

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

	12 Weeks Ended	
	3/25/2023	3/19/2022
Net cash used for operating activities, GAAP measure	\$ (392)	\$ (174)
Capital spending	(581)	(522)
Sales of property, plant and equipment	19	3
Free cash flow, non-GAAP measure	<u>\$ (954)</u>	<u>\$ (693)</u>

We use free cash flow primarily for acquisitions and financing activities, including debt repayments, dividends and share repurchases. We expect to continue to return free cash flow to our shareholders primarily through dividends while maintaining Tier 1 commercial paper access, which we believe will facilitate appropriate financial flexibility and ready access to global capital and credit markets at favorable interest rates. See “Our Business Risks” included in this Form 10-Q and “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks,” included in our 2022 Form 10-K, for certain factors that may impact our credit ratings or our operating cash flows.

Any downgrade of our credit ratings by a credit rating agency, especially any downgrade to below investment grade, whether or not as a result of our actions or factors which are beyond our control, could increase our future borrowing costs and impair our ability to access capital and credit markets on terms commercially acceptable to us, or at all. In addition, any downgrade of our current short-term credit ratings could impair our ability to access the commercial paper market with the same flexibility that we have experienced historically, and therefore require us to rely more heavily on more expensive types of debt financing. See Note 8 to our condensed consolidated financial statements and “Our Business Risks” included in this Form 10-Q, as well as “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks” included in our 2022 Form 10-K for further information.

Material Changes in Line Items in Our Condensed Consolidated Financial Statements

Material changes in line items in our condensed consolidated statement of income are discussed in “Results of Operations – Consolidated Review,” “Results of Operations – Division Review” and “Items Affecting Comparability.”

Material changes in line items in our condensed consolidated statement of cash flows are discussed in “Our Liquidity and Capital Resources.”

Material changes in line items in our condensed consolidated balance sheet are discussed below:

Total Assets

As of March 25, 2023, total assets were \$93.0 billion, compared to \$92.2 billion as of December 31, 2022. In the 12-weeks ended March 25, 2023, there were no material changes in these line items.

Total Liabilities

As of March 25, 2023 total liabilities were \$75.9 billion, compared to \$74.9 billion as of December 31, 2022. The increase in total liabilities is primarily driven by the following line items:

	Change^(a)	Reference
Short-term debt obligations	\$ 0.9	(b)
Accounts payable and other current liabilities	\$ (1.8)	(c)
Long-term debt obligations	\$ 1.8	(d)

(a) In billions.

(b) Primarily reflects issuances of commercial paper. See Note 8 to our condensed consolidated financial statements for further information.

(c) Primarily reflects payments of 2022 production and capital expenditure payables across a number of our divisions.

(d) Primarily reflects issuances of long-term debt, partially offset by debt maturities. See Note 8 to our condensed consolidated financial statements for further information.

Total Equity

Refer to our condensed consolidated statement of equity and Notes 9 and 11 to our condensed consolidated financial statements.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors

PepsiCo, Inc.:

Results of Review of Interim Financial Information

We have reviewed the Condensed Consolidated Balance Sheet of PepsiCo, Inc. and subsidiaries (the Company) as of March 25, 2023, the related Condensed Consolidated Statements of Income, Comprehensive Income, Cash Flows and Equity for the twelve weeks ended March 25, 2023 and March 19, 2022, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Consolidated Balance Sheet of the Company as of December 31, 2022, and the related Consolidated Statements of Income, Comprehensive Income, Cash Flows and Equity for the fiscal year then ended (not presented herein); and in our report dated February 8, 2023, 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, 2022, is fairly stated, in all material respects, in relation to the Consolidated Balance Sheet from which it has been derived.

Basis for Review Results

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

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

/s/ KPMG LLP

New York, New York
April 24, 2023

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

See “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks.” In addition, see “Item 1A. Risk Factors,” “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks” and Note 9 to our consolidated financial statements in our 2022 Form 10-K.

ITEM 4. Controls and Procedures.

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

During the 12 weeks ended March 25, 2023, we continued migrating certain of our financial processing systems to an Enterprise Resource Planning (ERP) system. These systems implementations are part of our ongoing global business transformation initiative, and we plan to continue implementing such systems throughout other parts of our businesses in phases over the next several years. In connection with these ERP implementations, we are updating and will continue to update our internal control over financial reporting, as necessary, to accommodate modifications to our business processes and accounting procedures. During the 12 weeks ended March 25, 2023, we continued implementing these systems, resulting in changes that materially affected our internal control over financial reporting. These system implementations did not have an adverse effect, nor do we expect will have an adverse effect, on our internal control over financial reporting. In addition, in connection with our 2019 multi-year productivity plan, we continue to migrate to shared business models across our operations to further simplify, harmonize and automate processes. In connection with this multi-year productivity plan and resulting business process changes, we continue to enhance the design and documentation of our internal control over financial reporting processes, to maintain effective controls over our financial reporting. These business process changes have not materially affected, and we do not expect them to materially affect, our internal control over financial reporting.

Except with respect to the continued implementation of ERP systems, there have been no changes in our internal control over financial reporting during the 12 weeks ended March 25, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We will continue to assess the impact on our internal control over financial reporting as we continue to implement our ERP solution and our 2019 multi-year productivity plan.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings.

The following information should be read in conjunction with the discussion set forth under Part I, “Item 3. Legal Proceedings” in our 2022 Form 10-K.

We and our subsidiaries are party to a variety of litigation, claims, legal or regulatory proceedings, inquiries and investigations. While the results of such litigation, claims, legal or regulatory proceedings, inquiries and investigations cannot be predicted with certainty, management believes that the final outcome of the foregoing will not have a material adverse effect on our financial condition, results of operations or cash flows. See also “Item 1. Business – Regulatory Matters” and “Item 1A. Risk Factors” in our 2022 Form 10-K.

ITEM 1A. Risk Factors.

There have been no material changes with respect to the risk factors disclosed in our 2022 Form 10-K.

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 12 weeks ended March 25, 2023 is set forth in the table below.

Issuer Purchases of Common Stock

Period	Total Number of Shares Repurchased^(a)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
12/31/2022				\$ 8,500
1/1/2023 - 1/28/2023	—	\$ —	—	8,500
1/29/2023 - 2/25/2023	0.2	\$ 175.93	0.2	(27)
				8,473
2/26/2023 - 3/25/2023	0.8	\$ 174.40	0.8	(147)
Total	1.0	\$ 174.63	1.0	\$ 8,326

(a) All shares were repurchased in open market transactions pursuant to the \$10 billion share repurchase program authorized by our Board of Directors and publicly announced on February 10, 2022, which commenced on February 11, 2022 and will expire on February 28, 2026. Shares repurchased under this program may be repurchased in open market transactions, in privately negotiated transactions, in accelerated stock repurchase transactions or otherwise.

ITEM 6. Exhibits.

See “Index to Exhibits” on page [43](#).

INDEX TO EXHIBITS

ITEM 6

EXHIBIT

- [Exhibit 3.1](#) [Amended and Restated Articles of Incorporation of PepsiCo, Inc., effective as of May 1, 2019, which are incorporated herein by reference to Exhibit 3.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 3, 2019.](#)
- [Exhibit 3.2](#) [By-Laws of PepsiCo, Inc., as amended and restated, effective as of April 15, 2020, which are incorporated herein by reference to Exhibit 3.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 16, 2020.](#)
- [Exhibit 10.1](#) [Form of Annual Long-Term Incentive Agreement.](#)
- [Exhibit 15](#) [Letter re: Unaudited Interim Financial Information.](#)
- [Exhibit 31](#) [Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- [Exhibit 32](#) [Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- Exhibit 101 The following materials from PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 25, 2023 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Statement of Income, (ii) the Condensed Consolidated Statement of Comprehensive Income, (iii) the Condensed Consolidated Statement of Cash Flows, (iv) the Condensed Consolidated Balance Sheet, (v) the Condensed Consolidated Statement of Equity, and (vi) Notes to the Condensed Consolidated Financial Statements.
- Exhibit 104 The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 25, 2023, formatted in iXBRL and contained in Exhibit 101.

SIGNATURES

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

PepsiCo, Inc.
(Registrant)

Date: April 24, 2023

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

Date: April 24, 2023

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

2023 PEPSICO ANNUAL LONG-TERM INCENTIVE AWARD
PERFORMANCE STOCK UNITS / LONG-TERM CASH AWARD
TERMS AND CONDITIONS

These Terms and Conditions (including the country-specific terms set forth in the attached Addendum), along with the 2023 PepsiCo Annual Long-Term Incentive Award Summary provided to the Participant (the “**Award Summary**”), and signed by the individual named on the Award Summary (the “**Participant**”), shall constitute an agreement (this “**Agreement**”), effective as of the “grant date” indicated on the Award Summary (the “**Grant Date**”), by and between PepsiCo, Inc., a North Carolina corporation having its principal office at 700 Anderson Hill Road, Purchase, New York 10577 (“**PepsiCo**,” and with its divisions and direct and indirect subsidiaries, the “**Company**”), and the Participant.

W I T N E S S E T H:

WHEREAS, the Board of Directors and shareholders of PepsiCo have approved the PepsiCo, Inc. Long-Term Incentive Plan (the “**Plan**”), for the purposes and subject to the provisions set forth in the Plan; and

WHEREAS, pursuant to the authority granted to it in the Plan, the Compensation Committee of the Board of Directors of PepsiCo (the “**Committee**”), at a meeting held on or prior to the Grant Date, duly authorized the grant to the Participant of PepsiCo performance stock units (“**PSUs**”) and a long-term cash award (“**LTC Award**”) each to be granted on the Grant Date and in the respective amounts set forth on the Award Summary; and

WHEREAS, awards granted under the Plan are to be evidenced by an Agreement in such form and containing such terms and conditions as the Committee shall determine.

NOW, THEREFORE, it is mutually agreed as follows:

A. Terms and Conditions Applicable to PSUs. These terms and conditions shall apply with respect to the PSUs granted to the Participant as indicated on the Award Summary.

1. **Grant.** In consideration of the Participant remaining in the employ of the Company and agreeing to be bound by the covenants of Paragraph C, PepsiCo hereby grants to the Participant, on the terms and conditions set forth herein, a target number of PSUs as indicated on the Award Summary.

2. **Vesting and Payment.** PSUs may only vest while the Participant is actively employed by the Company. Subject to Paragraphs A.3 and A.4 below, the PSUs earned in accordance with Paragraph A.3 shall vest on the “vesting date” as indicated on the Award Summary (the “**PSU Vesting Date**”) and be paid as soon as practicable after such date (the “**PSU Payment Date**”). PSUs that become earned and payable shall be settled in shares of PepsiCo Common Stock, with the Participant receiving one share of PepsiCo Common Stock for each PSU earned. No fractional shares shall be delivered under this Agreement, and so any fractional share that may be payable shall be rounded to the nearest whole share. Any amount that the Company may be required to withhold upon the settlement of PSUs and/or the payment of dividend equivalents (see Paragraph A.6 below) in respect of applicable foreign, federal (including FICA), state and local taxes, must be paid in full at the time of the issuance of shares or payment of cash. The Company will withhold shares to satisfy the required withholding obligation related to the settlement of PSUs.

3. **Earning and Forfeiture of PSUs.** The Participant can earn a specified number of PSUs with respect to the period which shall include the fiscal year in which the Grant Date occurs and the two fiscal years following such year (the “**Performance Period**”), determined based on the achievement of performance targets established by the Committee. Any portion of the PSU Award that is not earned in accordance with this Paragraph A.3 shall be forfeited and cancelled. Subject to the terms and conditions set forth herein, the PSU Award shall be earned as follows:

(a) One-half of the PSU Award shall be earned based on and subject to the level of achievement with respect to a performance measure selected by the Committee for the Performance Period pursuant to

the performance scale established by the Committee and communicated to the Participant. The Committee shall determine and certify the results of the level of achievement of such performance measure.

(b) One-half of the PSU Award shall be earned based on and subject to the level of achievement with respect to a second performance measure selected by the Committee for the Performance Period pursuant to the performance scale established by the Committee and communicated to the Participant. The Committee shall determine and certify the results of the level of achievement of such performance measure.

Notwithstanding the level of performance achieved with respect to the performance targets established under Paragraphs A.3(a) and (b) above, the Committee has the discretion to reduce the number of PSUs to be paid. The Committee's right to exercise this discretion with respect to the earned portion of the PSU Award shall continue until the date on which the PSUs are delivered to the Participant. Except in the case of death or Total Disability, the portion of the PSU Award with respect to which a Participant has satisfied the performance criteria will be payable in one payment on the PSU Payment Date. Any PSUs that are not earned in accordance with this Paragraph A.3 shall be forfeited and cancelled.

4. Effect of Termination of Employment, Retirement, Death and Total Disability.

(a) Termination of Employment. PSUs may vest and become payable only while the Participant is actively employed by the Company. Thus, vesting ceases upon the termination of the Participant's active employment with the Company. Subject to subparagraphs 4(b), 4(c) and 4(d), all unvested PSUs shall automatically be forfeited and cancelled upon the date that the Participant's active employment with the Company terminates regardless of whether any such PSUs have previously been earned in accordance with Paragraph A.3 above. An authorized severance leave of absence will not be treated as active employment, and, as a result, the vesting of PSUs will not be extended by any such period.

(b) Retirement Prior to Age 62. If the Participant's employment terminates prior to the PSU Vesting Date by reason of the Participant's Retirement prior to attaining at least age 62, then a whole number of the PSUs granted hereunder shall vest on the Participant's last day of active employment with the Company, with such number determined in proportion to the Participant's active service (measured in calendar days) during the period commencing on the Grant Date and ending on the PSU Vesting Date (the "**PSU Vesting Period**"). All PSUs that vest in accordance with the foregoing sentence shall remain subject to the earning and forfeiture provisions of Paragraph A.3 and shall be paid on the original PSU Payment Date.

(c) Retirement on or After Age 62. If the Participant's employment terminates by reason of the Participant's Retirement after attaining at least age 62, then the PSUs granted hereunder shall become fully vested on the Participant's last day of active employment with the Company. All such vested PSUs shall remain subject to the earning and forfeiture provisions of Paragraph A.3 and shall be paid on the original PSU Payment Date.

(d) Death or Total Disability. If the Participant's employment terminates by reason of death or Total Disability, then the target number of PSUs set forth in the Award Summary shall become fully vested on the Participant's last day of active employment with the Company (which, for purposes of Total Disability, means the effective date of Total Disability), and shall be paid as soon as practicable following the date of termination.

(e) Transfers to a Related Entity. In the event the Participant transfers to a Related Entity and such transfer is arranged and approved by PepsiCo, the PSUs shall continue to vest (and their time of payment shall be determined) after such transfer by treating the Participant's employment with the Related Entity as employment with the Company for purposes of this Agreement. All such PSUs shall remain subject to the vesting, earning and forfeiture provisions of Paragraphs A.2 and A.3 and shall be paid on the original PSU Payment Date.

5. No Rights as Shareholder. The Participant shall have no rights as a holder of PepsiCo Common Stock with respect to the PSUs granted hereunder unless and until such PSUs have been settled in shares of PepsiCo Common Stock that have been registered in the Participant's name as owner.

6. Dividend Equivalents. During the PSU Vesting Period, the Participant shall accumulate dividend equivalents with respect to the PSUs, which dividend equivalents shall be paid in cash (without

interest) to the Participant only if and when the applicable PSUs vest and become payable. Dividend equivalents shall equal the dividends actually paid with respect to PepsiCo Common Stock during the PSU Vesting Period while (and to the extent) the PSUs remain outstanding and unpaid. For purposes of determining the dividend equivalents accumulated under this Paragraph A.6, any PSUs that become payable hereunder shall be considered to have been outstanding from the Grant Date. Upon the forfeiture of PSUs, any accumulated dividend equivalents attributable to such PSUs shall also be forfeited.

B. Terms and Conditions Applicable to LTC Award. These terms and conditions shall apply with respect to the LTC Award granted to the Participant as indicated on the Award Summary.

1. **Grant.** In consideration of the Participant remaining in the employ of the Company and agreeing to be bound by the covenants of Paragraph C, PepsiCo hereby grants to the Participant, on the terms and conditions set forth herein, an LTC Award in the target amount indicated on the Award Summary.

2. **Vesting and Payment.** The LTC Award may only vest while the Participant is actively employed by the Company. Subject to Paragraphs B.3 and B.4 below, the LTC Award earned in accordance with Paragraph B.3 shall vest on the “vesting date” as indicated on the Award Summary (the “**LTC Award Vesting Date**”) and be paid in cash as soon as practicable after such date (the “**LTC Payment Date**”). Any amount that the Company may be required to withhold upon the settlement of the LTC Award in respect of applicable foreign, federal (including FICA), state and local taxes, must be paid in full at the time of payment. Unless the Participant makes other arrangements to satisfy this withholding obligation in accordance with procedures approved by the Company in its discretion, the Company will withhold a portion of the cash settlement amount of the LTC Award to satisfy any related required withholding obligation.

3. Earning and Forfeiture of LTC Award.

(1) The Participant can earn a specified percentage of the target amount of the LTC Award granted hereunder, equal to the product of (i) the target amount of the LTC Award set forth in the Award Summary, and (ii) the Relative TSR Performance Factor.

(b) The Relative TSR Performance Factor shall be determined based on the percentile ranking of PepsiCo’s total shareholder return for the Performance Period relative to an index of peer companies selected by the Committee, calculated in accordance with the method established by the Committee and in accordance with a performance scale established by the Committee (“**Relative TSR**”). The Relative TSR Performance Factor shall be rounded to the second decimal. The Relative TSR Performance Factor for Relative TSR performance between the levels identified in the preceding sentence shall be determined by straight-line interpolation.

(c) Notwithstanding the achievement of the performance target established under Paragraph B.3 (b) above, no LTC Award shall vest or become payable if Relative TSR is less than 25th percentile relative to the index of peer companies selected by the Committee pursuant to Paragraph B.3(b).

(d) Notwithstanding the achievement of the performance target established under Paragraph B.3 (b) above, no LTC Award shall become payable in excess of the target amount of the LTC Award unless PepsiCo’s absolute total shareholder return for the Performance Period is greater than zero.

Notwithstanding the level of performance achieved with respect to such performance measure, the Committee has the discretion to reduce the amount of the LTC Award earned to reflect the level of performance achieved with respect to the performance targets established under Paragraphs B.3(b). The Committee’s right to exercise this discretion with respect to the amount of the LTC Award earned shall continue until the date on which the LTC Award is paid to the Participant.

Any LTC Award not earned in accordance with this Paragraph B.3 shall be forfeited and cancelled. Except in the case of death or Total Disability, the LTC Award for which a Participant has satisfied the performance criteria will be payable in one payment on the LTC Payment Date.

4. Effect of Termination of Employment, Retirement, Death and Total Disability.

(a) **Termination of Employment.** The LTC Award may vest and become payable only while the Participant is actively employed by the Company. Thus, vesting ceases upon the termination of the

Participant's active employment with the Company. Subject to subparagraphs 4(b), 4(c) and 4(d), any unvested portion of the LTC Award shall automatically be forfeited and cancelled upon the date that the Participant's active employment with the Company terminates regardless of whether any portion of such LTC Award has previously been earned in accordance with Paragraph B.3 above. An authorized severance leave of absence will not be treated as active employment, and, as a result, the vesting of any LTC Award will not be extended by any such period.

(b) Retirement Prior to Age 62. If the Participant's employment terminates prior to the LTC Award Vesting Date by reason of the Participant's Retirement prior to attaining at least age 62, then a portion of the target LTC Award granted hereunder shall vest on the Participant's last day of active employment with the Company, with such number determined in proportion to the Participant's active service (measured in calendar days) during the period commencing on the Grant Date and ending on the LTC Award Vesting Date. Any portion of an LTC Award that vests in accordance with the foregoing sentence shall remain subject to the earning and forfeiture provisions of Paragraph B.3 and shall be paid on the original LTC Payment Date.

(c) Retirement on or After Age 62. If the Participant's employment terminates by reason of the Participant's Retirement after attaining at least age 62, then the LTC Award granted hereunder shall become fully vested on the Participant's last day of active employment with the Company. Any such vested LTC Award shall remain subject to the earning and forfeiture provisions of Paragraph B.3 and shall be paid on the original LTC Payment Date.

(d) Death or Total Disability. If the Participant's employment terminates by reason of death or Total Disability, then the target amount of the LTC Award set forth in the Award Summary shall become fully vested on the Participant's last day of active employment with the Company (which, for purposes of Total Disability, means the effective date of Total Disability), and shall be paid as soon as practicable following the date of termination.

(e) Transfers to a Related Entity. In the event the Participant transfers to a Related Entity and such transfer is arranged and approved by PepsiCo, the LTC Award shall continue to vest (and the time of payment shall be determined) after such transfer by treating the Participant's employment with the Related Entity as employment with the Company for purposes of this Agreement. Any such LTC Award shall remain subject to the vesting, earning and forfeiture provisions of Paragraphs B.2 and B.3 and shall be paid on the original LTC Payment Date.

C. Prohibited Conduct. In consideration of the Company disclosing and providing access to Confidential Information, as more fully described in Paragraph C.2 below, after the date hereof, the grant by the Company of the PSUs and the LTC Award, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Participant and the Company, intending to be legally bound, hereby agree as follows.

1. Non-Competition and Non-Solicitation. The Participant hereby covenants and agrees that at all times during his or her employment with the Company and for a period of twelve months after the termination of the Participant's employment with the Company for any reason whatsoever (including a termination due to the Participant's Retirement), he or she will not, without the prior written consent of PepsiCo's chief human resources officer or chief legal officer, either directly or indirectly, for himself/herself or on behalf of or in conjunction with any other person, partnership, corporation or other entity, engage in any activities prohibited in the following Paragraphs C.1(a) through (c):

(a) The Participant shall not, in any country in which the Company operates, accept any employment, assignment, position or responsibility, provide services in any capacity, or acquire any ownership interest that involves the Participant's Participation (as defined below) in an entity that markets, sells, distributes or produces Covered Products (as defined below), unless such entity markets, sells, distributes or produces Covered Products without in any way competing with any business of the Company to which the Participant provided services during the last twenty-four (24) months of the Participant's employment or to which the Participant had access to Confidential Information (as defined below);

(b) With respect to Covered Products, the Participant shall not directly or indirectly solicit for competitive business purposes any customer or Prospective Customer (as defined below) of the Company called on, serviced by, or contacted by the Participant in any capacity during the last six (6) months of his or her employment; or

(c) The Participant shall not in any way, directly or indirectly (including through someone else acting on the Participant's recommendation, suggestion, identification or advice), solicit any Company employee to leave the Company's employment or to accept any position with any other entity.

Notwithstanding anything in this Paragraph C.1, the Participant shall not be considered to be in violation of Paragraph C.1(a) solely by reason of owning, directly or indirectly, up to five percent (5%) in the aggregate of any class of securities of any publicly traded corporation engaged in the prohibited activities described in Paragraph C.1(a).

The Company advises the Participant to consult with an attorney regarding the provisions in this Paragraph C.1 before accepting this Agreement. Participant agrees and acknowledges that Participant has been given at least fourteen (14) days in which to consider these restrictions before entering into this Agreement. Part of the consideration described in the Award Summary and provided under this Agreement is in exchange for the Participant's promises in this Paragraph C.1, Non-Competition and Non-Solicitation.

2. Non-Disclosure. In order to assist the Participant with his or her duties, the Company shall continue to provide the Participant with access to confidential and proprietary operational information and other confidential information that is either information not known by actual or potential competitors, customers and third parties of the Company or is proprietary information of the Company ("**Confidential Information**"). Such Confidential Information shall include all non-public information the Participant acquired as a result of his or her positions with the Company. Examples of such Confidential Information include, without limitation, non-public information about the Company's customers, suppliers, distributors and potential acquisition targets; its business operations, structure and methods of operation; its product lines, formulae and pricing; its processes, machines and inventions; its research and know-how; its production techniques; its financial data; its advertising and promotional ideas and strategy; information maintained in its computer systems; devices, processes, compilations of information and records; and its plans and strategies. The Participant agrees that such Confidential Information remains confidential even if committed to the Participant's memory. The Participant agrees, during the term of his or her employment and at all times thereafter, not to use, divulge, or furnish or make accessible to any third party, company, corporation or other organization (including but not limited to, customers or competitors of the Company), without the Company's prior written consent, any Confidential Information of the Company, except as necessary in his or her position with the Company or as permitted below with respect to Protected Activity.

Notwithstanding the foregoing, nothing in this Agreement, the Plan, any other Award made under the Plan or in any other confidentiality provision to which the Participant may be subject as a result of the Participant's employment with the Company shall: (1) limit the Participant's rights to make truthful statements or disclosures about any facts and circumstances related to any claim or allegation of unlawful discrimination by the Company and, for Participants located in California, shall not prevent such California Participant from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Participant has reason to believe is unlawful or violates public policy; (2) bar the Participant from giving testimony pursuant to a compulsory legal process or as otherwise required by law; or (3) prohibit the Participant from, without notice to the Company, filing a complaint or charge with government agencies (including, without limitation, the Equal Employment Opportunity Commission and the Securities and Exchange Commission), communicating with government agencies, providing information to government agencies, participating in government agency investigations, or testifying in government agency proceedings concerning any possible legal violations or from receiving a monetary award for information provided to a government agency (collectively, "**Protected Activity**"). The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by the privilege. Further, notwithstanding any confidentiality provision to which the Participant may be subject, the Participant is hereby advised as follows pursuant to the Defend Trade Secrets Act: "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for

reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.”

3. Return of Confidential Information and Company Property. The Participant agrees that whenever the Participant’s employment with the Company ends for any reason, (a) all documents containing or referring to the Company’s Confidential Information as may be in the Participant’s possession, or over which the Participant may have control, and all other property of the Company provided to the Participant by the Company during the course of the Participant’s employment with the Company will be returned by the Participant to the Company immediately, with no request being required; and (b) all Company computer and computer-related equipment and software, and all Company property, files, records, documents, drawings, specifications, lists, equipment, and similar items relating to the business of the Company, whether prepared by the Participant or otherwise, coming into the Participant’s possession or control during the course of his or her employment shall remain the exclusive property of the Company, and shall be delivered by the Participant to the Company immediately, with no request being required.

4. Misconduct. During the term of his or her employment with the Company, the Participant shall not engage in any of the following acts that are considered to be contrary to the Company’s best interests: (a) breaching any contract with or violating any obligation to the Company, including, without limitation, the Company’s Code of Conduct, Insider Trading Policy or any other written policies of the Company, (b) unlawfully trading in the securities of PepsiCo or of any other company based on information gained as a result of his or her employment with the Company, (c) committing acts involving gross misconduct in the performance of employment duties, dishonesty, fraud, illegality, or moral turpitude, or that cause or contribute to the need for an accounting adjustment to PepsiCo’s financial results, or (d) in the judgment of the Company, engaging in conduct that may be detrimental to or reflect unfavorably upon the Company or its brands, services, or products; provided, however that nothing in this section is intended to bar the Participant from engaging in Protected Activity.

5. Reasonableness of Provisions. The Participant agrees that: (a) the terms and provisions of this Agreement are reasonable and constitute an otherwise enforceable agreement to which the terms and provisions of this Paragraph C are ancillary or a part of; (b) the consideration provided by the Company under this Agreement is not illusory; (c) the restrictions contained in this Paragraph C are necessary and reasonable for the protection of the legitimate business interests and goodwill of the Company; and (d) the consideration given by the Company under this Agreement, including, without limitation, the provision by the Company of Confidential Information to the Participant, gives rise to the Company’s interest in the covenants set forth in this Paragraph C.

6. Repayment and Forfeiture. The Participant specifically recognizes and affirms that each of the covenants contained in Paragraphs C.1 through C.4 of this Agreement is a material and important term of this Agreement that has induced the Company to provide for the award of the PSUs and the LTC Award granted hereunder, the disclosure of Confidential Information referenced herein, and the other promises made by the Company herein. The Participant further agrees that in the event that (i) the Company determines that the Participant has breached any term of Paragraphs C.1 through C.4 or (ii) all or any part of Paragraph C is held or found invalid or unenforceable for any reason whatsoever by a court of competent jurisdiction in an action between the Participant and the Company, in addition to any other remedies at law or in equity the Company may have available to it, the Company may in its sole discretion:

- (a) cancel any unpaid PSUs or any LTC Award granted hereunder; and/or
- (b) require the Participant to pay to the Company the value (determined as of the date paid) of any PSUs and any portion of any LTC Award granted hereunder that have been paid out.

In addition to the provisions of this Paragraph C.6, the Participant agrees that he or she will be bound by the terms of any Company compensation clawback policy applicable to the Participant that the Company may adopt from time to time.

7. Equitable Relief. In the event the Company determines that the Participant has breached or attempted or threatened to breach any term of Paragraph C, in addition to any other remedies at law or in equity the Company may have available to it, it is agreed that the Company shall be entitled, upon application to any court of proper jurisdiction, to a temporary restraining order or preliminary injunction (without the necessity of (a) proving irreparable harm, (b) establishing that monetary damages are inadequate or (c) posting any bond with respect thereto) against the Participant prohibiting such breach or attempted or threatened breach by proving only the existence of such breach or attempted or threatened breach.

8. Extension of Restrictive Period. The Participant agrees that the period during which the covenants contained in this Paragraph C shall be effective shall be computed by excluding from such computation any time during which the Participant is in violation of any provision of Paragraph C.

9. Acknowledgments. The Company and the Participant agree that it was their intent to enter into a valid and enforceable agreement. The Participant and the Company thereby acknowledge the reasonableness of the restrictions set forth in Paragraph C, including the reasonableness of the geographic area, duration as to time and scope of activity restrained. The Participant further acknowledges that his or her skills are such that he or she can be gainfully employed in noncompetitive employment and that the agreement not to compete will not prevent him or her from earning a living. The Participant agrees that if any covenant contained in Paragraph C of this Agreement is found by a court of competent jurisdiction to contain limitations as to time, geographical area, or scope of activity that are not reasonable and impose a greater restraint than is necessary to protect the goodwill or other business interest of the Company, then the court shall reform the covenant to the extent necessary to cause the limitations contained in the covenant as to time, geographical area, and scope of activity to be restrained to be reasonable and to impose a restraint that is not greater than necessary to protect the goodwill and other business interests of the Company and to enforce the covenants as reformed.

10. Provisions Independent. The covenants on the part of the Participant in this Paragraph C shall be construed as an agreement independent of any other agreement, including any employee benefit agreement, and independent of any other provision of this Agreement, and the existence of any claim or cause of action of the Participant against the Company, whether predicated upon this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants.

11. Notification of Subsequent Employer. The Participant agrees that the Company may notify any person or entity employing the Participant or evidencing an intention of employing the Participant of the existence and provisions of this Agreement.

12. Transfers to a Related Entity. In the event the Participant transfers to a Related Entity as a result of actions by PepsiCo, any reference to "Company" in this Paragraph C shall be deemed to refer to such Related Entity in addition to the Company.

D. Additional Terms and Conditions

1. Adjustment for Change in PepsiCo Common Stock. In the event of any change in the outstanding shares of PepsiCo Common Stock by reason of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination or exchange of shares, spin-off or other similar corporate change, the number and type of shares to which the PSUs held by the Participant relate shall be adjusted to such extent (if any), determined to be appropriate and equitable by the Committee.

2. Nontransferability. Unless the Committee specifically determines otherwise: (a) the PSUs and LTC Award are personal to the Participant and (b) neither the PSUs nor the LTC Award shall be transferable or assignable, other than in the case of the Participant's death by will or the laws of descent and distribution, and any such purported transfer or assignment shall be null and void.

3. Definitions. As used in this Agreement, the following terms shall have the meanings set forth below:

(a) "**Covered Products**" means any product that falls into one or more of the following categories, so long as the Company is producing, marketing, selling or licensing such product anywhere

in the world: in-home and commercial beverage systems, carbon dioxide gas cylinders, carbon dioxide gas refills, consumables, and ready-to-drink beverages, including without limitation carbonated soft drinks, tea, water, juices, juice drinks, juice products sports drinks, coffee drinks, alcoholic beverages, and energy drinks; dairy products; snacks, including salty snacks, fruit and vegetable snacks, dips and spreads, sweet snacks, meat snacks, granola, nutrition and cereal bars, and cookies; hot cereals and ready-to-eat cereals; pancake mixes and pancake syrup; grain-based food products; pasta products; sports performance nutrition products, including without limitation, energy, protein, carbohydrate, nutrition and meal replacement chews, bars, powders, gels, drinks or drink mixes; or any product or service that the Participant had reason to know was under development by the Company during the Participant's employment with the Company.

(b) "**Participation**" shall be construed broadly to include, without limitation: (i) serving as a director, officer, employee, consultant or contractor with respect to such a business entity; (ii) providing input, advice, guidance or suggestions to such a business entity; or (iii) providing a recommendation or testimonial on behalf of such a business entity or one or more products it produces.

(c) "**Prospective Customer**" shall mean any individual or entity of which the Participant has gained knowledge as a result of the Participant's employment with the Company and with which the Participant dealt with or had contact with during the six (6) months preceding his or her termination of employment with the Company.

(d) "**Related Entity**" shall mean any entity (i) as to which PepsiCo directly or indirectly owns 20% or more, but less than a majority, of the entity's voting securities, general partnership interests, or other voting or management rights at the relevant time and (ii) which the Committee or its delegate deems in its sole discretion to be a related entity at the relevant time.

(e) "**Retirement**" shall mean (i) early, normal or late retirement as used in the U.S. pension plan of the Company in which the Participant participates (if any) and for which the Participant is eligible pursuant to the terms of such plan or (ii) termination of employment after attaining at least age 55 and completing at least 10 years of service with the Company (or, if earlier, after attaining at least age 65 and completing at least five years of service with the Company), with the number of years of service completed by a Participant subject to clause (ii) to be calculated in accordance with administrative procedures established from time to time under the Plan.

(f) "**Total Disability**" shall mean being considered totally disabled under the PepsiCo Long-Term Disability Program (as amended and restated from time to time), with such status having resulted in benefit payments from such plan or another Company-sponsored disability plan and 12 months having elapsed since the Participant was so considered to be disabled from the cause of the current disability. The effective date of a Participant's Total Disability shall be the first day that all of the foregoing requirements are met.

4. Notices. Any notice to be given to PepsiCo in connection with the terms of this Agreement shall be addressed to PepsiCo at 700 Anderson Hill Road, Purchase, New York 10577, Attention: Senior Vice President, Total Rewards, or such other address as PepsiCo may hereafter designate to the Participant. Any such notice shall be deemed to have been duly given when personally delivered, addressed as aforesaid, or when enclosed in a properly sealed envelope or wrapper, addressed as aforesaid, and deposited, postage prepaid, with the federal postal service.

5. Binding Effect. This Agreement shall be binding upon and inure to the benefit of any assignee or successor in interest to PepsiCo, whether by merger, consolidation or the sale of all or substantially all of PepsiCo's assets. PepsiCo will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of PepsiCo expressly to assume and agree to perform this Agreement in the same manner and to the same extent that PepsiCo would be required to perform it if no such succession had taken place. This Agreement shall be binding upon and inure to the benefit of the Participant or his or her legal representative and any person to whom the PSUs and LTC Award may be transferred by will or the applicable laws of descent and distribution.

6. No Contract of Employment; Agreement's Survival. This Agreement is not a contract of employment. This Agreement does not impose on the Company any obligation to retain the Participant in its employ and shall not interfere with the ability of the Company to terminate the Participant's

employment relationship at any time. This Agreement shall survive the termination of the Participant's employment for any reason. If an entity ceases to be a majority-owned subsidiary of PepsiCo for purposes of Rule 12b-2 of the Exchange Act or a Related Entity, such cessation shall, for purposes of this Agreement, be deemed to be a termination of employment with the Company with respect to any Participant employed by such entity, unless the Committee or its delegate determines otherwise in its sole discretion.

7. Registration, Listing and Qualification of Shares of PepsiCo Common Stock. The Committee may require that the Participant make such representations and agreements and furnish such information as the Committee deems appropriate to assure compliance with or exemption from the requirements of any securities exchange, any foreign, federal, state or local law, any governmental regulatory body, or any other applicable legal requirement, and PepsiCo Common Stock shall not be issued unless and until the Participant makes such representations and agreements and furnishes such information as the Committee deems appropriate.

8. Amendment; Waiver. The terms and conditions of this Agreement may be amended in writing by the chief human resources officer or chief legal officer of PepsiCo (or either of their delegates); provided, however, that (i) no such amendment shall adversely affect the awards granted hereunder without the Participant's written consent (except to the extent the Committee reasonably determines that such amendment is necessary or appropriate to comply with applicable law, including the provisions of Internal Revenue Code of 1986, as amended (the "Code") Section 409A and the regulations thereunder pertaining to the deferral of compensation, or the rules and regulations of any stock exchange on which PepsiCo Common Stock is listed or quoted); and (ii) the amendment must be permitted under the Plan. The Company's failure to insist upon strict compliance with any provision of this Agreement or failure to exercise, or any delay in exercising, any right, power or remedy under this Agreement shall not be deemed to be a waiver of such provision or any such right, power or remedy which the Board (as defined in the Plan), the Committee or the Company has under this Agreement.

9. Severability or Reform by Court. In the event that any provision of this Agreement is deemed by a court to be broader than permitted by applicable law, then such provision shall be reformed (or otherwise revised or narrowed) so that it is enforceable to the fullest extent permitted by applicable law. If any provision of this Agreement shall be declared by a court to be invalid or unenforceable to any extent, the validity or enforceability of the remaining provisions of this Agreement shall not be affected.

10. Plan Terms. The PSUs, the LTC Award and the terms and conditions set forth herein are subject in all respects to the terms and conditions of the Plan and any guidelines, policies or regulations which govern administration of the Plan. The Committee reserves its rights to amend or terminate the Plan at any time without the consent of the Participant; provided, however, that PSUs and LTC Awards outstanding under the Plan at the time of such action shall not, without the Participant's written consent, be adversely affected thereby (except to the extent the Committee reasonably determines that such amendment or termination is necessary or appropriate to comply with applicable law, including the provisions of Code Section 409A and the regulations thereunder pertaining to the deferral of compensation, or the rules and regulations of any stock exchange on which PepsiCo Common Stock is listed or quoted). The Committee shall have full power and authority to administer and interpret the Plan and to adopt or establish such rules, regulations, agreements, guidelines, procedures and instruments that are not contrary to the terms of the Plan and that, in its opinion, may be necessary or advisable for the administration and operation of the Plan. All interpretations or determinations of the Committee or its delegate shall be final, binding and conclusive upon the Participant (and his or her legal representatives and any recipient of a transfer of the PSUs or LTC Award permitted by this Agreement) on any question arising hereunder or under the Plan or other guidelines, policies or regulations which govern administration of the Plan.

11. Participant Acknowledgements. By entering into this Agreement, the Participant acknowledges and agrees that:

(a) the PSUs and the LTC Award will be exclusively governed by the terms of the Plan, including the right reserved by the Company to amend or cancel the Plan at any time without the Company incurring liability to the Participant (except for PSUs and LTC Awards already granted under the Plan);

(b) the Participant has been provided a copy of PepsiCo's Prospectus relating to the Plan, the PSUs (and the shares covered thereby) and the LTC Award;

(c) the PSUs and LTC Awards are not a constituent part of the Participant's salary and that the Participant is not entitled, under the terms and conditions of his or her employment, or by accepting or being awarded any PSUs or LTC Awards pursuant to this Agreement, to require options, performance stock units, cash or other awards to be granted to him/her in the future under the Plan or any other plan;

(d) upon payment of PSUs or LTC Awards, the Participant will arrange for payment to the Company an estimated amount to cover employee payroll taxes resulting from such payment which payment shall be in the manner set forth in this Agreement and/or, to the extent necessary, any balance may be withheld from the Participant's wages;

(e) notwithstanding any action taken by the Company, the Participant is ultimately liable for any or all income tax, social insurance, payroll tax, payment on account or other tax-related items ("Tax-Related Items") related to the Participant's participation in the Plan and legally applicable to the Participant. The Participant further acknowledges that the Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect to the award, including, but not limited to, the grant, vesting or settlement and exercise of the award, the subsequent sale of PepsiCo Common Stock acquired pursuant to such award and the receipt of any dividends and/or dividend equivalents; and (ii) does not commit to and is under no obligation to structure the terms of any Award to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result.

(f) benefits received under the Plan will be excluded from the calculation of termination indemnities or other severance payments;

(g) in the event of termination of the Participant's employment, a severance or notice period to which the Participant may be entitled under local law and which follows the date of termination specified in a notice of termination or other document evidencing the termination of the Participant's employment will not be treated as active employment for purposes of this Agreement and, as a result, vesting of unvested PSUs or LTC Awards will not be extended by any such period;

(h) for purposes of this Agreement, a Participant will be considered actively employed during (i) the first six months of an authorized leave of absence approved by the Company, in its sole discretion, or (ii) other statutory leaves that have requirements in excess of six months;

(i) the Participant will seek all necessary approvals under, make all required notifications under and comply with all laws, rules and regulations applicable to the ownership of stock, including, without limitation, currency and exchange laws, rules and regulations;

(j) this Agreement will be interpreted and applied so that the PSUs and the LTC Award, to the extent possible, will not be subject to Code Section 409A. To the extent such awards are subject to Code Section 409A because of the Participant's eligibility for Retirement, then payments limited to the earliest permissible payment date under Code Section 409A shall be made following a Change in Control only (i) upon a Change in Control if it qualifies under Code Section 409A(a)(2)(A)(v) (a "409A CIC"), and (ii) upon a termination of employment if it occurs after a 409A CIC and it constitutes a Code Section 409A separation from service (and in this case, the six-month delay of Code Section 409A(a)(2)(B)(i) shall apply to "specified employees," determined under the default rules of Code Section 409A or such other rules as apply generally under the Company's Section 409A plans). Notwithstanding any other provision of this Agreement, this Agreement will be modified to the extent the Committee reasonably determines is necessary or appropriate for such PSUs or LTC Awards to comply with Code Section 409A;

(k) the non-disclosure provisions set forth in Paragraph C.2. supersede and replace in their entirety the non-disclosure provisions set forth in the Plan as in effect on the date hereof, in any agreement evidencing an Award made under the Plan and in any other Awards made under the Plan; and

(l) the Participant will not receive any benefits under this Agreement if the Participant does not timely accept the Agreement as presented.

12. Right of Set-Off. The Participant agrees, in the event that the Company in its reasonable judgment determines that the Participant owes the Company any amount due to any loan, note, obligation or indebtedness, including but not limited to amounts owed to the Company pursuant to the Company's

tax equalization program or the Company's policies with respect to travel and business expenses, and if the Participant has not satisfied such obligation(s), then the Company may instruct the plan administrator to withhold and/or sell shares of PepsiCo Common Stock acquired by the Participant upon settlement of the PSUs (to the extent such PSUs are not subject to Code Section 409A), or the Company may deduct funds equal to the amount of such obligation from other funds due to the Participant from the Company (including with respect to any LTC Award) to the maximum extent permitted by Code Section 409A.

13. Electronic Delivery and Acceptance. The Participant hereby consents and agrees to electronic delivery of any Plan documents, proxy materials, annual reports and other related documents. The Participant hereby consents to any and all procedures that the Company has established or may establish for an electronic signature system for delivery and acceptance of Plan documents (including documents relating to any programs adopted under the Plan), and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature. Participant consents and agrees that any such procedures and delivery may be effected by a third party engaged by the Company to provide administrative services related to the Plan, including any program adopted under the Plan.

14. Data Privacy. Participant hereby acknowledges and consents to the collection, use, processing and/or transfer of Personal Data as defined and described in this Paragraph D.14. Participant is not obliged to consent, however a failure to provide consent, or the withdrawal of consent at any time, may impact Participant's ability to participate in the Plan. The Company and/or Participant's employer collects and maintains certain personal information about Participant that may include name, home address and telephone number, email address, date of birth, social security number or other government or employer-issued identification number, salary grade, hire data, salary, citizenship, job title, any shares of PepsiCo Common Stock, or details of all performance stock units, long-term cash awards or any other entitlement to shares of PepsiCo Common Stock awarded, cancelled, purchased, vested, or unvested (collectively "Personal Data"). The Company and the Participant's employer will transfer Personal Data internally as necessary for the purpose of implementation, administration and management of the Participant's participation in the Plan and the Company and/or the Participant's employer may further transfer Personal Data to any third parties assisting the Company in the implementation, administration and management of the Plan. These recipients may be located in the European Economic Area or UK, or elsewhere throughout the world, such as the United States. The Participant hereby authorizes (where required under applicable law) the recipients to receive, possess, use, retain and transfer Personal Data, in electronic or other form, as may be required for the administration of the Plan and/or the subsequent holding of any shares of PepsiCo Common Stock on the Participant's behalf, to a broker or other third party with whom the Participant may elect to deposit any shares of PepsiCo Common Stock acquired pursuant to the Plan. Third parties retained by the Company may use the Personal Data as authorized by the Company to provide the requested services. Third parties may be located throughout the world, including but not limited to the United States. Third parties often maintain their own published policies that describe their privacy and security practices. The Company is not responsible for the privacy or security practices of any third parties. Participant may access, review or amend certain Personal Data by contacting the Company and/or the Plan's service provider. The Participant may, at any time, exercise the Participant's rights provided under applicable personal data protection laws, which may include the right to (i) obtain confirmation as to the existence of Personal Data, (ii) verify the content, origin and accuracy of Personal Data, (iii) request the integration, update, amendment, deletion or blockage (for breach of applicable laws) of Personal Data, (iv) oppose, for legal reasons, the collection, processing or transfer of the Personal Data which is not necessary or required for the implementation, administration and/or operation of the Plan and the Participant's participation in the Plan, and (v) withdraw the Participant's consent to the collection, processing or transfer of Personal Data as provided hereunder (in which case, the stock options, restricted stock units, performance stock units or any other entitlement to shares of PepsiCo Common Stock awarded will become null and void). The Participant may seek to exercise these rights by contacting the Participant's Human Resources manager or the Company's Human Resources Department, who may direct the matter to the applicable Company privacy official. Finally, the Participant understands that the Company may rely on a different legal basis for the processing and/or transfer of Personal Data in the future and/or request the Participant to provide another data privacy consent. If applicable and upon request of the Company, the Participant agrees to provide an executed acknowledgment or data privacy consent (or any other acknowledgments, agreements or consents) to the Company or the employer that the Company and/or the employer may deem necessary to obtain under the data privacy laws in the Participant's country, either now or in the future. The Participant understands that

the Participant will not be able to participate in the Plan if the Participant fails to execute any such acknowledgment or consent requested by the Company and/or the employer.

15. Stock Ownership Guidelines/Share Retention Policy. The Participant agrees as a condition of this grant that, in the event that the Participant is or becomes subject to the Company's Stock Ownership Guidelines and/or Share Retention Policy, the Participant shall not sell any shares of PepsiCo Common Stock obtained upon settlement of the PSUs unless such sale complies with the Stock Ownership Guidelines and the Share Retention Policy as in effect from time to time.

16. Governing Law. Notwithstanding the provisions of Paragraphs D.10 and D.11, this Agreement shall be governed, construed and enforced in accordance with the laws of the State of New York, without giving effect to conflict of law rules or principles. Notwithstanding the foregoing, if Participant is a resident of, or primarily works for the Company, in the State of California at the time that Participant enters into this Agreement, then this Agreement shall be governed, construed, and enforced in accordance with the laws of the State of California, without giving effect to its conflict of law rules or principles. Moreover, if Participant is a resident of, or primarily works for the Company, in the State of California at the time that Participant enters into this Agreement, then the restrictions set forth in paragraph C.1 shall not apply to Participant.

17. Choice of Venue; Attorneys' Fees. Notwithstanding the provisions of Paragraphs D.10 and D.11, any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against the Participant or the Company only in the courts of the State of New York or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of New York, and the Participant and the Company consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. In the event that a Participant or the Company brings an action to enforce the terms of the Plan or this Agreement and the Company prevails, the Participant shall pay all costs and expenses incurred by the Company in connection with that action, including reasonable attorneys' fees, and all further costs and fees, including reasonable attorneys' fees incurred by the Company in connection with the collection. Notwithstanding the foregoing, if Participant is a resident of, or primarily works for the Company, in the State of California at the time that Participant enters into this Agreement, then any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against the Participant or the Company only in the courts of the State of California or, if they have or can acquire jurisdiction, in the United States District Courts located in the State of California, and the Participant and the Company consent to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waive any objection to venue laid therein.

18. Addendum to Agreement. Notwithstanding any provisions of this Agreement to the contrary, the PSUs shall be subject to such special terms and conditions for the Participant's country of residence (and country of employment, if different), as are set forth in the addendum to this Agreement (the "**Addendum**"). Further, if the Participant transfers residency and/or employment to another country, any special terms and conditions for such country will apply to the PSUs to the extent the Committee or its duly authorized delegate determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules or regulations or to facilitate the operation and administration of the PSUs and the Plan (or the Committee or its duly authorized delegate may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer). In all circumstances, the Addendum shall constitute part of this Agreement.

19. Entire Agreement. This Agreement contains all the understanding and agreements between the Participant and the Company regarding the subject matter hereof.

PepsiCo, Inc.

/s/ Duncan Micallef
Duncan Micallef
Senior Vice President, Total Rewards

Accountant's Acknowledgement

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

We hereby acknowledge our awareness of the use of our report dated April 24, 2023 included within the Quarterly Report on Form 10-Q of PepsiCo, Inc. for the twelve weeks ended March 25, 2023, and incorporated by reference in the following Registration Statements and in the related Prospectuses:

Description, Registration Statement Number

Form S-3

- PepsiCo Automatic Shelf Registration Statement, 333-266332
- PepsiCo Automatic Shelf Registration Statement, 333-234767
- PepsiCo Automatic Shelf Registration Statement, 333-216082
- PepsiCo Automatic Shelf Registration Statement, 333-197640
- PepsiCo Automatic Shelf Registration Statement, 333-177307
- PepsiCo Automatic Shelf Registration Statement, 333-154314
- PepsiCo Automatic Shelf Registration Statement, 333-133735
- PepsiAmericas, Inc. 2000 Stock Incentive Plan, 333-165176
- PBG 2004 Long Term Incentive Plan, PBG 2002 Long Term Incentive Plan, PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan and PBG Stock Incentive Plan, 333-165177

Form S-8

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

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

/s/ KPMG LLP

New York, New York
April 24, 2023

CERTIFICATION

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

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

Date: April 24, 2023

/s/ Ramon L. Laguarta

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

CERTIFICATION

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

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

Date: April 24, 2023

/s/ Hugh F. Johnston

Hugh F. Johnston
Chief Financial Officer

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

In connection with the Quarterly Report of PepsiCo, Inc. (the "Corporation") on Form 10-Q for the quarterly period ended March 25, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ramon L. Laguarta, Chairman of the Board of Directors and Chief Executive Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

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

Date: April 24, 2023

/s/ Ramon L. Laguarta

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

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

In connection with the Quarterly Report of PepsiCo, Inc. (the "Corporation") on Form 10-Q for the quarterly period ended March 25, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hugh F. Johnston, Chief Financial Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

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

Date: April 24, 2023

/s/ Hugh F. Johnston

Hugh F. Johnston
Chief Financial Officer