

Dear Fellow Stakeholders,

The test of a great company is whether it has the ability to constantly manage for both the level of returns and the duration over which those returns will be realized.

It's a challenge that we at PepsiCo embrace, because we recognize that there's always a bigger picture, a longer time horizon and a broader world in which we operate.

Our heritage as a food and beverage powerhouse runs deep. What began with Pepsi-Cola more than a century ago and became PepsiCo with the addition of the Frito-Lay snack business nearly 50 years ago, has transformed into a global, diversified company with more than \$65 billion in annual revenue. We are the largest food and beverage business in the United States and one of the largest in the world.

If our history and trajectory have taught us one thing, it's that we have to think in terms of both quarters and generations.

Business does not operate in a vacuum — it operates under a license from society. We recognized early that when we transform our business to deliver for our consumers, protect our environment, and invest in our employees — we achieve sustained value. In fact, these actions fuel our financial returns.

In 2007, we articulated this powerful idea through Performance with Purpose, our goal to deliver sustained, top-tier financial results through:

- Transforming our portfolio to provide a wide range of foods and beverages, from treats to healthy eats, to sustain topline growth;
- Finding innovative ways to reduce our impact on the environment, which enables us to lower our costs at the same time; and
- Providing a safe and inclusive workplace for our employees around the globe to attract and retain the best talent, and investing in the communities in which we do business to retain our license to operate.

From our operations on farms and the plant floor, to delivery of our products to store shelves, to strategic decision making — we are guided by Performance with Purpose. It's more than a vision statement. It's the soul of PepsiCo. Over the past

seven years, we have woven Performance with Purpose into every aspect of our business — and in doing so, changed the very fabric of our company.

We have achieved some impressive results.

We are transforming our portfolio to offer consumers more choice, successfully launching nutritious products like Quaker Real Medleys, Trop50, Gatorade Energy Chews, Muller Quaker Dairy yogurt, baked snacks, and lower-calorie products like Pepsi Next. In 2012, 49 percent of our U.S. beverage volume was in juices, low- or zero-calorie drinks, and active hydration beverages.

We'll continue to innovate in the growing tasty nutrition space and across our portfolio to meet changing consumer needs.

We're proud to be a leader in water stewardship and continuously work to minimize our environmental impact. We have reduced our water usage by more than 20 percent per unit of production since 2006. And by teaming up with partners around the globe, we have provided access to safe, clean drinking water for 3 million people. Our achievements were recognized with the Stockholm Industry Water Award and the U.S. Water Prize in 2012. We have also reduced the packaging weight of our products (primarily in our beverage bottles) by more than 350 million pounds over the last five years, exceeding our goal by more than 20 percent. We remain committed to environmental stewardship at every level of our company.

PepsiCo's talented people are vital to our continued success, and we continuously invest in our associates, giving them the tools and training to succeed. I recently saw firsthand the expertise and passion of PepsiCo's diverse team in the Asia, Middle East and Africa Sector, where we're employing more women in Saudi Arabia than ever before. And our Asia Pacific team has increased the female executive promotion rate to nearly 50 percent. In the United States, women, people of color and people from diverse backgrounds comprised more than 60 percent of the new hires from our college campus recruiting in 2012. We have also established a Human Rights Operating Council to better coordinate, implement and monitor our human rights strategy across our global operations.

In all of these areas, Performance with Purpose fuels our growth and allows us to stay ahead of trends shaping our industry and the world in which we operate. It galvanizes our global associates, positions our business to deliver today and well into the future, and protects resources for the next generation.

We're proud of what we have achieved so far but recognize that there is much work to do to meet the aggressive goals we've set for ourselves.

PepsiCo has the capacity, and the will, to lead. We will continue to work with governments, NGOs, local community partners and other industry leaders toward common goals and fight for those things that make the world a better place.

At the heart of PepsiCo and our Performance with Purpose vision is the powerful idea that every footprint matters, but so too does the horizon to which you're headed. We're proud of the individual steps we're taking, and the larger journey on which we've embarked.

We remain steadfastly dedicated to building a profitable and sustainable 21st century corporation — one that is a good investment for our shareholders, a good environment for our employees, a good citizen in our communities and a good steward of our planet's resources. That's Performance with Purpose. It is important now more than ever.

Indra K. Nooyi
Chairman and
Chief Executive Officer