AMERICAN INTERNATIONAL GROUP INC
Form 424B2
March 18, 2016
Table of Contents

CALCULATION OF REGISTRATION FEE

Title of each class of securities offered	Maximum aggregate offering price	Amount of registration fee (1)(2)
3.900% Notes due 2026	$1,500,000,000	$151,050

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended (the Securities Act).

(2) A registration fee of $151,050 has been paid with respect to this offering.

Table of Contents

Filed Pursuant to Rule 424(b)(2)
Registration No. 333-204165

Prospectus Supplement

(To Prospectus dated May 14, 2015)

$1,500,000,000

American International Group, Inc.

3.900% Notes Due 2026

We are offering $1,500,000,000 principal amount of our 3.900% Notes due 2026 (the Notes).

The Notes will bear interest at the rate of 3.900% per annum, accruing from March 22, 2016 and payable semi-annually in arrears on each April 1 and October 1, beginning on October 1, 2016. The Notes will mature on April 1, 2026. The Notes will be sold in denominations of $2,000 and integral multiples of $1,000 in excess thereof.

We may redeem some or all of the Notes at any time at the redemption price described under Description of the Notes Optional Redemption.

The Notes will be our unsecured obligations and will rank equally with all of our other existing and future unsecured indebtedness. The Notes will be structurally subordinated to secured and unsecured debt of our subsidiaries, which is significant. The Notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the Notes on any securities exchange or for inclusion of the Notes in any automated quotation system.

Investing in the Notes involves risks. Before investing in any Notes offered hereby, you should consider carefully each of the risk factors set forth in Risk Factors beginning on page S-4 of this prospectus supplement and Part I, Item 1A. of American International Group, Inc. s (AIG) Annual Report on Form 10-K for the year ended December 31, 2015.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of the Notes or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Initial Public Offering Price	99.950%[1]	$ 1,499,250,000
Underwriting Discount and Commission	0.450%	$ 6,750,000
Proceeds, before expenses, to AIG	99.500%	$ 1,492,500,000

(1) Plus interest accrued on the Notes from March 22, 2016, if any.

The underwriters expect to deliver the Notes to investors through the book-entry facilities of The Depository Trust Company and its direct participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, or Clearstream Banking, société anonyme, on or about March 22, 2016.

Joint Book-Running Managers

Barclays **Deutsche Bank Securities** **RBC Capital Markets** **US Bancorp**
Mizuho Securities **SMBC Nikko**

Co-Managers

ANZ Securities **ING** **nabSecurities, LLC** **Natixis** **PNC Capital Markets LLC**
Santander **Scotiabank** **SOCIETE GENERALE** **Standard Chartered Bank** **UniCredit Capital Markets**

Prospectus Supplement dated March 17, 2016.

Table of Contents

We are responsible only for the information contained in this prospectus supplement, the accompanying prospectus, any related free writing prospectus issued or authorized by us and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with any other information, and neither we nor the underwriters take responsibility for any other information that others may give you. We and the underwriters are offering to sell the Notes only in jurisdictions where offers and sales are permitted. The offer and sale of the Notes in certain jurisdictions is subject to the restrictions described herein under Underwriting Selling Restrictions. The information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated herein and therein by reference is accurate only as of the date on the front of those documents, regardless of the time of delivery of those documents or any sale of the Notes.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which describes more general information regarding AIG s securities, some of which does not apply to this offering. This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission (the SEC) using the SEC s shelf registration rules. You should read both this prospectus supplement and the accompanying prospectus, together with additional information incorporated by reference herein and therein as described under the heading Where You Can Find More Information in this prospectus supplement and the accompanying prospectus.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement to AIG, we, us, our or similar references mean American International Group, Inc. and not its subsidiaries.

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement. The information contained in this prospectus supplement or the accompanying prospectus or in the documents incorporated by reference herein and therein is only accurate as of their respective dates.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus supplement and the accompanying prospectus and other publicly available documents, including the documents incorporated herein and therein by reference, may include, and officers and representatives of AIG may from time to time make, projections, goals, assumptions and statements that may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These projections, goals, assumptions and statements are not historical facts but instead represent only AIG s belief regarding future events, many of which, by their nature, are inherently uncertain and outside AIG s control. These projections, goals, assumptions and statements include statements preceded by, followed by or including words such as will, believe, anticipate, expect, intend, plan, focused on achieving, view, target, goal or estimate. These projectio assumptions and statements may address, among other things, AIG s:

- exposures to subprime mortgages, monoline insurers, the residential and commercial real estate markets, state and municipal bond issuers, sovereign bond issuers, the energy sector and currency exchange rates;

- exposure to European governments and European financial institutions;

- strategy for risk management;

- sales of businesses;

- restructuring of business operations;

generation of deployable capital;

strategies to increase return on equity and earnings per share;

strategies to grow net investment income, efficiently manage capital, grow book value per common share, and reduce expenses;

anticipated restructuring charges and annual cost savings;

anticipated business or asset divestitures or monetizations;

anticipated organizational and business changes;

strategies for customer retention, growth, product development, market position, financial results and reserves; and

subsidiaries revenues and combined ratios.

It is possible that AIG s actual results and financial condition will differ, possibly materially, from the results and financial condition indicated in these projections, goals, assumptions and statements. Factors that could cause AIG s actual results to differ, possibly materially, from those in the specific projections, goals, assumptions and statements include:

changes in market conditions;

negative impacts on customers, business partners and other stakeholders;

the occurrence of catastrophic events, both natural and man-made;

significant legal proceedings;

the timing and applicable requirements of any new regulatory framework to which AIG is subject as a nonbank systemically important financial institution and as a global systemically important insurer;

concentrations in AIG s investment portfolios;

actions by credit rating agencies;

judgments concerning casualty insurance underwriting and insurance liabilities;

AIG s ability to successfully manage run-off insurance portfolios;

AIG s ability to successfully reduce costs and expenses and make business and organizational changes without negatively impacting client relationships or AIG s competitive position;

AIG s ability to successfully dispose of, or monetize, businesses or assets;

judgments concerning the recognition of deferred tax assets;

- judgments concerning estimated restructuring charges and estimated cost savings; and

- such other factors discussed throughout the Risk Factors section of this prospectus supplement and throughout Part I, Item 1A. Risk Factors and Part II, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in AIG s Annual Report on Form 10-K for the year ended December 31, 2015.

AIG is not under any obligation (and expressly disclaims any obligation) to update or alter any projections, goals, assumptions or other statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

Unless the context otherwise requires, the term AIG in this Cautionary Statement Regarding Forward-Looking Information section means American International Group, Inc. and its consolidated subsidiaries.

WHERE YOU CAN FIND MORE INFORMATION

AIG is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and files with the SEC proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as required of a U.S. publicly listed company. You may read and copy any document AIG files at the SEC s public reference room in Washington, D.C. at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. AIG s SEC filings are also available to the public through:

- the SEC s website at www.sec.gov; and

- the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

Table of Contents

AIG s common stock is listed on the New York Stock Exchange and trades under the symbol AIG.

AIG has filed with the SEC a registration statement on Form S-3 relating to the Notes. This prospectus supplement is part of the registration statement and does not contain all the information in the registration statement. Whenever a reference is made in this prospectus supplement to a contract or other document, please be aware that the reference is not necessarily complete and that you should refer to the exhibits that are part of the registration statement for a copy of the contract or other document. You may review a copy of the registration statement at the SEC s public reference room in Washington, D.C. as well as through the SEC s internet site noted above.

The SEC allows AIG to incorporate by reference the information AIG files with the SEC (other than information that is deemed furnished to the SEC), which means that AIG can disclose important information to you by referring to those documents, and later information that AIG files with the SEC will automatically update and supersede that information as well as the information contained in this prospectus supplement. AIG incorporates by reference the documents listed below and any filings made with the SEC under Section 13(a), 13(c), 14, or 15(d) of the Exchange Act until all the Notes to which this prospectus supplement relates are sold or the offering is otherwise terminated (except for information in these documents or filings that is deemed furnished to the SEC):

(1) Annual Report on Form 10-K for the year ended December 31, 2015 filed on February 19, 2016.

(2) The definitive proxy statement on Schedule 14A filed on March 30, 2015, and the definitive additional materials on Schedule 14A filed on April 16, 2015.

(3) Current Reports on Form 8-K filed on April 16, 2015, May 13, 2015, July 15, 2015, December 10, 2015, January 4, 2016, January 26, 2016, February 2, 2016, February 11, 2016, February 11, 2016, February 19, 2016, February 23, 2016, February 26, 2016, March 8, 2016 and March 16, 2016.

AIG will provide without charge to each person, including any beneficial owner, to whom this prospectus supplement is delivered, upon his or her written or oral request, a copy of any or all of the reports or documents referred to above that have been incorporated by reference into this prospectus supplement excluding exhibits to those documents unless they are specifically incorporated by reference into those documents. You can request those documents from AIG s Investor Relations Department, 175 Water Street, New York, New York 10038, telephone 212-770-6293, or you may obtain them from AIG s corporate website at *www.aig.com*. Except for the documents specifically incorporated by reference into this prospectus supplement, information contained on AIG s website or that can be accessed through its website is not incorporated into and does not constitute a part of this prospectus supplement. AIG has included its website address only as an inactive textual reference and does not intend it to be an active link to its website.

Table of Contents

SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein. As a result, it does not contain all of the information that may be important to you or that you should consider before investing in the Notes. You should read carefully this entire prospectus supplement and the accompanying prospectus, including the Risk Factors section of this prospectus supplement, Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2015, and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, which are described under Where You Can Find More Information in this prospectus supplement and the accompanying prospectus.

American International Group, Inc.

AIG, a Delaware corporation, is a leading global insurance organization. Founded in 1919, today it provides a wide range of property casualty insurance, life insurance, retirement products, mortgage insurance and other financial services to customers in more than 100 countries and jurisdictions. Its diverse offerings include products and services that help businesses and individuals protect their assets, manage risks and provide for retirement security. AIG s principal executive offices are located at 175 Water Street, New York, New York 10038, and its main telephone number is (212) 770-7000. AIG s internet address for its corporate website is *www.aig.com*. Except for the documents referred to under Where You Can Find More Information in this prospectus supplement and the accompanying prospectus that are specifically incorporated by reference into this prospectus supplement and the accompanying prospectus, information contained on AIG s website or that can be accessed through its website is not incorporated into and does not constitute a part of this prospectus supplement or the accompanying prospectus. AIG has included its website address only as an inactive textual reference and does not intend it to be an active link to its website.

Recent Developments

On February 23, 2016, AIG commenced a cash tender offer (the Tender Offer) for up to $1 billion principal amount (U.S. Dollar equivalent) of 11 series of notes and debentures of AIG and its subsidiaries maturing on various dates between 2018 and 2097 and bearing interest at various rates between 5.60% and 8.625%. The Tender Offer is expected to expire on March 21, 2016. The securities purchased in the Tender Offer will be retired and cancelled by the relevant issuer. See AIG s Current Reports on Form 8-K filed on February 23, 2016 and March 8, 2016 for further information regarding the Tender Offer.

On February 26, 2016, AIG issued $1.5 billion principal amount of 3.300% Notes due 2021. AIG intends to use a portion of the net proceeds from the issuance of the 3.300% Notes to finance the Tender Offer and the remainder of the net proceeds for general corporate purposes. See AIG s Current Report on Form 8-K filed on February 26, 2016 for further information regarding such offering.

Table of Contents

Summary of the Offering

The following summary contains basic information about the Notes and is not intended to be complete. It does not contain all of the information that may be important to you. For a more detailed description of the Notes, please refer to the section entitled Description of the Notes in this prospectus supplement and the section entitled Description of Debt Securities AIG May Offer in the accompanying prospectus.

Issuer	American International Group, Inc.
Notes Offered	$1,500,000,000 principal amount of 3.900% Notes due 2026 (the Notes)
Maturity Date	The Notes will mature on April 1, 2026.
Interest Rate and Payment Dates	The Notes will bear interest at the rate of 3.900% per annum payable semi-annually in arrears on each April 1 and October 1, beginning on October 1, 2016.
Form and Denomination	The Notes will be issued in fully registered form in denominations of $2,000 and integral multiples of $1,000 in excess thereof.
Ranking	The Notes will be unsecured obligations of American International Group, Inc. and will rank equally with all of our other existing and future unsecured indebtedness. See Risk Factors The Notes are unsecured debt and will be effectively subordinated to any secured obligations we may incur for a further discussion of those obligations.
	In addition, the Notes will be structurally subordinated to the secured and unsecured debt of our subsidiaries, which is significant. See Risk Factors We and our subsidiaries have significant leverage and debt obligations. Payments on the Notes will depend on receipt of dividends and distributions from our subsidiaries, and the Notes will be structurally subordinated to the existing and future indebtedness of our subsidiaries.
Optional Redemption	At any time prior to January 1, 2026, we may redeem the Notes, in whole or in part, at any time at our option at a price equal to the greater of (i) the principal amount thereof and (ii) the sum of the present values of the remaining scheduled payments of principal and interest in respect of the Notes to be redeemed discounted to the date of redemption as described under Description of the Notes Optional Redemption, plus, in

	each case, accrued and unpaid interest to but excluding the date of the redemption.
	At any time on or after January 1, 2026, we may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes being redeemed, plus accrued and unpaid interest to but excluding the date of redemption.
Covenants	The terms of the Notes and the indenture governing the Notes limit our ability and the ability of certain of our subsidiaries to incur certain

Table of Contents

	liens without equally and ratably securing the Notes. See Description of the Notes Limitation on Liens Covenant for a further discussion. Other than this covenant, the terms of the Notes will contain limited protections for holders of the Notes. In particular, the Notes will not place any restrictions on our or our subsidiaries ability to: engage in a change of control transaction; subject to the covenant discussed under Description of the Notes Limitation on Liens Covenant, issue secured debt or secure existing unsecured debt; issue debt securities or otherwise incur additional unsecured indebtedness or other obligations; purchase or redeem or make any payments in respect of capital stock or other securities ranking junior in right of payment to the Notes; pay dividends; sell assets; or enter into transactions with related parties.
Use of Proceeds	Net proceeds to us will be approximately $1,491,900,000 after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds of this offering for general corporate purposes. See Use of Proceeds.
Further Issuances	We may create and issue further notes ranking equally and ratably with the Notes in all respects, on the same terms and conditions (except that the public offering price and issue date may vary), so that such further notes will constitute and form a single series with the Notes being offered by this prospectus supplement.
Listing	We are not applying to list the Notes on any securities exchange or to include the Notes in any automated quotation system.

Trustee and Paying Agent	The trustee and paying agent for the Notes is The Bank of New York Mellon.
Governing Law	The indenture and the supplemental indentures under which the Notes are being issued and the Notes will be governed by the laws of the State of New York.
Risk Factors	Investing in the Notes involves risks. You should consider carefully all of the information in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein. In particular, you should consider carefully the specific risk factors described under Risk Factors in this prospectus supplement and Part I, Item 1A. of AIG s Annual Report on Form 10-K for the year ended December 31, 2015, before purchasing any Notes.

Table of Contents

RISK FACTORS

An investment in the Notes involves certain risks. You should carefully consider the risks described below and in Part I, Item 1A. of AIG s Annual Report on Form 10-K for the year ended December 31, 2015, as well as other information included, or incorporated by reference, in this prospectus supplement and the accompanying prospectus, before purchasing any Notes. Events relating to any of the following risks, or other risks and uncertainties, could seriously harm our business, financial condition and results of operations. In such a case, the trading value of the Notes could decline, or we may be unable to meet our obligations under the Notes, which in turn could cause you to lose all or part of your investment.

The Notes are unsecured debt and will be effectively subordinated to any secured obligations we may incur.

The Notes will be our unsecured obligations and will rank effectively junior to any secured obligations we may incur, to the extent of the collateral securing those obligations. For example, if we were unable to repay indebtedness or meet other obligations under our secured debt, the holders of that secured debt may have the right to foreclose upon and sell the assets that secure that debt. In such an event, it is possible that we would not have sufficient funds to pay amounts due on the Notes.

In addition, if we are declared bankrupt, become insolvent or are liquidated or reorganized, holders of our secured debt will be entitled to exercise the remedies available to a secured lender under applicable law and pursuant to the instruments governing such debt, and any of our secured indebtedness will be entitled to be paid in part or in full, to the extent of our pledged assets or the pledged assets of the guarantors securing that indebtedness before any payment may be made with respect to the Notes from such pledged assets. Secured lenders not paid in full from pledged assets may be entitled to an unsecured claim for the balance of their debt (or such lesser amount as any applicable limited recourse may provide). Holders of the Notes will participate ratably in our remaining assets with all holders of any unsecured indebtedness that does not rank junior to the Notes, based upon the respective amounts owed to each holder or creditor. In any of the foregoing events, there may not be sufficient assets to pay amounts due on the Notes. As a result, holders of the Notes would likely receive less, ratably, than holders of our secured indebtedness.

The indenture relating to the Notes and the terms of the Notes contain limited protection for holders of the Notes.

The indenture (described further in Description of the Notes below and Description of Debt Securities AIG May Offer The Senior Debt Indenture in the accompanying prospectus) under which the Notes will be issued and the terms of the Notes offer limited protection to holders of the Notes. In particular, the terms of the indenture and the terms of the Notes will not place any restrictions on our or our subsidiaries ability to:

- engage in a change of control transaction;
- subject to the covenant discussed under Description of the Notes Limitation on Liens Covenant, issue secured debt or secure existing unsecured debt;
- issue debt securities or otherwise incur additional unsecured indebtedness or other obligations;

purchase or redeem or make any payments in respect of capital stock or other securities ranking junior in right of payment to the Notes;

pay dividends;

sell assets;

enter into transactions with related parties; or

conduct other similar transactions that may adversely affect the holders of the Notes.

Table of Contents

Furthermore, the terms of the indenture and the terms of the Notes will not protect holders of the Notes in the event that we experience changes (including significant adverse changes) in our financial condition or results of operations, as they will not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow or liquidity. In addition, the Notes do not provide for a step-up in interest on, or any other protection against, a decline in our credit ratings.

Our ability to incur additional debt and take a number of other actions that are not limited by the terms of the indenture or the Notes could negatively affect the value of the Notes.

In addition, our existing credit facilities include more protections for the lenders thereunder than are available to holders of the Notes under the indenture and the terms of the Notes. For example, subject to certain exceptions, our existing credit facilities restrict our ability and the ability of certain of our subsidiaries to, among other things, incur certain types of liens, merge, consolidate, sell all or substantially all of our assets and engage in transactions with affiliates. Our existing credit facilities also require us to maintain a specified total consolidated net worth and consolidated total debt to consolidated total capitalization. If we fail to comply with those covenants and are unable to obtain a waiver or amendment, an event of default would result under our existing credit facilities, and the lenders thereunder could, among other things, declare any outstanding borrowings under our existing credit facilities immediately due and payable. However, because the Notes do not contain similar covenants, such events may not constitute an event of default under the Notes and the holders of the Notes would not be able to accelerate the payment under the Notes. As a result, holders of the Notes may be effectively subordinated to the lenders of our existing credit facilities, and to new lenders or note holders, to the extent the instruments they hold include similar protections.

We and our subsidiaries have significant leverage and debt obligations. Payments on the Notes will depend on receipt of dividends and distributions from our subsidiaries, and the Notes will be structurally subordinated to the existing and future indebtedness of our subsidiaries.

We are a holding company and we conduct substantially all of our operations through subsidiaries. We are also permitted, subject to certain limitations under our existing indebtedness and limits that may be imposed by regulatory agencies, to obtain additional long-term debt and working capital lines of credit to meet future financing needs. This would have the effect of increasing our total leverage. Furthermore, subject to the covenant discussed under Description of the Notes Limitation on Liens Covenant, the indenture relating to the Notes does not prohibit us or our subsidiaries from incurring additional secured or unsecured indebtedness. As of December 31, 2015, we had approximately $29.4 billion of consolidated debt (including approximately $5.0 billion of subsidiary debt obligations not guaranteed by us). See Capitalization below for our outstanding debt as adjusted to give effect to this offering.

We depend on dividends, distributions and other payments from our subsidiaries to fund payments on the Notes. Further, the majority of our investments are held by our regulated subsidiaries. Our subsidiaries may be limited in their ability to make dividend payments or advance funds to us in the future because of the need to support their own capital levels or because of regulatory limits.

Our right to participate in any distribution of assets from any subsidiary upon the subsidiary s liquidation or otherwise is subject to the prior claims of any preferred equity interest holders and creditors of that subsidiary, except to the extent that we are recognized as a creditor of that subsidiary. To the extent that we are a creditor of a subsidiary, our claims would be subordinated to any security interest in the assets of that subsidiary and/or any indebtedness of that subsidiary senior to that held by us. As a result, the Notes will be structurally subordinated to all existing and future liabilities of our subsidiaries. You should look only to the assets of American International Group, Inc. as the source of payment for the Notes, and not those of our subsidiaries.

Table of Contents

The trading market for the Notes may be limited and you may be unable to sell your Notes at a price that you deem sufficient.

The Notes being offered by this prospectus supplement and the accompanying prospectus are a new issue of securities for which there is currently no active trading market. We do not intend to list the Notes on any securities exchange or include the Notes in any automated quotation system. The underwriters currently intend, but are not obligated, to make a market for the Notes and may cease doing so at any time. As a result, an active trading market may not develop for the Notes, or if one does develop, it may not be sustained. If an active trading market fails to develop or cannot be sustained, you may not be able to resell your Notes at their fair market value or at all.

Whether or not a trading market for the Notes develops, neither we nor the underwriters can provide any assurance about the market price of the Notes. Several factors, many of which are beyond our control, might influence the market value of the Notes, including:

- our creditworthiness and financial condition (whether actual or perceived);
- actions by credit rating agencies;
- the market for similar securities;
- prevailing interest rates; and
- economic, financial, geopolitical, regulatory and judicial events that affect us, the industries and markets in which we are doing business, and the financial markets generally.

Financial market conditions and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Such fluctuations could have an adverse effect on the price of the Notes.

As a result of one or more of those factors, Notes that an investor purchases may trade at a discount to the price that the investor paid for such Notes.

There are potential conflicts of interest between investors in the Notes and the quotation agent.

AIG Markets, Inc., our subsidiary, will serve as the quotation agent in connection with any redemption of the Notes. The quotation agent will determine the redemption price of the Notes. The quotation agent will exercise discretion and judgment in performing these duties. Absent manifest error, all determinations by the quotation agent will be final and binding on investors, without any liability on our part. The exercise of this discretion by the quotation agent could adversely affect the redemption price of the Notes. Investors will not be entitled to any compensation from us for any loss suffered as a result of any determinations by the quotation agent, even though the quotation agent may have a conflict of interest at the time of such determinations.

Our credit ratings may not reflect all risks of an investment in the Notes.

Our credit ratings are an assessment of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. Our credit ratings, however, may not reflect the potential impact of risks related to market or other factors discussed in this prospectus supplement and the accompanying prospectus on the value of the Notes.

Table of Contents

USE OF PROCEEDS

The net proceeds to us from the sale of the Notes, after deduction of underwriting discounts and commissions and estimated offering expenses payable by us, are anticipated to be approximately $1,491,900,000. We intend to use the net proceeds of this offering for general corporate purposes.

Table of Contents

CAPITALIZATION

The following table sets forth our consolidated cash and our consolidated capitalization as of December 31, 2015:

- on an actual basis; and
- as adjusted to give effect to the offering of the Notes.

You should read the information in this table together with our consolidated financial statements and the related notes in our Annual Report on Form 10-K for the year ended December 31, 2015, which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

	At December 31, 2015	
	Actual	As Adjusted for the Issuance of the Notes[(a)]
	(In millions)	
Cash	$ 1,629	$ 3,121
Debt:		
Debt issued or guaranteed by AIG:		
General Borrowings		
Notes and bonds payable	17,420	18,920
Loans and mortgages payable	106	106
Junior subordinated debt	1,759	1,759
Borrowings supported by assets:		
MIP notes payable	1,372	1,372
Series AIGFP matched notes and bonds payable	34	34
Other	3,670	3,670
Debt not guaranteed by AIG	4,989	4,989
Total debt	29,350	30,850
Shareholders equity:		
Common stock, $2.50 par value; 5,000,000,000 shares authorized; shares issued: 1,906,671,492	4,766	4,766
Treasury stock, at cost; 712,754,875 shares of common stock	(30,098)	(30,098)
Additional paid-in capital	81,510	81,510
Retained earnings	30,943	30,943
Accumulated other comprehensive income	2,537	2,537
Total AIG shareholders equity	89,658	89,658
Non-redeemable noncontrolling interests	552	552

Total equity	90,210	90,210
Total capitalization	$ 119,560	$ 121,060

(a) The as-adjusted column does not reflect (i) any repurchases or proposed repurchases of shares of common stock of AIG made or to be made by AIG after December 31, 2015; (ii) the issuance by AIG of $1,500,000,000 principal amount of 3.300% Notes due 2021 on February 26, 2016; or (iii) the proposed retirement of existing debt issued or guaranteed by AIG and repurchased since December 31, 2015 (which will be made at a premium), including AIG s expected repurchase of notes and debentures issued or guaranteed by AIG pursuant to the Tender Offer. See AIG s Current Reports on Form 8-K filed on February 23, 2016 and March 8, 2016 for further information regarding the Tender Offer and see AIG s Current Report on Form 8-K filed on February 26, 2016 for further information regarding the issuance by AIG of $1,500,000,000 principal amount of 3.300% Notes due 2021 on February 26, 2016.

Table of Contents

DESCRIPTION OF THE NOTES

We have summarized below certain terms of the 3.900% Notes due 2026, which we refer to in this prospectus supplement as the Notes. This summary supplements and amends the general description of the Notes contained in the accompanying prospectus. Any information regarding the Notes contained in this prospectus supplement that is inconsistent with information in the accompanying prospectus will apply and will supersede any inconsistent information in the accompanying prospectus.

You should refer to the Indenture, dated as of October 12, 2006, between us and The Bank of New York Mellon, as trustee, as supplemented by the Fourth Supplemental Indenture, dated as of April 18, 2007, and the Eighth Supplemental Indenture, dated as of December 3, 2010, and with respect to the Notes, as further supplemented by the applicable supplemental indenture governing the Notes. The Indenture, as so supplemented, is referred to as the Indenture in this prospectus supplement. The Indenture, including these supplemental indentures, has been filed as an exhibit to the registration statement, or will be filed as an exhibit to our Current Report on Form 8-K relating to this offering. The following summary, together with the descriptions in the accompanying prospectus, of certain provisions of the Notes and the Indenture does not purport to be complete and is subject, and qualified in its entirety by reference, to all of the provisions of the Notes and the Indenture, including the definitions of terms therein. See Where You Can Find More Information in this prospectus supplement and the accompanying prospectus for details on how you may obtain a copy of the Indenture from us.

The Notes will be issued as a series of the debt securities under the Indenture, as described herein and in the accompanying prospectus.

General

The Notes will be issued in fully registered form without interest coupons in denominations of $2,000 and integral multiples of $1,000 in excess thereof and will be represented by global Notes (as defined below) registered in the name of The Depository Trust Company (DTC) or its nominee.

The Notes will be unsecured obligations of AIG and will rank equally with all of our other existing and future unsecured indebtedness. See Risk Factors The Notes are unsecured debt and will be effectively subordinated to any secured obligations we may incur in this prospectus supplement for additional information on this risk. In addition, the Notes will be structurally subordinated to all future and existing obligations of our subsidiaries, which is significant. See Risk Factors We and our subsidiaries have significant leverage and debt obligations. Payments on the Notes will depend on receipt of dividends and distributions from our subsidiaries, and the Notes will be structurally subordinated to the existing and future indebtedness of our subsidiaries in this prospectus supplement for additional information on this risk.

The Notes will be issued in an initial aggregate principal amount of $1,500,000,000. We may, without the consent of the holders of the Notes, increase the principal amount of the Notes by issuing additional notes on the same terms and conditions (except that the public offering price, issue date and initial interest payment date may vary) and with the same CUSIP number, ISIN and common code as the Notes being offered by this prospectus supplement. The Notes being offered by this prospectus supplement and any additional notes of the same series would rank equally and ratably and would be treated as a single class for all purposes of the Indenture.

The Notes will mature on April 1, 2026. Principal of and interest on the Notes will be payable, and the Notes will be exchangeable and transferable, at our office or agency in The City of New York, which initially will be the corporate trust office of the trustee currently located at 101 Barclay Street, New York, New York 10286. No service charge will be made for any registration of transfer or exchange of the Notes, except for any tax or other governmental charge that may be imposed in connection therewith.

The Notes do not provide for any sinking fund or permit holders to require us to repurchase the Notes.

Table of Contents

For so long as the Notes are in book-entry form, payments of principal and interest will be made in immediately available funds by wire transfer to DTC or its nominee. We may issue definitive Notes in the limited circumstances set forth in Book-Entry System below.

Business Day for the purposes of the Notes means each Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in The City of New York are authorized or obligated by law or executive order to close.

Interest

The Notes will bear interest at the rate of 3.900% per annum, payable semi-annually in arrears on each April 1 and October 1, commencing on October 1, 2016, to holders of record on the immediately preceding March 15 and September 15. Interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months. On the maturity date of the Notes, holders will be entitled to receive 100% of the principal amount of the Notes plus accrued and unpaid interest, if any. If any interest payment date or the maturity date of the Notes falls on a day that is not a Business Day, we will make the required payment on the next succeeding Business Day, and no additional interest will accrue in respect of the payment made on that next succeeding Business Day.

Optional Redemption

At any time prior to January 1, 2026, we will have the right to redeem the Notes, in whole or in part, at a redemption price equal to the greater of:

- 100% of the principal amount of the Notes to be redeemed; and

- as determined by the quotation agent, the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date, on a semi-annual basis assuming a 360-day year consisting of twelve 30-day months at the adjusted treasury rate, plus 30 basis points,

plus, in each case, accrued and unpaid interest thereon to, but excluding, the date of redemption.

At any time on or after January 1, 2026, we may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes being redeemed, plus accrued and unpaid interest to, but excluding, the date of redemption.

The definitions of certain terms used in the paragraph above are listed below.

Adjusted treasury rate means, with respect to any redemption date, the rate per annum equal to the semi- annual equivalent yield to maturity of the comparable treasury issue, assuming a price for the comparable treasury issue (expressed as a percentage of its principal amount) equal to the comparable treasury price for such redemption date.

Comparable treasury issue means the U.S. Treasury security selected by the quotation agent as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes.

Comparable treasury price means, with respect to any redemption date, the average of the reference treasury dealer quotations for such redemption date.

Quotation agent means AIG Markets, Inc. or any other firm appointed by us, acting as quotation agent. AIG Markets, Inc. is our subsidiary.

Reference treasury dealer means:

- each of Barclays Capital Inc., Deutsche Bank Securities Inc., RBC Capital Markets, LLC and one primary treasury dealer (as defined below) selected by U.S. Bancorp Investments, Inc., or the respective successor of any of the foregoing; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in the United States (a primary treasury dealer), we will substitute therefor another primary treasury dealer; and

- any other primary treasury dealer selected by the quotation agent after consultation with us.

Reference treasury dealer quotations means with respect to each reference treasury dealer and any redemption date, the average, as determined by the quotation agent, of the bid and asked prices for the comparable treasury issue (expressed in each case as a percentage of its principal amount) quoted in writing to the quotation agent by such reference treasury dealer at 3:30 p.m. on the third Business Day preceding such redemption date.

All calculations made by the quotation agent for the purposes of calculating the redemption price of the Notes shall be conclusive and binding on the holders of the Notes, the trustee and us, absent manifest error. See Risk Factors There are potential conflicts of interest between investors in the Notes and the quotation agent.

If less than all of the Notes are to be redeemed at any time, selection of the Notes for redemption will be made by the trustee by such method as the trustee may deem fair and appropriate (including by lot or otherwise in accordance with the procedures of DTC), provided that the unredeemed portion of the principal amount of any Note shall be in a denomination of not less than $2,000.

We will give to DTC a notice of redemption at least 30 days but not more than 60 days before the redemption date. If the Notes are to be redeemed in part only, the notice of redemption will state the portion of the principal amount thereof to be redeemed. A new Note in a principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Note. Notice by DTC to its participants and by participants to street name holders of indirect interests in the Notes will be made according to arrangements among them and may be subject to statutory or regulatory requirements. The redemption may be conditioned upon the occurrence of one or more conditions precedent.

Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Notes or portions thereof called for redemption. If a redemption date falls on a day that is not a Business Day, we will make the required payment on the next succeeding Business Day, and no additional interest will accrue in respect of the payment made on that next succeeding Business Day.

Limitation on Liens Covenant

We have made a covenant with respect to the Notes that we will not, and will not permit any Designated Subsidiary (as defined below) to, directly or indirectly, create, issue, assume, incur or guarantee any indebtedness for money borrowed (other than non-recourse indebtedness) which is secured by a mortgage, pledge, lien, security interest or other encumbrance of any nature on any of the present or future voting stock of a Designated Subsidiary unless the

Notes and, if we so elect, any of our other indebtedness ranking at least *pari passu* with the Notes, are secured equally and ratably with (or prior to) such other secured indebtedness. For purpose of this covenant, Designated Subsidiary means American Home Assurance Company, National Union Fire Insurance Company of Pittsburgh, Pa., and any subsidiary the assets of which exceed 20% of our consolidated assets, to be determined as of the last day of the most recent calendar quarter ended at least 30 days prior to the date of such determination and in accordance with generally accepted accounting principles as in effect on the last day of such calendar quarter. As of December 31, 2015, AGC Life Insurance Company, AIG Life Holdings, Inc., AIG Property Casualty Inc., AIG Property Casualty U.S., Inc., AIUH LLC, American General Life Insurance Company and SAFG Retirement Services, Inc. had assets that exceeded 20% of our consolidated assets.

Other than the covenant described above and the provisions described under Description of Debt Securities AIG May Offer Special Situations Mergers and Similar Transactions in the accompanying prospectus, the Indenture or the Notes do not contain other provisions that afford holders of the Notes protection in the event we:

- engage in a change of control transaction;
- subject to the covenant discussed above, issue secured debt or secure existing unsecured debt;
- issue debt securities or otherwise incur additional unsecured indebtedness or other obligations;
- purchase or redeem or make any payments in respect of capital stock or other securities ranking junior in right of payment to the Notes;
- sell assets;
- pay dividends;
- enter into transactions with related parties; or
- conduct other similar transactions that may adversely affect the holders of the Notes.

See Risk Factors The indenture relating to the Notes and the terms of the Notes contain limited protection for holders of the Notes for a further discussion of the limited protections provided to holders of the Notes.

Defeasance

The defeasance provisions of the Indenture will apply to the Notes. See Description of Debt Securities AIG May Offer Defeasance beginning on page 8 in the accompanying prospectus.

Governing Law

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

Book-Entry System

The Notes will be issued in the form of one or more global certificates, which are referred to as global Notes, registered in the name of DTC or its nominee. Purchasers of the Notes may hold beneficial interests in the global Notes through DTC, or through the accounts that Clearstream Banking, S.A. (Clearstream) and Euroclear Bank S.A./N.V. (Euroclear) maintain as participants in DTC. For more information concerning DTC and its book-entry system as well as Clearstream and Euroclear, see Legal Ownership and Book-Entry Issuance in the accompanying prospectus.

Notes represented by a global Note will be exchangeable for Note certificates, registered in the names of owners of beneficial interests in the global Notes, with the same terms and in authorized denominations, only if:

- the depositary notifies us that it is unwilling, unable or no longer permitted under applicable law to continue as depositary for the global Notes and we do not appoint another institution to act as depositary within 90 days;
- we notify the trustee that we wish to terminate that global Note; or
- an event of default has occurred with regard to the Notes and has not been cured or waived.

Table of Contents

In any such instance, an owner of a beneficial interest in the global Notes will be entitled to physical delivery of the Notes represented by the global Notes equal in principal amount to that beneficial interest and to have those Notes registered in its name. Notes so issued will be in definitive registered form, in denominations of $2,000 and integral multiples of $1,000 in excess thereof. Notes so registered can be transferred by presentation for registration of transfer to the transfer agent at its corporate trust office and must be duly endorsed by the holder or his attorney duly authorized in writing, or accompanied by a written instrument or instruments of transfer in form satisfactory to us or the trustee duly executed by the holder or its attorney duly authorized in writing. We may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of definitive Notes.

If a global Note is terminated, only DTC, as depositary, and not we or the trustee, is responsible for deciding the names of the persons in whose names the Notes delivered in exchange will be registered and, therefore, who will be the holders of those Notes.

Concerning the Trustee

The Bank of New York Mellon will initially be the trustee under the Indenture and also the paying agent and the transfer agent and registrar for the Notes. We have entered, and from time to time may continue to enter, into banking or other relationships with The Bank of New York Mellon or its affiliates. See Description of Debt Securities AIG May Offer Our Relationship with the Trustee beginning on page 10 in the accompanying prospectus.

Table of Contents

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement, dated the date of this prospectus supplement, the underwriters named below, for whom Barclays Capital Inc., Deutsche Bank Securities Inc., RBC Capital Markets, LLC and U.S. Bancorp Investments, Inc. are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the principal amount of the Notes set forth opposite their names below:

Underwriters		Principal Amount of the Notes
Barclays Capital Inc.	$	300,000,000
Deutsche Bank Securities Inc.		300,000,000
RBC Capital Markets, LLC		300,000,000
U.S. Bancorp Investments, Inc.		300,000,000
Mizuho Securities USA Inc.		82,500,000
SMBC Nikko Securities America, Inc.		82,500,000
ANZ Securities, Inc.		13,500,000
ING Financial Markets LLC		13,500,000
nabSecurities, LLC		13,500,000
Natixis Securities Americas LLC		13,500,000
PNC Capital Markets LLC		13,500,000
Santander Investment Securities Inc.		13,500,000
Scotia Capital (USA) Inc.		13,500,000
SG Americas Securities, LLC		13,500,000
Standard Chartered Bank		13,500,000
UniCredit Capital Markets LLC		13,500,000
Total	$	1,500,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the Notes included in this offering are subject to certain conditions precedent. The underwriters are committed to take and pay for all the Notes being offered, if any are taken.

We have been advised by the representatives of the underwriters that the Notes sold by the underwriters to the public will initially be offered at the price set forth on the cover of this prospectus supplement. Any Notes sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price of up to 0.300% of the principal amount of the Notes. Any such securities dealers may resell any Notes purchased from the underwriters to certain other brokers or dealers at a discount from the initial public offering price of up to 0.200% of the principal amount of the Notes. After the initial offering of the Notes to the public, the underwriters may from time to time change the public offering price and other selling terms.

The following table shows the per Note and total underwriting discounts and commissions to be paid to the underwriters by us. The per Note discount is expressed as a percentage of the principal amount of the Notes.

Per Note	0.450%
Total	$ 6,750,000

The Notes are a new issue of securities with no established trading market. We do not intend to list the Notes on any national securities exchange or to include the Notes in any automated quotation system. We cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. We have been advised by the underwriters that the underwriters intend to make a market in the Notes but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Notes. See Risk Factors The trading market for the Notes may be limited and you may be unable to sell your Notes at a price that you deem sufficient for a further discussion of this risk.

The underwriters intend to offer the Notes for sale primarily in the United States either directly or through affiliates or other dealers acting as selling agents. The underwriters may also offer the Notes for sale outside the United States either directly or through affiliates or other dealers acting as selling agents. Standard Chartered Bank will not effect any offers or sales of any Notes in the United States unless it is through one or more U.S. registered broker-dealers as permitted by the regulations of the Financial Industry Regulatory Authority, Inc.

In order to facilitate the offering of the Notes, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the underwriters may over-allot in connection with the offering, creating a short position in the Notes for their own account. In addition, to cover over-allotments or to stabilize the price of the Notes, the underwriters may bid for, and purchase, the Notes on the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the Notes in the offering, if the syndicate repurchases previously distributed Notes in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Notes above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

We estimate that total out-of-pocket expenses of this offering payable by us, excluding underwriting discounts and commissions, will be approximately $600,000.

We have agreed to indemnify the several underwriters against, and to contribute toward, certain liabilities, including liabilities under the Securities Act of 1933, as amended.

Certain of the underwriters and their respective affiliates have rendered and may in the future render various investment banking, lending and commercial banking services and other advisory services to us and our subsidiaries. Certain of these relationships involve transactions that are material to us and our affiliates and for which those underwriters received significant fees. Certain of the underwriters have received, and may in the future receive, customary compensation from us and our subsidiaries for such services.

Certain of the underwriters are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Some of the underwriters or their affiliates have a lending relationship with us or our subsidiaries, and certain of those underwriters or their affiliates routinely hedge, and certain other of those underwriters or their affiliates may hedge, their credit exposure to us or our subsidiaries consistent with their customary risk management policies. A typical hedging strategy would include these underwriters or their affiliates hedging their exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes. Any such credit default swaps and short positions could adversely affect future trading prices of the Notes. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve our securities and/or instruments. Additionally, certain of the underwriters may hold positions in the debt securities included in the Tender Offer for their own account and/or for the accounts of their customers. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Table of Contents

Selling Restrictions

No action has been or will be taken by us that would permit a public offering of the Notes, or possession or distribution of this prospectus supplement or the accompanying prospectus or any other offering or publicity material relating to the Notes, in any country or jurisdiction outside the United States where, or in any circumstances in which, action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this prospectus supplement, the accompanying prospectus and any other offering or publicity material relating to the Notes may not be distributed or published, in or from any country or jurisdiction outside the United States except under circumstances that will result in compliance with applicable laws and regulations.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement together with the accompanying prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

European Economic Area

In relation to each Member State of the European Economic Area (EEA) which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), it has not made and will not make an offer to the public of any Notes which are the subject of the offering contemplated by this prospectus supplement in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer to the public in that Relevant Member State of the Notes under the following exemptions under the Prospectus Directive:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant underwriter or underwriters nominated by AIG for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the Notes shall result in a requirement for AIG or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision and the representation below under Notice to United Kingdom and European Economic Area Investors, the expression an offer to the public , or any similar expression, in

S-16

Table of Contents

relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression Prospectus Directive means Directive 2003/71/ EC (and amendments thereto, including the Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

This EEA selling restriction is in addition to any other selling restrictions set out in this prospectus supplement and the accompanying prospectus. See also Notice to United Kingdom and European Economic Area Investors below.

United Kingdom

Each underwriter has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (FSMA)) received by it in connection with the issue or sale of the Notes which are the subject of the offering contemplated by this prospectus supplement in circumstances in which Section 21(1) of the FSMA does not apply to AIG; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

See also Notice to United Kingdom and European Economic Area Investors below.

Hong Kong

Each underwriter has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong any Notes by means of any document other than (i) to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (SFO) and any rules made thereunder, or (ii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purpose of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to any Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the SFO and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan. Each underwriter has represented and agreed that it has not offered or sold, and will not offer or sell any Notes directly or indirectly in Japan or to, or for the benefit of, any Japanese person or to others, for re-offering or resale directly or indirectly in Japan or to any Japanese person, except in each case pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law of Japan and any other applicable laws and regulations of Japan. For purposes of this paragraph, Japanese person means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This prospectus supplement and the accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the SFA). Accordingly, each underwriter has represented, warranted and agreed that (a) it has not circulated or distributed and will not circulate or distribute this prospectus supplement and the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, (b) has not offered or sold and will not offer or sell any Notes, and (c) has not made and will not make any Notes to be the subject of an invitation for subscription or purchase, whether directly or indirectly, in each of the cases of (a) to (c), to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This prospectus supplement and the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may any Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notice to United Kingdom and European Economic Area Investors

This prospectus supplement and the accompanying prospectus are only being distributed to and are only directed at (i) persons who are outside the United Kingdom, (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order), or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling

Table of Contents

within Article 49(2)(a) to (d) of the Order (all such persons in (i), (ii) and (iii) above together being referred to as relevant persons). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this prospectus supplement, the accompanying prospectus or any of the contents of such documents. Persons distributing this document must satisfy themselves that it is lawful to do so.

In each Relevant Member State, this communication is only addressed to and is only directed at qualified investors in that Relevant Member State within the meaning of the Prospectus Directive.

This prospectus supplement and the accompanying prospectus have been prepared on the basis that any offer of the Notes in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer in any Relevant Member State of the Notes which are the subject of the offering contemplated by this prospectus supplement may only do so in circumstances in which no obligation arises for AIG or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of AIG or the underwriters has authorized, nor do they authorize, the making of any offer of the Notes in circumstances in which an obligation arises for AIG or the underwriters to publish or supplement a prospectus for such offer.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires, any Notes in the offering contemplated in this prospectus supplement will be deemed to have represented, warranted and agreed to and with each of the underwriters and AIG that:

(a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any Notes acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Notes acquired by it in the offer hereby have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the underwriters has been given to the offer or resale; or (ii) where the Notes have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Notes to it is not treated under the Prospectus Directive as having been made to such persons.

Table of Contents

VALIDITY OF THE NOTES

The validity of the Notes will be passed upon for us by Sullivan & Cromwell LLP, New York, New York, and for the underwriters by Cleary Gottlieb Steen & Hamilton LLP, New York, New York. Cleary Gottlieb Steen & Hamilton LLP has from time to time provided, and may provide in the future, legal services to AIG and its affiliates.

EXPERTS

The consolidated financial statements, financial statement schedules and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Report on Internal Control over Financial Reporting) incorporated into this prospectus supplement by reference to AIG s Annual Report on Form 10-K for the year ended December 31, 2015 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Table of Contents

PROSPECTUS

American International Group, Inc.

Debt Securities

Common Stock

Preferred Stock

Depositary Shares

American International Group, Inc. (AIG) may offer to sell senior debt securities, common stock or preferred stock, either separately or represented, in the case of preferred stock, by depositary shares. Any series of debt securities or preferred stock may be convertible into or exercisable or exchangeable for common stock or another series of preferred stock or other securities of AIG or debt or equity securities of one or more other entities. AIG may offer and sell debt securities, common stock or preferred stock, or in the case of the preferred stock, depositary shares from time to time in amounts, at prices and on terms that will be determined at the time of the applicable offering.

AIG s common stock is listed on the New York Stock Exchange and trades under the symbol AIG .

AIG may issue all or a portion of the debt securities in the form of one or more permanent global certificates. The common stock and preferred stock will be issued in direct registration form on the books and records of AIG.

This prospectus describes some of the general terms that may apply to these securities and the general manner in which they may be offered. The specific terms of any securities to be offered, and the specific manner in which they may be offered, will be described in a supplement to this prospectus. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

Investing in the securities involves certain risks. See Risk Factors referred to on page ii to read about certain factors you should consider before buying the securities.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

AIG may offer and sell these securities directly to or through one or more underwriters, dealers and agents, or directly to purchasers, on an immediate, continuous or delayed basis.

The date of this prospectus is May 14, 2015.

TABLE OF CONTENTS

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus to the Company, AIG, we, our, us and similar references mean American International Group, Inc. and its subsidiaries.

AIG is responsible only for the information contained in this prospectus, any prospectus supplement, any related free writing prospectus issued or authorized by AIG and the documents incorporated by reference in this prospectus or any prospectus supplement. AIG has not authorized anyone to provide you with any other information, and AIG takes no responsibility for any other information that others may give you. AIG is offering to sell the securities only under the circumstances and in jurisdictions where offers and sales are permitted. The information contained in this prospectus, any prospectus supplement and in the documents incorporated herein or therein by reference is accurate only as of the date on the front of those documents, regardless of the time of delivery of those documents or any sale of the securities.

Table of Contents

RISK FACTORS

Before investing in any securities offered hereby, you should consider carefully each of the risk factors set forth in the applicable prospectus supplement and pricing supplement, if any, and the documents incorporated by reference herein and therein (see Where You Can Find More Information in this prospectus).

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus and other publicly available documents, including the documents incorporated herein by reference, may include, and officers and representatives of AIG may from time to time make, projections, goals, assumptions and statements that may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These projections, goals, assumptions and statements are not historical facts but instead represent only AIG s belief regarding future events, many of which, by their nature, are inherently uncertain and outside AIG s control. These projections, goals, assumptions and statements include statements preceded by, followed by or including words such as believe, anticipate, expect, intend, plan, view, target or estimate. These project assumptions and statements may address, among other things, AIG s:

- exposures to subprime mortgages, monoline insurers, the residential and commercial real estate markets, state and municipal bond issuers, sovereign bond issuers, the energy sector and currency exchange rates;
- exposure to European governments and European financial institutions;
- strategy for risk management;
- generation of deployable capital;
- return on equity and earnings per share;
- strategies to grow net investment income, efficiently manage capital and reduce expenses;
- strategies for customer retention, growth, product development, market position, financial results and reserves; and
- subsidiaries revenues and combined ratios.

It is possible that AIG s actual results and financial condition will differ, possibly materially, from the results and financial condition indicated in these projections, goals, assumptions and statements. Factors that could cause AIG s actual results to differ, possibly materially, from those in the specific projections, goals, assumptions and statements include:

changes in market conditions;

the occurrence of catastrophic events, both natural and man-made;

significant legal proceedings;

the timing and applicable requirements of any new regulatory framework to which AIG is subject as a nonbank systemically important financial institution and as a global systemically important insurer;

concentrations in AIG s investment portfolios;

actions by credit rating agencies;

judgments concerning casualty insurance underwriting and insurance liabilities;

judgments concerning the recognition of deferred tax assets; and

such other factors as are discussed throughout Part I, Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations of AIG s Quarterly Report on Form 10-Q for the

Table of Contents

quarterly period ended March 31, 2015 and in Part I, Item 1A. Risk Factors and throughout Part II, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations of AIG s Annual Report on Form 10-K for the year ended December 31, 2014.

AIG is not under any obligation (and expressly disclaims any obligation) to update or alter any projections, goals, assumptions or other statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

AIG is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and files with the Securities and Exchange Commission (the SEC) proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as required of a U.S. publicly listed company. You may read and copy any document AIG files at the SEC s public reference room in Washington, D.C. at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. AIG s SEC filings are also available to the public through:

- The SEC s website at www.sec.gov; and
- The New York Stock Exchange, 20 Broad Street, New York, New York 10005.

AIG s common stock is listed on the New York Stock Exchange and trades under the symbol AIG .

AIG has filed with the SEC a registration statement on Form S-3 relating to the securities. This prospectus is part of the registration statement and does not contain all the information in the registration statement. Whenever a reference is made in this prospectus to a contract or other document, please be aware that the reference is not necessarily complete and that you should refer to the exhibits that are part of the registration statement for a copy of the contract or other document. You may review a copy of the registration statement at the SEC s public reference room in Washington, D.C. as well as through the SEC s internet site noted above.

The SEC allows AIG to incorporate by reference the information AIG files with the SEC (other than information that is deemed furnished to the SEC) which means that AIG can disclose important information to you by referring to those documents, and later information that AIG files with the SEC will automatically update and supersede that information as well as the information contained in this prospectus. AIG incorporates by reference the documents listed below and any filings made with the SEC under Section 13(a), 13(c), 14, or 15(d) of the Exchange Act until all the securities are sold (except for information in these documents or filings that is deemed furnished to the SEC):

(1) Annual Report on Form 10-K for the year ended December 31, 2014 filed on February 20, 2015.

(2) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015 filed on May 4, 2015.

(3) The definitive proxy statement on Schedule 14A filed on March 30, 2015, and the definitive additional soliciting materials on Schedule 14A filed on April 16, 2015.

(4) Current Reports on Form 8-K filed on January 15, 2015, January 28, 2015, February 12, 2015, March 10, 2015, March 11, 2015, March 17, 2015, March 25, 2015, March 26, 2015, March 30, 2015, March 31, 2015, April 14, 2015, April 16, 2015, April 30, 2015, May 12, 2015 and May 13, 2015.

(5) The description of common stock in the registration statement on Form 8-A, dated September 20, 1984, filed pursuant to Section 12(b) of the Exchange Act, and the description of the share purchase rights associated with the common stock in the registration statement on Form 8-A, dated March 9, 2011, filed pursuant to Section 12(b) of the Exchange Act, as amended by Amendment No. 1 to Form 8-A, dated January 8, 2014.

AIG will provide without charge to each person, including any beneficial owner, to whom this prospectus is delivered, upon his or her written or oral request, a copy of any or all of the reports or documents referred to above that have been incorporated by reference into this prospectus excluding exhibits to those documents unless they are specifically incorporated by reference into those documents. You can request those documents from AIG s Investor Relations Department, 175 Water Street, New York, New York 10038, telephone 212-770-6293, or you may obtain them from AIG s corporate website at *www.aig.com*. Except for the documents specifically incorporated by reference into this prospectus, information contained on AIG s website or that can be accessed through its website does not constitute a part of this prospectus. AIG has included its website address only as an inactive textual reference and does not intend it to be an active link to its website.

Table of Contents

ABOUT AMERICAN INTERNATIONAL GROUP, INC.

AIG, a Delaware corporation, is a leading global insurance organization. Founded in 1919, today it provides a wide range of property casualty insurance, life insurance, retirement products, mortgage insurance and other financial services to customers in more than 100 countries and jurisdictions. Its diverse offerings include products and services that help businesses and individuals protect their assets, manage risks and provide for retirement security. AIG s principal executive offices are located at 175 Water Street, New York, New York 10038, and its main telephone number is (212) 770-7000. AIG s internet address for its corporate website is *www.aig.com*. Except for the documents referred to under Where You Can Find More Information in this prospectus or any accompanying prospectus supplement which are specifically incorporated by reference into this prospectus or any accompanying prospectus supplement, information contained on AIG s website or that can be accessed through its website is not incorporated into and does not constitute a part of this prospectus or any accompanying prospectus supplement. AIG has included its website address only as an inactive textual reference and does not intend it to be an active link to its website.

USE OF PROCEEDS

Unless otherwise indicated in any prospectus supplement, AIG intends to use the net proceeds from the sale of any securities for general corporate purposes.

Table of Contents

DESCRIPTION OF DEBT SECURITIES AIG MAY OFFER

References to AIG, us, we or our in this section mean American International Group, Inc. and do not include the subsidiaries of American International Group, Inc. Also, in this section, references to holders mean those who own debt securities registered in their own names, on the books that we or the applicable trustee maintain for this purpose, and not those who own beneficial interests in debt securities registered in street name or in debt securities issued in book-entry form through one or more depositaries. When we refer to you in this prospectus, we mean all purchasers of the securities being offered by this prospectus, whether they are the holders or only indirect owners of those securities.

Debt Securities Will Be Senior and Unsecured

The senior debt securities will not be subordinated to any of our other obligations or be secured by any of our property or assets or the property or assets of our subsidiaries. Thus, by owning a debt security, you are one of our unsecured creditors.

The senior debt securities will be issued under our senior debt indenture described below and will rank equally with all of our other unsecured and unsubordinated debt.

The Senior Debt Indenture

The senior debt securities are governed by a document called an indenture the senior debt indenture. The senior debt indenture is a contract between AIG and The Bank of New York Mellon, which acts as trustee.

The trustee has two main roles:

1. The trustee can enforce the rights of holders against us if we default on our obligations under the terms of the senior debt indenture or the debt securities. There are some limitations on the extent to which the trustee acts on behalf of holders, described below under Events of Default Remedies If an Event of Default Occurs.

2. The trustee performs administrative duties for us, such as sending interest payments and notices to holders, and transferring a holder s debt securities to a new buyer if a holder sells.

The senior debt indenture and its associated documents contain the full legal text of the matters described in this section. The senior debt indenture and the debt securities are governed by New York law. A copy of the senior debt indenture is an exhibit to our registration statement. See Where You Can Find More Information above for information on how to obtain a copy.

General

We may issue as many distinct series of debt securities under the senior debt indenture as we wish. The provisions of the senior debt indenture allow us not only to issue debt securities with terms different from those previously issued but also to reopen a previous issue of a series of debt securities and issue additional debt securities of that series. We may issue debt securities in amounts that exceed the total amount specified on the cover of your prospectus supplement at any time without your consent and without notifying you.

This section summarizes the material terms of the debt securities that are common to all series, although the prospectus supplement which describes the terms of each series of debt securities may also describe differences from the material terms summarized here.

Because this section is a summary, it does not describe every aspect of the debt securities. This summary is subject to and qualified in its entirety by reference to all the provisions of the senior debt indenture, including

Table of Contents

definitions of certain terms used in the senior debt indenture. In this summary, we describe the meaning of only some of the more important terms. For your convenience, we also include references in parentheses to certain sections of the senior debt indenture. Whenever we refer to particular sections or defined terms of the senior debt indenture in this prospectus or in the prospectus supplement, such sections or defined terms are incorporated by reference here or in the prospectus supplement. You must look to the senior debt indenture for the most complete description of what we describe in summary form in this prospectus.

This summary also is subject to and qualified by reference to the description of the particular terms of your series of debt securities described in the prospectus supplement. Those terms may vary from the terms described in this prospectus. The prospectus supplement relating to each series of debt securities will be attached to the front of this prospectus. There may also be a further prospectus supplement, known as a pricing supplement, which contains the precise terms of debt securities you are offered.

We may issue the debt securities as original issue discount securities, which will be offered and sold at a substantial discount below their stated principal amount. (Section 101) The prospectus supplement relating to any specific series of debt securities, including original issue discount securities, may describe certain additional federal income tax considerations, if any, and any other special considerations applicable to such debt securities.

In addition, the specific financial, legal and other terms particular to a series of debt securities will be described in the prospectus supplement and, if applicable, a pricing supplement relating to the series. The prospectus supplement relating to a series of debt securities will describe the following terms of the series:

- the title of the series of debt securities;
- any limit on the aggregate principal amount of the series of debt securities;
- the person to whom interest on a debt security is payable, if other than the holder on the regular record date;
- the date or dates on which the series of debt securities will mature;
- the rate or rates, which may be fixed or variable, at which the series of debt securities will bear interest, if any, and the date or dates from which that interest, if any, will accrue;
- the place or places where the principal of and any premium and interest on the debt securities is payable;
- the dates on which interest, if any, on the series of debt securities will be payable and the regular record dates for the interest payment dates;

any mandatory or optional sinking funds or similar provisions or provisions for redemption at the option of AIG;

the date, if any, after which and the price or prices at which the series of debt securities may, in accordance with any optional or mandatory redemption provisions, be redeemed and the other detailed terms and provisions of those optional or mandatory redemption provisions, if any;

if the debt securities may be converted into or exercised or exchanged for our common stock or preferred stock or other of our securities or the debt or equity securities of third parties, the terms on which conversion, exercise or exchange may occur, including whether conversion, exercise or exchange is mandatory, at the option of the holder or at our option, the period during which conversion, exercise or exchange may occur, the initial conversion, exercise or exchange price or rate and the circumstances or manner in which the amount of common stock or preferred stock or other securities or the debt or equity securities of third parties issuable upon conversion, exercise or exchange may be adjusted;

if other than denominations of $1,000 and any integral multiples thereof, the denominations in which the series of debt securities will be issuable;

Table of Contents

- if other than U.S. dollars, the currency of payment of principal and any premium and interest on debt securities of the series;

- if the currency of payment for principal and any premium and interest on the series of debt securities is subject to our election or that of a holder, the currency or currencies in which payment can be made and the period within which, and the terms and conditions upon which, the election can be made;

- any index used to determine the amount of payment of principal or any premium or interest on the series of debt securities;

- any covenants we make for the benefit of the series of debt securities;

- the applicability of the provisions described under Defeasance below;

- any event of default under the series of debt securities if different from those described under Events of Default below;

- if the series of debt securities will be issuable in whole or in part in the form of a global security, the depositary or its nominee with respect to the series of debt securities and the circumstances under which the global security may be registered for transfer or exchange in the name of a person other than the depositary or the nominee; and

- any other special feature of the series of debt securities.

An investment in debt securities linked to an index may involve special risks. The prospectus supplement or pricing supplement relating to a series of indexed debt securities will describe the risks relating to such series of debt securities.

Overview of Remainder of this Description

The remainder of this description summarizes:

- ***Additional Mechanics*** relevant to the debt securities under normal circumstances, such as how holders transfer ownership and where we make payments;

- Holders rights in several ***Special Situations***, such as if we merge with another company or if we want to change a term of the debt securities;

Our right to release ourselves from all or some of our obligations under the debt securities and the senior debt indenture by a process called ***Defeasance***; and

Holders rights if we ***Default*** or experience other financial difficulties.

Any covenants that apply to any series of the debt securities will be described in an applicable prospectus supplement.

Additional Mechanics

Form, Exchange and Transfer

Unless we specify otherwise in the prospectus supplement, the debt securities will be issued:

only in fully registered form;

without interest coupons; and

in denominations of $1,000 or integral multiples thereof. (Section 302)

If a debt security is issued as a registered global debt security, only the depositary named in your prospectus supplement will be entitled to transfer and exchange the debt security as described in this subsection, since the

Table of Contents

depositary will be the sole holder of the debt security. Those who own beneficial interests in a global security do so through participants in the depositary s securities clearance system, and the rights of these indirect owners will be governed solely by the applicable procedures of the depositary and its participants. We describe book-entry procedures and the special provisions that apply to a registered global debt security, the depositary and its participants under Legal Ownership and Book-Entry Issuance.

Holders may have their debt securities broken into more debt securities of smaller denominations of not less than $1,000 (or such integral multiple of $1,000 as may be specified in the applicable prospectus supplement) or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed. (Section 305) This is called an exchange.

Holders may exchange or transfer debt securities at the office of the trustee. They may also replace lost, stolen or mutilated debt securities at that office. The trustee acts as our agent for registering debt securities in the names of holders and transferring debt securities. We may change this appointment to another entity or perform it ourselves. The entity performing the role of maintaining the list of registered holders is called the security registrar. It will also perform transfers. (Section 305) The trustee may require an indemnity before replacing any debt securities.

Holders will not be required to pay a service charge to transfer or exchange debt securities, but holders may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange will only be made if the security registrar is satisfied with your proof of ownership.

If we designate additional transfer agents, they will be named in the prospectus supplement. We may cancel the designation of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts. (Section 1002)

If the debt securities are redeemable and we redeem less than all of the debt securities of a particular series, we may block the transfer or exchange of debt securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. We may also refuse to register transfers or exchanges of debt securities selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any debt security being partially redeemed. (Section 305)

The rules for exchange described above apply to exchange of debt securities for other debt securities of the same series and kind. If a debt security is convertible, exercisable or exchangeable into or for a different kind of security, such as one that we have not issued, or for other property, the rules governing that type of conversion, exercise or exchange will be described in the prospectus supplement.

Payment and Paying Agents

We will pay interest to the person listed in the trustee s records at the close of business on a particular day in advance of each due date for interest, even if that person no longer owns the debt security on the interest due date. That particular day, usually approximately fifteen days in advance of the interest due date, is called the regular record date and will be stated in the prospectus supplement. (Section 307) Holders buying and selling debt securities should take into consideration the fact that we will pay all the interest for an interest period to the registered holder as of the regular record date. Holders commonly adjust the sale price of the securities to prorate interest fairly between buyer and seller. This prorated interest amount is called accrued interest.

We will pay interest, principal and any other money due on the debt securities at our office or agency in The City of New York, which initially will be the corporate trust office of the trustee currently located at 101 Barclay Street, New York, New York 10286. Holders must make arrangements to have their payments picked up at or wired from that office. We may also choose to pay interest by mailing checks.

Table of Contents

BOOK-ENTRY AND OTHER INDIRECT HOLDERS SHOULD CONSULT THEIR BANKS, BROKERS OR OTHER FINANCIAL INSTITUTIONS FOR INFORMATION ON HOW THEY WILL RECEIVE PAYMENTS.

We may also arrange for additional payment offices and may cancel or change these offices, including our use of the trustee s corporate trust office. These offices are called paying agents. We may also choose to act as our own paying agent or choose one of our subsidiaries to do so. We must notify the trustee of changes in the paying agents for any particular series of debt securities. (Section 1002)

Notices

We and the trustee will send notices regarding the debt securities only to holders, using their addresses as listed in the trustee s records. (Sections 101 and 106) We discuss legal ownership of debt securities held in book-entry form below under Legal Ownership and Book-Entry Issuance.

Regardless of who acts as paying agent, all money paid by us to a paying agent that remains unclaimed at the end of two years after the amount is due to holders will be repaid to us. After that two-year period, holders may look to us for payment and not to the trustee or any other paying agent. (Section 1003)

Special Situations

Mergers and Similar Transactions

We are generally permitted to consolidate or merge with another company or firm. We are also permitted to sell or lease our properties and assets substantially as an entirety to another company or firm. However, we may not take any of these actions unless all the following conditions are met:

- When we merge or consolidate out of existence or sell or lease our properties and assets substantially as an entirety, the other company or firm may not be organized under a foreign country s laws that is, it must be a corporation, partnership or trust organized under the laws of a state of the United States or the District of Columbia or under federal law and it must agree to be legally responsible for the debt securities.

- The merger, sale of assets or other transaction must not cause a default on the debt securities, and we must not already be in default (unless the merger or other transaction would cure the default). For purposes of this no-default test, a default would include an event of default that has occurred and not been cured. A default for this purpose would also include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded. (Section 801)

If the conditions described above are satisfied with respect to any series of debt securities, we will not need to obtain the approval of the holders of those debt securities in order to merge or consolidate or to sell our assets. Also, these conditions will apply only if we wish to merge or consolidate with another entity or sell our properties and assets substantially as an entirety to another entity. We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another entity, any transaction that involves a change of control but in which we do not merge or consolidate and any transaction in which we do not sell our properties and assets substantially as an entirety. It is possible that this type of transaction may result in a reduction in our credit rating, may reduce our operating results or may impair our financial condition. Holders of our debt securities, however, will have no approval right with respect to any transaction of this type.

Modification and Waiver of the Debt Securities

There are four types of changes we can make to the senior debt indenture and the debt securities.

Table of Contents

Changes Requiring Approval of All Holders. First, there are changes that cannot be made to the senior debt indenture or the debt securities without specific approval of each holder of a debt security affected in any material respect by the change under the indenture. Affected debt securities may be all or less than all of the debt securities issued under the senior debt indenture or all or less than all of the debt securities of a series. Following is a list of those types of changes:

change the stated maturity of the principal or interest on a debt security;

reduce any amounts due on a debt security;

reduce the amount of principal payable upon acceleration of the maturity of a debt security (including the amount payable on an original issue discount debt security) following a default;

change the place or currency of payment on a debt security;

impair a holder s right to sue for payment;

		14,557				
Nonamortizable Intangible Assets	31,212			31,357		
Investments in Noncontrolled Affiliates	1,585			1,477		
Other Assets	1,621			1,021		
Total Assets	$	74,017		$	72,882	

(Continued on following page)

7

Table of Contents

PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET (continued)
(in millions except per share amounts)

	(Unaudited) 9/8/2012	12/31/2011
Liabilities and Equity		
Current Liabilities		
Short-term obligations	$4,211	$6,205
Accounts payable and other current liabilities	11,722	11,757
Income taxes payable	287	192
Total Current Liabilities	16,220	18,154
Long-term Debt Obligations	23,732	20,568
Other Liabilities	7,551	8,266
Deferred Income Taxes	4,930	4,995
Total Liabilities	52,433	51,983
Commitments and Contingencies		
Preferred Stock, no par value	41	41
Repurchased Preferred Stock	(162)	(157)
PepsiCo Common Shareholders' Equity		
Common stock, par value 1 2/3 cents per share:		
Authorized 3,600 shares, issued 9/12 and 12/11 – 1,865 shares	31	31
Capital in excess of par value	4,179	4,461
Retained earnings	42,332	40,316
Accumulated other comprehensive loss	(6,086)	(6,229)
Less: repurchased common stock, at cost: 9/12 – 314 shares, 12/11 – 301 shares	(18,896)	(17,875)
Total PepsiCo Common Shareholders' Equity	21,560	20,704
Noncontrolling interests	145	311
Total Equity	21,584	20,899
Total Liabilities and Equity	$74,017	$72,882

See accompanying notes to the condensed consolidated financial statements.

8

Table of Contents

PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
(in millions, unaudited)

	36 Weeks Ended			
	9/8/2012		9/3/2011	
	Shares	Amount	Shares	Amount
Preferred Stock	0.8	$41	0.8	$41
Repurchased Preferred Stock				
Balance, beginning of year	(0.6)	(157)	(0.6)	(150)
Redemptions	(–)	(5)	(–)	(5)
Balance, end of period	(0.6)	(162)	(0.6)	(155)
Common Stock	1,865	31	1,865	31
Capital in Excess of Par Value				
Balance, beginning of year		4,461		4,527
Stock-based compensation expense		193		222
Stock option exercises/RSUs converted[(a)]		(384)		(303)
Withholding tax on RSUs converted		(65)		(54)
Other		(26)		14
Balance, end of period		4,179		4,406
Retained Earnings				
Balance, beginning of year		40,316		37,090
Net income attributable to PepsiCo		4,517		5,028
Cash dividends declared – common		(2,482)		(2,388)
Cash dividends declared – preferred		(1)		(1)
Cash dividends declared – RSUs		(18)		(15)
Balance, end of period		42,332		39,714
Accumulated Other Comprehensive Loss				
Balance, beginning of year		(6,229)		(3,630)
Currency translation adjustment		(8)		870
Cash flow hedges, net of tax:				
Net derivative losses		(40)		(63)
Reclassification of net losses to net income		37		11
Pension and retiree medical, net of tax:				
Reclassification of net losses to net income		109		49
Remeasurement of net liabilities		7		—
Unrealized gains/(losses) on securities, net of tax		2		(20)
Other		36		(17)
Balance, end of period		(6,086)		(2,800)
Repurchased Common Stock				
Balance, beginning of year	(301)	(17,875)	(284)	(16,745)
Share repurchases	(35)	(2,387)	(30)	(1,970)
Stock option exercises	20	1,225	15	948
Other	2	141	2	107
Balance, end of period	(314)	(18,896)	(297)	(17,660)
Total PepsiCo Common Shareholders’ Equity		21,560		23,691
Noncontrolling Interests				
Balance, beginning of year		311		312
Net income attributable to noncontrolling interests		30		32
Distributions to noncontrolling interests		(15)		(10)

Currency translation adjustment	(6)	69
Acquisitions and divestitures	(175)	23
Balance, end of period	145	426
Total Equity	$21,584	$24,003

(a) Includes total tax benefits of $57 million in 2012 and $35 million in 2011.

See accompanying notes to the condensed consolidated financial statements.

9

Table of Contents

PEPSICO, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Basis of Presentation and Our Divisions

Basis of Presentation

Our Condensed Consolidated Statements of Income and Comprehensive Income for the 12 and 36 weeks ended September 8, 2012 and September 3, 2011, our Condensed Consolidated Statements of Cash Flows for the 36 weeks ended September 8, 2012 and September 3, 2011, our Condensed Consolidated Balance Sheet as of September 8, 2012 and our Condensed Consolidated Statements of Equity for the 36 weeks ended September 8, 2012 and September 3, 2011 have not been audited. These statements have been prepared on a basis that is substantially consistent with the accounting principles applied in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. In our opinion, these financial statements include all normal and recurring adjustments necessary for a fair presentation. The results for the 12 and 36 weeks are not necessarily indicative of the results expected for the full year.

While our North America results are reported on a period calendar basis, most of our international operations report on a monthly calendar basis for which the months of June, July and August are reflected in our third quarter results.

In the first quarter of 2011, Quaker Foods North America (QFNA) changed its method of accounting for certain U.S. inventories from the last-in, first-out (LIFO) method to the average cost method. This change was considered preferable by management as we believe that the average cost method of accounting for all U.S. foods inventories improves our financial reporting by better matching revenues and expenses and better reflecting the current value of inventory. In addition, the change from the LIFO method to the average cost method enhances the comparability of QFNA's financial results with our other food businesses, as well as with peer companies where the average cost method is widely used. The impact of this change on consolidated net income in the first quarter of 2011 was approximately $9 million (or less than a penny per share).

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 and volume, as applicable, and the recognition of income taxes using an estimated annual effective tax rate. Raw materials, direct labor and plant overhead, as well as purchasing and receiving costs, costs directly related to production planning, inspection costs and raw material handling facilities, are included in cost of sales. The costs of moving, storing and delivering finished product are included in selling, general and administrative expenses.

The following information is unaudited. Tabular dollars are in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless otherwise noted, and are based on unrounded amounts. Certain reclassifications were made to the prior year's amounts to conform to the 2012 presentation. This report should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Our Divisions

We are organized into four business units, as follows:

1. PepsiCo Americas Foods (PAF), which includes Frito-Lay North America (FLNA), Quaker Foods North America (QFNA) and all of our Latin American food and snack businesses (LAF);
2. PepsiCo Americas Beverages (PAB), which includes all of our North American and Latin American beverage businesses;

10

Table of Contents

3. PepsiCo Europe, which includes all beverage, food and snack businesses in Europe and South Africa; and
4. PepsiCo Asia, Middle East and Africa (AMEA), which includes all beverage, food and snack businesses in AMEA, excluding South Africa.

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

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

	12 Weeks Ended		36 Weeks Ended	
	9/8/2012	9/3/2011	9/8/2012	9/3/2011
Net Revenue				
FLNA	$3,269	$3,173	$9,472	$9,167
QFNA	615	614	1,821	1,837
LAF	1,883	1,841	5,066	4,757
PAB	5,530	5,947	15,330	16,107
Europe	3,691	3,909	9,153	9,329
AMEA	1,664	2,098	4,696	5,149
	$16,652	$17,582	$45,538	$46,346

	12 Weeks Ended		36 Weeks Ended	
	9/8/2012	9/3/2011	9/8/2012	9/3/2011
Operating Profit				
FLNA	$917	$918	$2,532	$2,545
QFNA	154	177	495	558
LAF	219	275	673	720
PAB	837	992	2,202	2,533
Europe	483	514	1,017	984
AMEA	317	285	630	730
Total division	2,927	3,161	7,549	8,070
Corporate Unallocated				
Net impact of mark-to-market on commodity hedges	121	(53)	126	(31)
Restructuring and impairment charges	(7)	—	(8)	—
Merger and integration charges	2	(10)	—	(64)
Other	(243)	(192)	(768)	(589)
	$2,800	$2,906	$6,899	$7,386

Table of Contents

	Total Assets	
	9/8/2012	12/31/2011
FLNA	$6,075	$6,120
QFNA	1,223	1,174
LAF	4,734	4,731
PAB	31,925	31,187
Europe	18,959	18,479
AMEA	5,669	6,048
Total division	68,585	67,739
Corporate[(a)]	5,432	5,143
	$74,017	$72,882

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

Acquisitions and Divestitures

WBD

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

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

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

Tingyi-Asahi Beverages Holding Co Ltd

On March 31, 2012 , we completed a transaction with Tingyi. Under the terms of the agreement, we contributed our company-owned and joint venture bottling operations in China to Tingyi's beverage subsidiary, Tingyi-Asahi Beverages Holding Co Ltd (TAB), and received as consideration a 5% indirect equity interest in TAB. As a result of this transaction, TAB is now our franchise bottler in China. We also have a call option to

12

Table of Contents

increase our indirect holding in TAB to 20% by 2015. We recorded restructuring and other charges of $137 million ($163 million after-tax or $0.10 per share), primarily consisting of employee-related charges, in our second quarter 2012 results. This charge is reflected in items affecting comparability (see "Items Affecting Comparability" in Management's Discussion and Analysis of Financial Condition and Results of Operations).

Intangible Assets

	9/8/2012	12/31/2011
Amortizable intangible assets, net		
Acquired franchise rights	$932	$916
Reacquired franchise rights	110	110
Brands	1,432	1,417
Other identifiable intangibles	701	777
	3,175	3,220
Accumulated amortization	(1,376)	(1,332)
	$1,799	$1,888

13

Table of Contents

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

	Balance 12/31/2011	Acquisitions/ Divestitures	Translation and Other	Balance 9/8/2012
FLNA				
Goodwill	$311	$—	$7	$318
Brands	30	—	2	32
	341	—	9	350
QFNA				
Goodwill	175	—	—	175
LAF				
Goodwill	793	(83)	(17)	693
Brands	157	109	(15)	251
	950	26	(32)	944
PAB				
Goodwill	9,932	23	42	9,997
Reacquired franchise rights	7,342	(33)	42	7,351
Acquired franchise rights	1,562	9	3	1,574
Brands	168	—	(17)	151
	19,004	(1)	70	19,073
Europe				
Goodwill	4,900	78	(16)	4,962
Reacquired franchise rights	732	—	(2)	730
Acquired franchise rights	218	—	(5)	213
Brands	4,178	(96)	(21) (a)	4,061
	10,028	(18)	(44)	9,966
AMEA				
Goodwill	689	(142)	9	556
Brands	170	(24)	2	148
	859	(166)	11	704
Total goodwill	16,800	(124)	25	16,701
Total reacquired franchise rights	8,074	(33)	40	8,081
Total acquired franchise rights	1,780	9	(2)	1,787
Total brands	4,703	(11)	(49)	4,643
	$31,357	$(159)	$14	$31,212

(a) In the 12 and 36 weeks ended September 8, 2012, we recorded an impairment charge of $23 million, primarily related to our business operations in Greece.

Table of Contents

Stock-Based Compensation

In the 12 weeks ended September 8, 2012, we recognized stock-based compensation expense of $69 million ($68 million recorded as stock-based compensation expense and $1 million included in merger and integration charges). In the 36 weeks ended September 8, 2012, we recognized stock-based compensation expense of $188 million ($193 million recorded as stock-based compensation expense, $2 million included in merger and integration charges and income of $7 million included in restructuring and impairment charges). In the 12 weeks ended September 3, 2011, we recognized stock-based compensation expense of $77 million ($76 million recorded as stock-based compensation expense and $1 million included in merger and integration charges). In the 36 weeks ended September 3, 2011, we recognized stock-based compensation expense of $232 million ($222 million recorded as stock-based compensation expense and $10 million included in merger and integration charges).

In the 12 weeks ended September 8, 2012, our grants of stock options and restricted stock units (RSU) were nominal. In the 36 weeks ended September 8, 2012, we granted 3.6 million stock options and 4.3 million RSUs at weighted-average grant prices of $66.94 and $66.51, respectively, under the terms of our 2007 Long-Term Incentive Plan. In the 12 weeks ended September 3, 2011, our grants of stock options and RSUs were nominal. In the 36 weeks ended September 3, 2011, we granted 6.8 million stock options and 5.2 million RSUs at weighted-average grant prices of $64.28 and $63.88, respectively, under the terms of our 2007 Long-Term Incentive Plan.

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

	36 Weeks Ended			
	9/8/2012		9/3/2011	
Expected life	6 years		6 years	
Risk free interest rate	1.3	%	2.5	%
Expected volatility[(a)]	17	%	16	%
Expected dividend yield	3.0	%	2.9	%

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

In the 36 weeks ended September 8, 2012, as part of our 2007 Long-Term Incentive Plan, we granted a nominal amount of PepsiCo equity performance units (PEPUnits) to certain executive officers. These PEPUnits are earned based on achievement of a cumulative net income performance target and provide an opportunity to earn shares of PepsiCo Common Stock with a value that adjusts based upon absolute changes in PepsiCo’s stock price as well as PepsiCo’s Total Shareholder Return relative to the S&P 500 over a three-year performance period.

Table of Contents

Pension and Retiree Medical Benefits

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

	12 Weeks Ended					
	Pension				Retiree Medical	
	9/8/2012	9/3/2011	9/8/2012	9/3/2011	9/8/2012	9/3/2011
	U.S.		International			
Service cost	$93	$80	$23	$22	$12	$12
Interest cost	124	127	27	28	15	20
Expected return on plan assets	(183)	(163)	(34)	(32)	(5)	(3)
Amortization of prior service cost/(benefit)	4	3	—	1	(6)	(6)
Amortization of experience loss	60	34	13	10	—	2
	98	81	29	29	16	25
Settlement/Curtailment gain	—	—	(2)	—	—	—
Special termination benefits	2	—	—	—	—	—
Total expense	$100	$81	$27	$29	$16	$25

	36 Weeks Ended					
	Pension				Retiree Medical	
	9/8/2012	9/3/2011	9/8/2012	9/3/2011	9/8/2012	9/3/2011
	U.S.		International			
Service cost	$282	$242	$65	$62	$35	$35
Interest cost	370	379	75	77	45	61
Expected return on plan assets	(550)	(487)	(95)	(89)	(15)	(10)
Amortization of prior service cost/(benefit)	12	10	1	2	(18)	(19)
Amortization of experience loss	179	101	35	26	—	8
	293	245	81	78	47	75
Settlement/Curtailment (gain)/loss	(7)	(9)	1	—	—	—
Special termination benefits	6	10	—	—	4	1
Total expense	$292	$246	$82	$78	$51	$76

During the first quarter of 2012, as part of our ongoing program to reduce volatility associated with our pension plans, we made discretionary contributions of $860 million to our pension plans and $140 million to our retiree medical plans.

Table of Contents

Income Taxes

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

	9/8/2012	12/31/2011
Balance, beginning of year	$2,167	$2,022
Additions for tax positions related to the current year	190	233
Additions for tax positions from prior years	101	147
Reductions for tax positions from prior years	(25)	(46)
Settlement payments	(10)	(156)
Statute of limitations expiration	—	(15)
Translation and other	5	(18)
Balance, end of period	$2,428	$2,167

On September 20, 2012, during our fourth quarter, the U.S. Tax Court issued a decision in our favor in the tax court trial related to classification of financial instruments for the 1998-2002 audit cycle. This decision remains subject to appeal by the U.S. government.

Table of Contents

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			
	9/8/2012		9/3/2011	
	Income	Shares[(a)]	Income	Shares[(a)]
Net income attributable to PepsiCo	$1,902		$2,000	
Preferred shares:				
Dividends	—		—	
Redemption premium	(1)		(1)	
Net income available for PepsiCo common shareholders	$1,901	1,556	$1,999	1,578
Basic net income attributable to PepsiCo per common share	$1.22		$1.27	
Net income available for PepsiCo common shareholders	$1,901	1,556	$1,999	1,578
Dilutive securities:				
Stock options and RSUs[(b)]	—	18	—	20
ESOP convertible preferred stock	1	1	1	1
Diluted	$1,902	1,575	$2,000	1,599
Diluted net income attributable to PepsiCo per common share	$1.21		$1.25	

	36 Weeks Ended			
	9/8/2012		9/3/2011	
	Income	Shares[(a)]	Income	Shares[(a)]
Net income attributable to PepsiCo	$4,517		$5,028	
Preferred shares:				
Dividends	(1)		(1)	
Redemption premium	(4)		(4)	
Net income available for PepsiCo common shareholders	$4,512	1,562	$5,023	1,581
Basic net income attributable to PepsiCo per common share	$2.89		$3.18	
Net income available for PepsiCo common shareholders	$4,512	1,562	$5,023	1,581
Dilutive securities:				
Stock options and RSUs[(b)]	—	17	—	21
ESOP convertible preferred stock	5	1	5	1
Diluted	$4,517	1,580	$5,028	1,603
Diluted net income attributable to PepsiCo per common share	$2.86		$3.14	

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

(b) Options to purchase 0.6 million and 13.5 million shares, respectively, for the 12 and 36 weeks in 2012 were not included in the calculation of earnings per share because these options were out-of-the-money. These out-of-the-money options had average exercise prices of $72.26 and $67.51, respectively. Options to purchase 22.1 million and 21.2 million shares, respectively, for the 12 and 36 weeks in 2011 were not included in the calculation of earnings per share because these options were out-of-the-money. These out-of-the-money options had average exercise prices of $67.67 and $67.46, respectively.

Table of Contents

Debt Obligations and Commitments

In the first quarter of 2012, we issued:

- $750 million of 0.750% senior notes maturing in 2015;
- $1.250 billion of 2.750% senior notes maturing in 2022; and
- $750 million of 4.000% senior notes maturing in 2042.

In the third quarter of 2012, we issued:

- $900 million of 0.700% senior notes maturing in 2015;
- $1.000 billion of 1.250% senior notes maturing in 2017; and
- $600 million of 3.600% senior notes maturing in 2042.

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

In the second quarter of 2012, we extended the termination date of our four-year unsecured revolving credit agreement (Four-Year Credit Agreement) from June 14, 2015 to June 14, 2016 and the termination date of our 364-day unsecured revolving credit agreement (364-Day Credit Agreement) from June 12, 2012 to June 11, 2013. Funds borrowed under the Four-Year Credit Agreement and the 364-Day Credit Agreement may be used for general corporate purposes of PepsiCo and its subsidiaries, including, but not limited to, working capital, capital investments and acquisitions.

As of September 8, 2012, we had $0.9 billion of commercial paper outstanding.

Long-Term Contractual Commitments[(a)]

	Payments Due by Period				
	Total	2012	2013 – 2014	2015 – 2016	2017 and beyond
Long-term debt obligations[(b)]	$22,989	$—	$4,153	$5,093	$13,743
Interest on debt obligations[(c)]	8,882	300	1,656	1,311	5,615
Operating leases	1,754	142	680	388	544
Purchasing commitments	2,450	394	1,664	331	61
Marketing commitments	2,364	78	596	540	1,150
	$38,439	$914	$8,749	$7,663	$21,113

(a) Reflects non-cancelable commitments as of September 8, 2012 based on foreign exchange rates in effect on the balance sheet date and excludes any reserves for uncertain tax positions as we are unable to reasonably predict the ultimate amount or timing of settlement.

(b) Excludes $3,054 million related to current maturities of long-term debt, $390 million related to the fair value step-up of debt acquired in connection with our acquisitions of The Pepsi Bottling Group, Inc. (PBG) and PepsiAmericas, Inc. (PAS), and $353 million related to the increase in carrying value of long-term debt reflecting the gains on our fair value interest rate swaps.

(c) Interest payments on floating-rate debt are estimated using interest rates effective as of September 8, 2012.

19

Table of Contents

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

Restructuring, Impairment and Integration Charges

In the 12 weeks ended September 8, 2012, we incurred restructuring and impairment charges of $83 million ($59 million after-tax or $0.04 per share) in conjunction with our multi-year productivity plan (Productivity Plan), including $8 million recorded in the FLNA segment, $1 million recorded in the QFNA segment, $29 million recorded in the LAF segment, $33 million recorded in the PAB segment, $6 million recorded in the AMEA segment, $7 million recorded in corporate unallocated expenses and income of $1 million recorded in the Europe segment representing adjustments of previously recorded amounts. In the 36 weeks ended September 8, 2012, we incurred restructuring and impairment charges of $193 million ($139 million after-tax or $0.09 per share) in conjunction with our Productivity Plan, including $40 million recorded in the FLNA segment, $7 million recorded in the QFNA segment, $41 million recorded in the LAF segment, $76 million recorded in the PAB segment, $23 million recorded in the AMEA segment, $8 million recorded in corporate unallocated expenses and income of $2 million recorded in the Europe segment representing adjustments of previously recorded amounts. All of these net charges were recorded in selling, general and administrative expenses. The majority of cash payments related to these charges are expected to be paid by the end of 2012. The Productivity Plan includes actions in every aspect of our business that we believe will strengthen our complementary food, snack and beverage businesses by leveraging new technologies and processes across PepsiCo's operations, go-to-market and information systems; heightening the focus on best practice sharing across the globe; consolidating manufacturing, warehouse and sales facilities; and implementing simplified organization structures, with wider spans of control and fewer layers of management. The Productivity Plan is expected to enhance PepsiCo's cost-competitiveness, provide a source of funding for future brand-building and innovation initiatives, and serve as a financial cushion for potential macroeconomic uncertainty beyond 2012.

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

	Severance and Other Employee Costs	Asset Impairment	Other Costs	Total
Liability as of December 31, 2011	$249	$—	$27	$276
2012 restructuring and impairment charges	51	57	85	193
Cash payments	(173)	—	(70)	(243)
Non-cash charges	(7)	(57)	(2)	(66)
Liability as of September 8, 2012	$120	$—	$40	$160

In the 12 weeks ended September 8, 2012, we incurred merger and integration charges of $2 million ($2 million after-tax with a nominal amount per share) related to our acquisition of WBD, including $4 million recorded in the Europe segment and income of $2 million recorded in corporate unallocated expenses representing adjustments of previously recorded amounts. In the 36 weeks ended September 8, 2012, we incurred merger and integration charges of $7 million ($6 million after-tax with a nominal amount per share)

20

Table of Contents

related to our acquisition of WBD, all of which were recorded in the Europe segment. These charges were recorded in selling, general and administrative expenses. The majority of cash payments related to these charges are expected to be paid by the end of 2012.

In the 12 weeks ended September 3, 2011, we incurred merger and integration charges of $61 million ($53 million after-tax or $0.03 per share) related to our acquisitions of PBG, PAS and WBD, including $24 million recorded in the PAB segment, $11 million recorded in the Europe segment, $10 million recorded in corporate unallocated expenses and $16 million recorded in interest expense. In the 36 weeks ended September 3, 2011, we incurred merger and integration charges of $174 million ($147 million after-tax or $0.09 per share) related to our acquisitions of PBG, PAS and WBD, including $77 million recorded in the PAB segment, $17 million recorded in the Europe segment, $64 million recorded in corporate unallocated expenses and $16 million recorded in interest expense. All of these net charges, other than the interest expense portion, were recorded in selling, general and administrative expenses. These charges also include closing costs and advisory fees related to our acquisition of WBD. Substantially all cash payments related to these charges were paid by the end of 2011.

A summary of our merger and integration activity in 2012 is as follows:

	Severance and Other Employee Costs	Other Costs	Total
Liability as of December 31, 2011	$98	$7	$105
2012 merger and integration charges	2	5	7
Cash payments	(50)	(7)	(57)
Non-cash charges	(6)	—	(6)
Liability as of September 8, 2012	$44	$5	$49

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.

In the normal course of business, we manage these risks through a variety of strategies, including productivity initiatives, global purchasing programs and hedging strategies. Our hedging strategies include the use of derivatives. Certain derivatives are designated as either cash flow or fair value hedges and qualify for hedge accounting treatment, while others do not qualify and are marked to market through earnings. Cash flows from derivatives used to manage commodity, foreign exchange or interest risks are classified as operating activities. We classify both the earnings and cash flow impact from these derivatives consistent with the underlying hedged item. See “Our Business Risks” in Management’s Discussion and Analysis of Financial Condition and Results of Operations for further unaudited information on our business risks.

For cash flow hedges, changes in fair value are deferred in accumulated other comprehensive loss within common shareholders’ equity until the underlying hedged item is recognized in net income. For fair value hedges, changes in fair value are recognized immediately in earnings, consistent with the underlying hedged item. Hedging transactions are limited to an underlying exposure. As a result, any change in the value of our derivative instruments would be substantially offset by an opposite change in the value of the underlying hedged items. Hedging ineffectiveness and a net earnings impact occur when the change in the value of the

Table of Contents

hedge does not offset the change in the value of the underlying hedged item. If the derivative instrument is terminated, we continue to defer the related gain or loss and then include it as a component of the cost of the underlying hedged item. Upon determination that the underlying hedged item will not be part of an actual transaction, we recognize the related gain or loss in net income immediately.

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

Commodity Prices

We are subject to commodity price risk because our ability to recover increased costs through higher pricing may be limited in the competitive environment in which we operate. This risk is managed through the use of fixed-price purchase orders, pricing agreements and derivatives. In addition, risk to our supplies of certain raw materials is mitigated through purchases from multiple geographies and suppliers. We use derivatives, with terms of no more than three years, to economically hedge price fluctuations related to a portion of our anticipated commodity purchases, primarily for metals, energy and agricultural products. For those derivatives that qualify for hedge accounting, any ineffectiveness is recorded immediately in corporate unallocated expenses. Ineffectiveness is not material. During the next 12 months, we expect to reclassify net losses of $23 million related to these hedges from accumulated other comprehensive loss into net income. Derivatives used to hedge commodity price risk that do not qualify for hedge accounting are marked to market each period and reflected in our income statement.

Our open commodity derivative contracts that qualify for hedge accounting had a face value of $488 million as of September 8, 2012 and $586 million as of September 3, 2011.

Our open commodity derivative contracts that do not qualify for hedge accounting had a face value of $636 million as of September 8, 2012 and $537 million as of September 3, 2011.

Foreign Exchange

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

We enter into derivatives, primarily forward contracts with terms of no more than two years, to manage our exposure to foreign currency transaction risk. Exchange rate gains or losses related to foreign currency transactions are recognized as transaction gains or losses in our income statement as incurred.

Our foreign currency derivatives had a total face value of $2.5 billion as of September 8, 2012 and September 3, 2011. During the next 12 months, we expect to reclassify net losses of $17 million related to foreign currency contracts that qualify for hedge accounting from accumulated other comprehensive loss into net income. Additionally, ineffectiveness is not material. For foreign currency derivatives that do not qualify for hedge accounting treatment, all losses and gains were offset by changes in the underlying hedged items, resulting in no net material impact on earnings.

Table of Contents

Interest Rates

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

The notional amounts of the interest rate derivative instruments outstanding as of September 8, 2012 and September 3, 2011 were $7.3 billion and $8.9 billion, respectively. For those interest rate derivative instruments that qualify for cash flow hedge accounting, any ineffectiveness is recorded immediately. Ineffectiveness is not material. During the next 12 months, we expect to reclassify net losses of $23 million related to these hedges from accumulated other comprehensive loss into net income.

As of September 8, 2012, approximately 26% of total debt, after the impact of the related interest rate derivative instruments, was exposed to variable rates, compared to 38% as of December 31, 2011.

Table of Contents

Fair Value Measurements

The fair values of our financial assets and liabilities as of September 8, 2012 and September 3, 2011 are categorized as follows:

	2012		2011	
	Assets(a)	Liabilities(a)	Assets(a)	Liabilities(a)
Available-for-sale securities[(b)]	$61	$—	$61	$—
Short-term investments – index funds[(c)]	$164	$—	$159	$—
Prepaid forward contracts[(d)]	$41	$—	$38	$—
Deferred compensation[(e)]	$—	$503	$—	$519
Derivatives designated as fair value hedging instruments:				
Interest rate derivatives[(f)]	$293	$—	$428	$—
Derivatives designated as cash flow hedging instruments:				
Foreign exchange contracts[(g)]	$10	$31	$12	$23
Interest rate derivatives[(f)]	—	—	—	56
Commodity contracts[(h)]	13	38	28	17
	$23	$69	$40	$96
Derivatives not designated as hedging instruments:				
Foreign exchange contracts[(g)]	$30	$6	$5	$19
Interest rate derivatives[(f)]	128	159	104	140
Commodity contracts[(h)]	84	25	24	30
	$242	$190	$133	$189
Total derivatives at fair value	$558	$259	$601	$285
Total	$824	$762	$859	$804

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

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

(c) Based on price changes in index funds used to manage a portion of market risk arising from our deferred compensation liability. Categorized as a Level 1 asset.

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

(e) Based on the fair value of investments corresponding to employees' investment elections. As of September 8, 2012 and September 3, 2011, $11 million and $43 million, respectively, are categorized as Level 1 liabilities. The remaining balances are categorized as Level 2 liabilities.

(f) Based on LIBOR forward rates.

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

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

The fair value of our debt obligations as of September 8, 2012 was $30 billion, based upon prices of similar instruments in the marketplace.

24

Table of Contents

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

	12 Weeks Ended Fair Value/Non-designated Hedges		Cash Flow Hedges			
	(Gains)/Losses Recognized in Income Statement[(a)]		Losses/(Gains) Recognized in Accumulated Other Comprehensive Loss		Losses/(Gains) Reclassified from Accumulated Other Comprehensive Loss into Income Statement[(b)]	
	9/8/2012	9/3/2011	9/8/2012	9/3/2011	9/8/2012	9/3/2011
Foreign exchange contracts	$(9)	$7	$41	$(9)	$(6)	$9
Interest rate derivatives	(5)	(84)	—	42	6	4
Commodity contracts	(99)	29	(28)	40	20	(12)
Total	$(113)	$(48)	$13	$73	$20	$1

	36 Weeks Ended Fair Value/Non-designated Hedges		Cash Flow Hedges			
	(Gains)/Losses Recognized in Income Statement[(a)]		Losses/(Gains) Recognized in Accumulated Other Comprehensive Loss		Losses/(Gains) Reclassified from Accumulated Other Comprehensive Loss into Income Statement[(b)]	
	9/8/2012	9/3/2011	9/8/2012	9/3/2011	9/8/2012	9/3/2011
Foreign exchange contracts	$(16)	$8	$37	$28	$(4)	$30
Interest rate derivatives	3	(162)	4	71	15	10
Commodity contracts	(76)	(17)	9	(15)	47	(37)
Total	$(89)	$(171)	$50	$84	$58	$3

(a) Interest rate derivatives gains/losses are primarily from fair value hedges and are included in interest expense. These gains/losses are substantially offset by increases/decreases in the value of the underlying debt, which are also included in interest expense. All other gains/losses are from non-designated hedges and are included in corporate unallocated expenses.

(b) Interest rate losses are included in interest expense. All other gains/losses are primarily included in cost of sales.

Recent Accounting Pronouncements

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

not be taxable and, consequently, we recorded a $55 million tax benefit reflecting this change in the first quarter of 2012.

Table of Contents

In June 2011, the Financial Accounting Standards Board (FASB) amended its accounting guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new accounting guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The provisions of the guidance were effective as of the beginning of our 2012 fiscal year. Accordingly, we have presented the components of net income and other comprehensive income for the 12 and 36 weeks ended September 8, 2012 and September 3, 2011 as two separate but consecutive statements. In June 2012, the FASB issued a new proposal that would require an entity to provide enhanced footnote disclosures to explain the effect of reclassification adjustments on other comprehensive income by component and provide a tabular disclosure in the footnotes showing the effect of items reclassified from accumulated other comprehensive income on the line items of net income. We will continue to monitor the FASB’s activities related to the proposed guidance.

In September 2011, the FASB issued new accounting guidance that permits an entity to first assess qualitative factors of whether it is more likely than not that a reporting unit’s fair value is less than its carrying amount before applying the two-step goodwill impairment test. An entity would continue to perform the historical first step of the impairment test if it fails the qualitative assessment, while no further analysis would be required if it passes. The provisions of the new guidance were effective for, and had no impact on, our 2012 annual goodwill impairment test results.

In December 2011, the FASB issued new disclosure requirements that are intended to enhance current disclosures on offsetting financial assets and liabilities. The new disclosures require an entity to disclose both gross and net information about financial instruments eligible for offset on the balance sheet and instruments and transactions subject to an agreement similar to a master netting arrangement. The provisions of the new disclosure requirements are effective as of the beginning of our 2014 fiscal year. We are currently evaluating the impact of the new guidance on our financial statements.

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

Table of Contents

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

FINANCIAL REVIEW

Our discussion and analysis is an integral part of understanding our financial results. Also refer to Basis of Presentation and Our Divisions in the notes to the condensed consolidated financial statements. Tabular dollars are in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless otherwise noted and are based on unrounded amounts. Percentage changes are based on unrounded amounts.

Our Critical Accounting Policies

Sales Incentives and Advertising and Marketing Costs

We offer sales incentives and discounts through various programs to customers and consumers. These incentives and discounts are accounted for as a reduction of revenue. A number of our sales incentives, such as bottler funding to independent bottlers and customer volume rebates, are based on annual targets, and accruals are established during the year for the expected payout. These accruals are based on contract terms and our historical experience with similar programs and require management judgment with respect to estimating customer participation and performance levels. Differences between estimated expense and actual incentive costs are normally insignificant and are recognized in earnings in the period such differences are determined. In addition, certain advertising and marketing costs are also based on annual targets and recognized during the year 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 and volume, as applicable, to our forecasted annual gross revenue and 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 in the interim period as they are identified. In addition, we apply a similar allocation methodology for interim reporting purposes for other marketplace spending, which includes the costs of advertising and other marketing activities.

Income Taxes

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

Our Business Risks

This Quarterly Report on Form 10-Q contains statements reflecting our views about our future performance that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Statements that constitute forward-looking statements within the meaning of the Reform Act are generally identified through the inclusion of words such as "believe," "expect," "intend," "estimate," "project," "anticipate," "v and 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 statements. 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.

Our operations outside of the U.S. generated approximately 50% of our net revenue in the 36 weeks ended September 8, 2012. As a result, we are exposed to foreign currency risks, including unforeseen economic changes and political unrest. During 2011 and the majority of 2012, the economic environment in Europe continued to deteriorate and certain countries experienced debt and credit issues as well as currency fluctuations. We are identifying actions to potentially mitigate the unfavorable impact, if any, on our financial results. In the 12 weeks ended September 8, 2012, unfavorable foreign currency decreased net revenue growth by 5 percentage points, primarily due to depreciation of the Russian ruble, euro, Mexican peso and Brazilian real. In the 36 weeks ended September 8, 2012, unfavorable foreign currency decreased net revenue growth by 3 percentage points, primarily due to depreciation of the Russian ruble, Mexican peso, euro and Brazilian real. Currency declines against the U.S. dollar which are not offset could adversely impact our future results.

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

See Financial Instruments in the notes to the condensed consolidated financial statements for further discussion of our derivative instruments, including their fair values as of September 8, 2012 and September 3, 2011. Cautionary statements included in Item 1A. Risk Factors and in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, should be considered when evaluating our trends and future results.

Table of Contents

Results of Operations – Consolidated Review

Items Affecting Comparability

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

	12 Weeks Ended		36 Weeks Ended	
	9/8/2012	9/3/2011	9/8/2012	9/3/2011
Operating profit				
Mark-to-market net gains/(losses)	$121	$(53)	$126	$(31)
Restructuring and impairment charges	$(83)	$—	$(193)	$—
Merger and integration charges	$(2)	$(45)	$(7)	$(158)
Inventory fair value adjustments	$—	$(3)	$—	$(41)
Restructuring and other charges related to the transaction with Tingyi	$—	$—	$(137)	$—
Interest expense				
Merger and integration charges	$—	$(16)	$—	$(16)
Net income attributable to PepsiCo				
Mark-to-market net gains/(losses)	$70	$(34)	$75	$(20)
Restructuring and impairment charges	$(59)	$—	$(139)	$—
Merger and integration charges	$(2)	$(53)	$(6)	$(147)
Inventory fair value adjustments	$—	$(2)	$—	$(25)
Restructuring and other charges related to the transaction with Tingyi	$—	$—	$(163)	$—
Net income attributable to PepsiCo per common share – diluted				
Mark-to-market net gains/(losses)	$0.05	$(0.02)	$0.05	$(0.01)
Restructuring and impairment charges	$(0.04)	$—	$(0.09)	$—
Merger and integration charges	$—	$(0.03)	$—	$(0.09)
Inventory fair value adjustments	$—	$—	$—	$(0.02)
Restructuring and other charges related to the transaction with Tingyi	$—	$—	$(0.10)	$—

Mark-to-Market Net Impact

We centrally manage commodity derivatives on behalf of our divisions. These commodity derivatives include metals, energy and agricultural products. Certain of these commodity derivatives do not qualify for hedge accounting treatment and are marked to market with the resulting gains and losses recognized in corporate unallocated expenses. These gains and losses are subsequently reflected in division results when the divisions take delivery of the underlying commodity. Therefore, the divisions realize the economic effects of the derivative without experiencing any resulting mark-to-market volatility, which remains in corporate unallocated expenses.

In the 12 weeks ended September 8, 2012, we recognized $121 million ($70 million after-tax or $0.05 per share) of mark-to-market net gains on commodity hedges in corporate unallocated expenses. In the 36 weeks ended September 8, 2012, we recognized $126 million ($75 million after-tax or $0.05 per share) of mark-to-market net gains on commodity hedges in corporate unallocated expenses.

Table of Contents

In the 12 weeks ended September 3, 2011, we recognized $53 million ($34 million after-tax or $0.02 amount per share) of mark-to-market net losses on commodity hedges in corporate unallocated expenses. In the 36 weeks ended September 3, 2011, we recognized $31 million ($20 million after-tax or $0.01 per share) of mark-to-market net losses on commodity hedges in corporate unallocated expenses.

Restructuring and Impairment Charges

In the 12 weeks ended September 8, 2012, we incurred restructuring and impairment charges of $83 million ($59 million after-tax or $0.04 per share) in conjunction with our Productivity Plan. In the 36 weeks ended September 8, 2012, we incurred restructuring and impairment charges of $193 million ($139 million after-tax or $0.09 per share) in conjunction with our Productivity Plan. In total, we expect to incur pre-tax charges of approximately $910 million, $383 million of which was reflected in our 2011 results, $193 million of which was reflected in our results through the third quarter of 2012, and we anticipate approximately $205 million of additional charges during the remainder of 2012, with the balance of approximately $129 million to be reflected in our 2013, 2014 and 2015 results. These charges will consist of approximately $500 million of severance and other employee-related costs; approximately $305 million for other costs, including consulting-related costs and the termination of leases and other contracts; and approximately $105 million for asset impairments (all non-cash) resulting from plant closures and related actions. These charges resulted in cash expenditures of $30 million in 2011 and cash expenditures of $243 million through the third quarter of 2012, and we anticipate approximately $175 million of additional related cash expenditures during the remainder of 2012, with the balance of approximately $287 million expected in 2013 through 2015. We expect that the Productivity Plan will be substantially completed by the end of 2012 with incremental productivity initiatives continuing through the end of 2015. See Restructuring, Impairment and Integration Charges in the notes to the condensed consolidated financial statements.

Merger and Integration Charges

In the 12 weeks ended September 8, 2012, we incurred merger and integration charges of $2 million ($2 million after-tax with a nominal amount per share) related to our acquisition of WBD, including $4 million recorded in the Europe segment and income of $2 million recorded in corporate unallocated expenses representing adjustments of previously recorded amounts. In the 36 weeks ended September 8, 2012, we incurred merger and integration charges of $7 million ($6 million after-tax with a nominal amount per share) related to our acquisition of WBD, all of which were recorded in the Europe segment.

In the 12 weeks ended September 3, 2011, we incurred merger and integration charges of $61 million ($53 million after-tax or $0.03 per share) related to our acquisitions of PBG, PAS and WBD, including $24 million recorded in the PAB segment, $11 million recorded in the Europe segment, $10 million recorded in corporate unallocated expenses and $16 million recorded in interest expense. In the 36 weeks ended September 3, 2011,
we incurred merger and integration charges of $174 million ($147 million after-tax or $0.09 per share) related to our acquisitions of PBG, PAS and WBD, including $77 million recorded in the PAB segment, $17 million recorded in the Europe segment, $64 million recorded in corporate unallocated expenses and $16 million recorded in interest expense. These charges also include closing costs and advisory fees related to our acquisition of WBD.

Inventory Fair Value Adjustments

In the 12 and 36 weeks ended September 3, 2011, we recorded $3 million ($2 million after-tax with a nominal amount per share) and $41 million ($25 million after-tax or $0.02 per share), respectively, of incremental costs in cost of sales related to fair value adjustments to the acquired inventory included in WBD's balance sheet at the acquisition date and other related hedging contracts included in PBG's and PAS's balance sheets at the acquisition date.

Table of Contents

Restructuring and Other Charges Related to the Transaction with Tingyi

In the 36 weeks ended September 8, 2012, we recorded restructuring and other charges of $137 million million ($163 million after-tax or $0.10 per share) related to the transaction with Tingyi.

Non-GAAP Measures

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

Volume

Since our divisions each use different measures of physical unit volume, a common servings metric is necessary to reflect our consolidated physical unit volume. In the 12 weeks and 36 weeks ended September 8, 2012, total servings increased 4% and 3%, respectively. 2012 servings growth reflects an adjustment to the base year (2011) for divestitures that occurred in 2011 and 2012, as applicable.

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

Table of Contents

Consolidated Results
Total Net Revenue and Operating Profit

	12 Weeks Ended			36 Weeks Ended		
	9/8/2012	9/3/2011	Change	9/8/2012	9/3/2011	Change
Total net revenue	$16,652	$17,582	(5)%	$45,538	$46,346	(2)%
Operating profit						
FLNA	$917	$918	—%	$2,532	$2,545	(0.5)%
QFNA	154	177	(13)%	495	558	(11)%
LAF	219	275	(21)%	673	720	(7)%
PAB	837	992	(16)%	2,202	2,533	(13)%
Europe	483	514	(6)%	1,017	984	3%
AMEA	317	285	11%	630	730	(14)%
Corporate unallocated						
Mark-to-market net gains/(losses)	121	(53)	n/m	126	(31)	n/m
Restructuring and impairment charges	(7)	—	n/m	(8)	—	n/m
Merger and integration charges	2	(10)	n/m	—	(64)	n/m
Other	(243)	(192)	27%	(768)	(589)	30%
Total operating profit	$2,800	$2,906	(4)%	$6,899	$7,386	(7)%
Total operating profit margin	16.8%	16.5%	0.3	15.1%	15.9%	(0.8)

n/m = not meaningful

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

12 Weeks

On a reported basis, total operating profit decreased 4% and operating margin increased 0.3 percentage points. Operating profit performance was primarily driven by higher commodity costs, advertising and marketing expenses and unfavorable foreign currency, partially offset by effective net pricing. Other corporate unallocated expenses increased 27%, primarily reflecting deferred compensation losses compared to gains in the prior year and increased pension expense. The deferred compensation losses are offset (as an increase to interest income) by gains on investments used to economically hedge these costs. Commodity cost inflation was approximately $350 million compared to the prior year period, primarily attributable to Europe and PAB. Items affecting comparability (see "Items Affecting Comparability") positively contributed 4 percentage points to the operating profit performance and increased total operating margin by 0.8 percentage points.

Table of Contents

36 Weeks

On a reported basis, total operating profit decreased 7% and operating margin decreased 0.8 percentage points. Operating profit performance was primarily driven by higher commodity costs, advertising and marketing expenses and unfavorable foreign currency, partially offset by effective net pricing. Other corporate unallocated expenses increased 30%, primarily driven by increased pension expense. Commodity cost inflation was approximately $1.1 billion compared to the prior year period, primarily attributable to PAB and FLNA. Items affecting comparability (see “Items Affecting Comparability”) had a nominal impact on both total operating profit performance and total operating margin.

Other Consolidated Results

	12 Weeks Ended			36 Weeks Ended		
	9/8/2012	9/3/2011	Change	9/8/2012	9/3/2011	Change
Interest expense, net	$(181)	$(209)	(14)%	$(564)	$(551)	2.5%
Tax rate	26.9%	25.4%		28.2%	26.0%	
Net income attributable to PepsiCo	$1,902	$2,000	(5)%	$4,517	$5,028	(10)%
Net income attributable to PepsiCo per common share diluted	$1.21	$1.25	(3)%	$2.86	$3.14	(9)%
Mark-to-market net (gains)/losses	(0.05)	0.02		(0.05)	0.01	
Restructuring and impairment charges	0.04	—		0.09	—	
Merger and integration charges	—	0.03		—	0.09	
Inventory fair value adjustments	—	—		—	0.02	
Restructuring and other charges related to the transaction with Tingyi	—	—		0.10	—	
Net income attributable to PepsiCo per common share – diluted, excluding above items*	$1.20	$1.31 **	(8)%	$3.01 **	$3.26	(8)%

* See “Non-GAAP Measures”

** Does not sum due to rounding

12 Weeks

Net interest expense decreased 14%, primarily reflecting gains in the market value of investments used to economically hedge a portion of our deferred compensation costs and lapping the impact of the premium paid in a debt tender offer from the prior year, partially offset by higher average debt balances and higher rates on our debt balances.

The reported tax rate increased 1.5% compared to the prior year, primarily reflecting the net tax expense related to gains recognized on commodity hedges (see “Items Affecting Comparability”), as well as an adjustment to our international deferred taxes, partially offset by tax benefits generated from an international acquisition.

Table of Contents

Net income attributable to PepsiCo decreased 5% and net income attributable to PepsiCo per common share decreased 3%. Items affecting comparability (see “Items Affecting Comparability”) increased net income attributable to PepsiCo by 4.5 percentage points and net income attributable to PepsiCo per common share by 5 percentage points.

36 Weeks

Net interest expense increased 2.5%, primarily reflecting higher average debt balances and higher rates on our debt balances, partially offset by gains in the market value of investments used to economically hedge a portion of our deferred compensation costs.

The reported tax rate increased 2.2% compared to the prior year, primarily reflecting the tax impact of the transaction with Tingyi and the lapping of prior year tax benefits related to a portion of our international bottling operations, partially offset by the pre-payment of Medicare subsidy liabilities.

Net income attributable to PepsiCo decreased 10% and net income attributable to PepsiCo per common share decreased 9%. Items affecting comparability (see “Items Affecting Comparability”) decreased both net income attributable to PepsiCo and net income attributable to PepsiCo per common share by 1 percentage point.

Results of Operations – Division Review

The results and discussions below are based on how our Chief Executive Officer monitors the performance of our divisions. Accordingly, 2012 volume growth measures reflect an adjustment to the base year (2011) for divestitures that occurred in 2011 and 2012. See “Items Affecting Comparability” for a discussion of items to consider when evaluating our results and related information regarding non-GAAP measures.

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

Table of Contents

Net Revenue							
12 Weeks Ended	FLNA	QFNA	LAF	PAB	Europe	AMEA	Total
9/8/2012	$3,269	$615	$1,883	$5,530	$3,691	$1,664	$16,652
9/3/2011	$3,173	$614	$1,841	$5,947	$3,909	$2,098	$17,582
% Impact of:							
Volume[a]	1 %	2 %	4 %	(4)%	1 %	10 %	1 %
Effective net pricing[b]	2	(1)	9	3	6	0.5	4
Foreign currency translation	—	—	(13)	(1)	(12)	(4)	(5)
Acquisitions and divestitures	—	—	2	(6)	—	(27)	(5)
% Change[c]	3 %	— %	2 %	(7)%	(6)%	(21)%	(5)%
Net Revenue							
36 Weeks Ended	FLNA	QFNA	LAF	PAB	Europe	AMEA	Total
9/8/2012	$9,472	$1,821	$5,066	$15,330	$9,153	$4,696	$45,538
9/3/2011	$9,167	$1,837	$4,757	$16,107	$9,329	$5,149	$46,346
% Impact of:							
Volume[a]	(1)%	(1)%	4 %	(3)%	— %	8 %	— %
Effective net pricing[b]	4	1	10	4	5	3	4.5
Foreign currency translation	—	—	(10)	—	(9)	(3)	(3)
Acquisitions and divestitures	—	—	2	(6)	2	(16)	(3)
% Change[c]	3 %	(1)%	7 %	(5)%	(2)%	(9)%	(2)%

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

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

(c) Amounts may not sum due to rounding.

Table of Contents

Organic Net Revenue Growth

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

Organic Net Revenue Growth 12 Weeks Ended 9/8/2012	FLNA	QFNA	LAF	PAB	Europe	AMEA	Total
Reported Growth	3%	—%	2%	(7)%	(6)%	(21)%	(5)%
% Impact of:							
Foreign currency translation	—	—	13	1	12	4	5
Acquisitions and divestitures	—	—	(2)	6	—	27	5
Organic Growth[a]	3%	1%	13%	—%	7%	10%	5%

Organic Net Revenue Growth 36 Weeks Ended 9/8/2012	FLNA	QFNA	LAF	PAB	Europe	AMEA	Total
Reported Growth	3%	(1)%	7%	(5)%	(2)%	(9)%	(2)%
% Impact of:							
Foreign currency translation	—	—	10	—	9	3	3
Acquisitions and divestitures	—	—	(2)	6	(2)	16	3
Organic Growth[a]	4%	—%	14%	1%	5%	11%	5%

(a) Amounts may not sum due to rounding.

Table of Contents

Frito-Lay North America

	12 Weeks Ended		%	36 Weeks Ended		%	
	9/8/2012	9/3/2011	Change	9/8/2012	9/3/2011	Change	
Net revenue	$3,269	$3,173	3	$9,472	$9,167	3	
Impact of foreign currency translation			—			—	
Net revenue growth, on a constant currency basis*			3			4	**
Operating profit	$917	$918	—	$2,532	$2,545	(0.5	)
Restructuring and impairment charges	8	—		40	—		
Operating profit excluding above item*	$925	$918	1	$2,572	$2,545	1	
Impact of foreign currency translation			—			—	
Operating profit growth excluding above item, on a constant currency basis*			1			1	

* See "Non-GAAP Measures"
** Does not sum due to rounding

12 Weeks

Net revenue increased 3% and volume increased 1%. The volume performance reflects a high-single-digit increase in variety packs, mid-single-digit growth in dips and double-digit growth in our Sabra joint venture, partially offset by a double-digit decline in trademark SunChips. Volume performance was negatively impacted by a calendar shift related to the Labor Day holiday. Net revenue growth was driven by effective net pricing and the volume growth.

Operating profit was flat, reflecting higher commodity costs, primarily cooking oil, and higher advertising and marketing expenses. Restructuring and impairment charges negatively impacted operating profit performance by 1 percentage point.

36 Weeks

Net revenue increased 3% and volume was flat. The volume performance reflects a high-single-digit increase in variety packs and double-digit growth in our Sabra joint venture, offset by low-single-digit declines in trademark Lay's and a double-digit decline in trademark SunChips. Net revenue growth was driven by effective net pricing.

Operating profit declined 0.5%, reflecting higher commodity costs, primarily cooking oil, and higher advertising and marketing expenses, partially offset by the net revenue growth. Restructuring and impairment charges negatively impacted operating profit performance by 1.5 percentage points.

Table of Contents

Quaker Foods North America

	12 Weeks Ended		%	36 Weeks Ended		%
	9/8/2012	9/3/2011	Change	9/8/2012	9/3/2011	Change
Net revenue	$615	$614	—	$1,821	$1,837	(1)
Impact of foreign currency translation			—			—
Net revenue growth, on a constant currency basis*			0.5 **			(0.5)**
Operating profit	$154	$177	(13)	$495	$558	(11)
Restructuring and impairment charges	1	—		7	—	
Operating profit excluding above item*	$155	$177	(12)	$502	$558	(10)
Impact of foreign currency translation			—			—
Operating profit growth excluding above item, on a constant currency basis*			(11)**			(10)

* See "Non-GAAP Measures"
** Does not sum due to rounding

12 Weeks

Net revenue was flat and volume grew 2%. The volume growth primarily reflects the introduction of Soft Baked Cookies in the second quarter and high-single-digit growth in granola bars. Net revenue performance benefited from the volume growth, offset by unfavorable net pricing.

Operating profit declined 13%, primarily reflecting higher commodity costs and increased advertising and marketing expenses. Acquisitions and divestitures, primarily reflecting a partnership investment, reduced operating profit performance by 4 percentage points.

36 Weeks

Net revenue declined 1% and volume declined 1%. The volume decline primarily reflects high-single-digit declines in granola bars and low-single-digit declines in Oatmeal and ready-to-eat cereals, partially offset by the introduction of Soft Baked Cookies in the second quarter. Net revenue performance primarily reflects the volume decline.

Operating profit declined 11%, primarily reflecting higher commodity costs. Additionally, the benefit from a change in accounting methodology for inventory recorded in the prior year contributed nearly 3 percentage points to the operating profit decline. Acquisitions and divestitures, primarily reflecting a partnership investment, reduced operating profit performance by 2 percentage points.

Table of Contents

Latin America Foods

	12 Weeks Ended		%		36 Weeks Ended		%	
	9/8/2012	9/3/2011	Change		9/8/2012	9/3/2011	Change	
Net revenue	$1,883	$1,841	2		$5,066	$4,757	7	
Impact of foreign currency translation			13				10	
Net revenue growth, on a constant currency basis*			15				16	**
Operating profit	$219	$275	(21	)	$673	$720	(7	)
Restructuring and impairment charges	29	—			41	—		
Operating profit excluding above item*	$248	$275	(10	)	$714	$720	(1	)
Impact of foreign currency translation			11				10	
Operating profit growth excluding above item, on a constant currency basis*			—	**			9	

* See "Non-GAAP Measures"

** Does not sum due to rounding

12 Weeks

Net revenue increased 2%, primarily reflecting effective net pricing and volume growth. Volume grew 15%, primarily reflecting acquisitions in Brazil and Argentina in the fourth quarter of 2011, which contributed 11 percentage points to the volume growth. Additionally, Mexico grew at a mid-single-digit rate, partially offset by a low-single-digit decline in Brazil (excluding the impact of the acquisition). Unfavorable foreign currency reduced net revenue growth by 13 percentage points. Acquisitions and divestitures contributed 2 percentage points to the net revenue growth.
Operating profit declined 21%, primarily reflecting higher commodity costs and increased advertising and marketing expenses. Unfavorable foreign currency negatively impacted operating profit performance by 11 percentage points and acquisitions and divestitures positively contributed 2 percentage points to operating profit performance. Restructuring and impairment charges negatively impacted operating profit performance by 11 percentage points.

36 Weeks

Net revenue increased 7%, primarily reflecting effective net pricing and volume growth. Volume grew 16%, primarily reflecting acquisitions in Brazil and Argentina in the fourth quarter of 2011, which contributed 11 percentage points to the volume growth. Additionally, Mexico grew at a mid-single-digit rate, partially offset by a low-single-digit decline in Brazil (excluding the impact of the acquisition). Unfavorable foreign currency reduced net revenue growth by 10 percentage points. Acquisitions and divestitures contributed over 2 percentage points to the net revenue growth.

Operating profit declined 7%, primarily reflecting higher commodity costs and increased advertising and marketing expenses, partially offset by the net revenue growth. Unfavorable foreign currency reduced

Table of Contents

operating profit growth by 10 percentage points. Restructuring and impairment charges reduced operating profit growth by nearly 6 percentage points.

PepsiCo Americas Beverages

	12 Weeks Ended		%		36 Weeks Ended		%	
	9/8/2012	9/3/2011	Change		9/8/2012	9/3/2011	Change	
Net revenue	$5,530	$5,947	(7	)	$15,330	$16,107	(5	)
Impact of foreign currency translation			1				—	
Net revenue growth, on a constant currency basis*			(6	)			(4	)**
Operating profit	$837	$992	(16	)	$2,202	$2,533	(13	)
Restructuring and impairment charges	33	—			76	—		
Merger and integration charges	—	24			—	77		
Inventory fair value adjustments	—	3			—	16		
Operating profit excluding above items*	$870	$1,019	(15	)	$2,278	$2,626	(13	)
Impact of foreign currency translation			1				1	
Operating profit growth excluding above items, on a constant currency basis*			(13	)**			(12	)

* See "Non-GAAP Measures"
** Does not sum due to rounding

12 Weeks

Net revenue decreased 7%, primarily reflecting the divestiture of our Mexico beverage business in the fourth quarter of 2011, which contributed 6 percentage points to the net revenue decline. Additionally, volume declines were mainly offset by effective net pricing. Volume declined 3%, driven by a 4% decline in North America volume, partially offset by a 2% increase in Latin America volume. North America volume was driven by declines in carbonated soft drink (CSD) volume of 2% and non-carbonated beverage (NCB) volume of 7%. The NCB volume decline primarily reflected a high-single-digit decline in Gatorade sports drinks and a double-digit decline in Tropicana brands. Volume performance in North America was negatively impacted by approximately 1 percentage point due to a calendar shift related to the Labor Day holiday. Latin America volume growth primarily reflected a high-single-digit increase in Brazil and a low-single-digit increase in Mexico, partially offset by a low-single-digit decline in Argentina.

Operating profit declined 16%, primarily reflecting higher commodity costs, the volume declines and increased advertising and marketing expenses, partially offset by the effective net pricing. Excluding the items affecting comparability in the above table (see “Items Affecting Comparability”), operating profit declined 15%. The divestiture of our Mexico beverage business in 2011 contributed over 2 percentage points to the reported operating profit decline.

Table of Contents

36 Weeks

Net revenue declined 5%, primarily reflecting the divestiture of our Mexico beverage business in the fourth quarter of 2011, which contributed 6 percentage points to the net revenue decline. Additionally, volume declines were more than offset by effective net pricing. Volume declined 2%, driven by a 3% decline in North America volume, partially offset by a 2% increase in Latin America volume. North America volume declines were driven by a 3% decline in both CSD and NCB volumes. The NCB volume decline primarily reflected a double-digit decline in Tropicana brands and a low-single-digit decline in Gatorade sports drinks. Latin America volume growth primarily reflected a mid-single-digit increase in Mexico and a high-single-digit increase in Brazil, partially offset by a double-digit decline in Venezuela.

Operating profit declined 13%, primarily reflecting higher commodity costs, the volume declines and increased advertising and marketing expenses, partially offset by the effective net pricing. The divestiture of our Mexico beverage business in 2011 contributed nearly 2 percentage points to the reported operating profit decline.

Europe

	12 Weeks Ended		%		36 Weeks Ended		%	
	9/8/2012	9/3/2011	Change		9/8/2012	9/3/2011	Change	
Net revenue	$3,691	$3,909	(6	)	$9,153	$9,329	(2	)
Impact of foreign currency translation			12				9	
Net revenue growth, on a constant currency basis*			7	**			7	
Operating profit	$483	$514	(6	)	$1,017	$984	3	
Restructuring and impairment charges	(1)	—			(2)	—		
Merger and integration charges	4	11			7	17		
Inventory fair value adjustments	—	—			—	25		
Operating profit excluding above items*	$486	$525	(7	)	$1,022	$1,026	—	
Impact of foreign currency translation			11				9	
Operating profit growth excluding above items, on a constant currency basis*			3	**			8	**

* See "Non-GAAP Measures"

** Does not sum due to rounding

41

Table of Contents

12 Weeks

Net revenue decreased 6%, primarily reflecting unfavorable foreign currency, which reduced net revenue growth by 12 percentage points, partially offset by effective net pricing.

Snacks volume increased slightly, reflecting high-single-digit growth in Russia (ex-WBD) and mid-single-digit growth in South Africa, partially offset by low-single-digit declines in the United Kingdom and Turkey and mid-single-digit declines in Spain and Poland. Additionally, WBD volume was flat.

Beverage volume increased 1%, reflecting high-single-digit growth in Turkey, double-digit growth in France and mid-single-digit growth at WBD, partially offset by a low-single-digit decline in Germany. Additionally, Russia (ex-WBD) and the United Kingdom each experienced low-single-digit growth.

Operating profit declined 6%, primarily reflecting higher commodity costs, advertising and marketing expenses and general and administrative costs, partially offset by the effective net pricing. Unfavorable foreign currency reduced operating profit performance by 11 percentage points. Additionally, operating profit performance was negatively impacted by 4 percentage points due to certain impairment charges primarily associated with our operations in Greece. Operating profit performance was positively impacted by 8 percentage points due to net favorable adjustments of certain operating items and lapping the negative impact of timing of prior year concentrate shipments which were accelerated from the third quarter to the second quarter of 2011 in connection with our global SAP implementation. Items affecting comparability in the above table (see “Items Affecting Comparability”), positively contributed 1 percentage point to operating profit performance.

36 Weeks

Net revenue decreased 2%, primarily reflecting unfavorable foreign currency, which reduced net revenue growth by 9 percentage points. The decline was partially offset by effective net pricing and our acquisition of WBD, which contributed over 2 percentage points to net revenue growth.

Snacks volume grew 4%, primarily reflecting our acquisition of WBD, which contributed 3 percentage points to volume growth and grew at a low-single-digit rate for the comparable post-acquisition period. Double-digit growth in Russia (ex-WBD) was partially offset by a low-single-digit decline in Turkey and a mid-single-digit decline in Poland. Additionally, the United Kingdom grew slightly.

Beverage volume increased 1%, primarily reflecting our acquisition of WBD, which contributed 2 percentage points to volume growth and increased at a low-single-digit rate for the comparable post-acquisition period. Volume growth also reflected mid-single-digit growth in Turkey and low-single-digit growth in the United Kingdom. These increases were partially offset by a high-single-digit decline in Poland and low-single-digit declines in Germany and Russia (ex-WBD).

Operating profit increased 3%, reflecting the effective net pricing, partially offset by higher commodity costs and advertising and marketing expenses. Unfavorable foreign currency reduced operating profit growth by 9 percentage points, and certain impairment charges primarily associated with our operations in Greece as well as less-favorable settlements of promotional spending accruals in the current year each reduced operating profit growth by 2 percentage points. Additionally, the items affecting comparability in the above table (see “Items Affecting Comparability”) contributed 3 percentage points to operating profit growth.

Table of Contents

Asia, Middle East & Africa

	12 Weeks Ended		%	36 Weeks Ended		%
	9/8/2012	9/3/2011	Change	9/8/2012	9/3/2011	Change
Net revenue	$1,664	$2,098	(21)	$4,696	$5,149	(9)
Impact of foreign currency translation			4			3
Net revenue growth, on a constant currency basis*			(17)			(6)
Operating profit	$317	$285	11	$630	$730	(14)
Restructuring and impairment charges	6	—		23	—	
Restructuring and other charges related to the transaction with Tingyi	—	—		137	—	
Operating profit excluding above items*	$323	$285	13	$790	$730	8
Impact of foreign currency translation			1			1
Operating profit growth excluding above items, on a constant currency basis*			14			10 **

* See "Non-GAAP Measures"
** Does not sum due to rounding

12 Weeks

Net revenue declined 21%, reflecting the impact of the transaction with Tingyi and the deconsolidation of International Dairy and Juice Limited (IDJ), which reduced net revenue performance by 24 percentage points and 2.5 percentage points, respectively, partially offset by volume growth and effective net pricing.

Snacks volume grew 13%, reflecting broad-based increases driven by double-digit growth in the Middle East, China and India.

Beverage volume grew 15%, reflecting double-digit growth in India and Pakistan, partially offset by a low-single-digit decline in China (excluding new co-branded juice products distributed through our joint venture with Tingyi). Additionally, the Middle East experienced mid-single-digit volume growth. Volume from new co-branded juice products in China contributed 7 percentage points to volume growth.

Operating profit grew 11%, reflecting the volume growth and the effective net pricing, partially offset by higher commodity costs. Additionally, lapping the negative impact of timing of prior year concentrate shipments which were accelerated from the third quarter to the second quarter of 2011 in connection with our global SAP implementation increased operating profit growth by 7 percentage points. The impact of acquisitions and divestitures reduced operating profit growth by 5 percentage points.

43

Table of Contents

36 Weeks

Net revenue declined 9%, reflecting the impact of the transaction with Tingyi and the deconsolidation of IDJ, which reduced net revenue performance by 15 percentage points and 2 percentage points, respectively, partially offset by volume growth and effective net pricing.

Snacks volume grew 16%, reflecting broad-based increases driven by double-digit growth in the Middle East, China and India. Additionally, Australia experienced mid-single-digit growth.

Beverage volume grew 9%, reflecting double-digit growth in India and Pakistan and high-single-digit growth in the Middle East, partially offset by a high-single-digit decline in China (excluding the new co-branded juice products). The decline in China was driven by the introduction of a 500 ml PET value package in the third quarter of 2011, which largely replaced our 600 ml offering in the market, and the transitional impact of the transaction with Tingyi. Volume from new co-branded juice products in China contributed 3 percentage points to volume growth.

Operating profit declined 14%, primarily driven by the items affecting comparability in the above table (see “Items Affecting Comparability”). Excluding the items affecting comparability, operating profit increased by 8%, reflecting the volume growth and the effective net pricing, partially offset by higher commodity costs. Additionally, the benefit in the prior year from the recovery of a previously written-off receivable contributed 3 percentage points to the reported operating profit decline. Excluding the restructuring and other charges related to the transaction with Tingyi listed in the above items affecting comparability, the net impact of acquisitions and divestitures had a nominal impact on operating profit performance.

Our Liquidity and Capital Resources

We believe that our cash generating capability and financial condition, together with our revolving credit facilities and other available methods of debt financing (including long-term debt financing which, depending upon market conditions, we may use to replace a portion of our commercial paper borrowings), will be adequate to meet our operating, investing and financing needs. Sources of cash available to us to fund cash outflows, such as our anticipated share repurchases and dividend payments, include cash from operations and proceeds obtained in the U.S. debt markets. However, there can be no assurance that volatility in the global capital and credit markets will not impair our ability to access these markets on terms commercially acceptable to us, or at all.

As of September 8, 2012, we had cash, cash equivalents and short-term investments of $4.8 billion outside the U.S. In addition, currency restrictions enacted by the government in Venezuela have impacted our ability to pay dividends outside of the country from our snack and beverage operations in Venezuela. As of September 8, 2012, our operations in Venezuela held 8% of our cash and cash equivalents balance. To the extent foreign earnings are repatriated, such amounts would be subject to income tax liabilities, both in the U.S. and in the various applicable foreign tax jurisdictions.

Operating Activities

During the 36 weeks in 2012, net cash provided by operating activities was $5.1 billion, compared to net cash provided of $5.8 billion in the prior year period. The operating cash flow performance primarily reflects discretionary pension and retiree medical contributions of $1 billion in the current year, partially offset by favorable working capital comparisons to the prior year.

Table of Contents

Investing Activities

During the 36 weeks in 2012, net cash used for investing activities was $1.7 billion, primarily reflecting $1.4 billion for net capital spending and $0.3 billion of cash payments related to the transaction with Tingyi.

Financing Activities

During the 36 weeks in 2012, net cash used for financing activities was $2.2 billion, primarily reflecting the return of operating cash flow to our shareholders through dividend payments and share repurchases of $4.8 billion and short-term borrowings of $2.2 billion, partially offset by net proceeds from long-term debt of $3.9 billion and stock option proceeds of $0.9 billion. We anticipate dividends and share repurchases of more than $6 billion in 2012.

Management Operating Cash Flow

We focus on management operating cash flow as a key element in achieving maximum shareholder value. Since net capital spending is essential to our product innovation initiatives and maintaining our operational capabilities, we believe that it is a recurring and necessary use of cash. As such, we believe investors should also consider net capital spending when evaluating our cash from operating activities. Additionally, we consider certain items (included in the table below), in evaluating management operating cash flow. We believe investors should consider these items in evaluating our management operating cash flow results. Management operating cash flow excluding certain items is the primary measure we use to monitor cash flow performance. However, it is not a measure provided by accounting principles generally accepted in the U.S. Therefore, this measure is not, and should not be viewed as, a substitute for U.S. GAAP cash flow measures.

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

	36 Weeks Ended	
	9/8/2012	9/3/2011
Net cash provided by operating activities	$5,118	$5,834
Capital spending	(1,409)	(1,962)
Sales of property, plant and equipment	58	46
Management operating cash flow	3,767	3,918
Discretionary pension and retiree medical contributions (after-tax)	770	—
Payments related to restructuring charges (after-tax)	203	1
Merger and integration payments (after-tax)	44	223
Capital investments related to the PBG/PAS integration	8	91
Capital investments related to the Productivity Plan	12	—
Payments for restructuring and other charges related to the transaction with Tingyi	98	—
Management operating cash flow excluding above items	$4,902	$4,233

45

Table of Contents

We expect to continue to return management operating cash flow to our shareholders through dividends and share repurchases while maintaining credit ratings that provide us with ready access to global and capital credit markets. However, see Item 1A. Risk Factors and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 for certain factors that may impact our operating cash flows.

Any downgrade of our credit ratings by a credit rating agency, especially any downgrade to below investment grade, could increase our future borrowing costs or impair our ability to access capital and credit markets on terms commercially acceptable to us, or at all. In addition, any downgrade of our current short-term credit ratings could impair our ability to access the commercial paper market with the same flexibility that we have experienced historically, and therefore require us to rely more heavily on more expensive types of debt financing. See Item 1A. Risk Factors and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and Debt Obligations and Commitments in the notes to the condensed consolidated financial statements.

Table of Contents

Report of Independent Registered Public Accounting Firm
The Board of Directors and Shareholders
PepsiCo, Inc.:
We have reviewed the accompanying Condensed Consolidated Balance Sheet of PepsiCo, Inc. and Subsidiaries as of September 8, 2012, the related Condensed Consolidated Statements of Income and Comprehensive Income for the twelve and thirty-six weeks ended September 8, 2012 and September 3, 2011, and the related Condensed Consolidated Statements of Cash Flows and Equity for the thirty-six weeks ended September 8, 2012 and September 3, 2011. These interim condensed consolidated financial statements are the responsibility of PepsiCo, Inc.'s management.

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

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.
We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheet of PepsiCo, Inc. and Subsidiaries as of December 31, 2011, and the related Consolidated Statements of Income, Cash Flows and Equity for the fiscal year then ended not presented herein; and in our report dated February 27, 2012, 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, 2011, is fairly stated, in all material respects, in relation to the Consolidated Balance Sheet from which it has been derived.
/s/ KPMG LLP
New York, New York
October 17, 2012

Table of Contents

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

See “Management's Discussion and Analysis of Financial Condition and Results of Operations - Our Business Risks” and Financial Instruments in the notes to the condensed consolidated financial statements. In addition, see Item 1A. Risk Factors and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Our Business Risks in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

ITEM 4. Controls and Procedures.

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

During our third fiscal quarter of 2012, we continued migrating certain of our financial processing systems to an enterprise-wide systems solution. These systems implementations are part of our ongoing global business transformation initiative, and we plan to continue implementing such systems throughout other parts of our businesses over the course of the next few years. Moreover, we continue to integrate our WBD business, which was acquired in 2011. In connection with these implementations and integration, and resulting business process changes, we continue to enhance the design and documentation of our internal control over financial reporting processes to maintain suitable controls over our financial reporting.

Except as described above, there were no changes in our internal control over financial reporting during our third fiscal quarter of 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings.

The following information supplements and amends the discussion set forth under Part I, Item 3 “Legal Proceedings” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as updated by our Quarterly Reports on Form 10-Q for the quarters ended March 24, 2012 and June 16, 2012.

As previously disclosed, on May 8, 2011, Kozep-Duna-Volgyi Kornyezetvedelmi, Termeszetvedelmi es Vizugyi Felugyeloseg (Budapest), the regional Hungarian governmental authority, notified our subsidiary, Fovarosi Asvanyviz- es Uditoipari Zrt., that it assessed monetary sanctions of approximately $220,000 for alleged violation of applicable wastewater discharge standards in 2010. Fovarosi Asvanyviz- es Uditoipari Zrt. appealed this decision, and the appeal is pending. On August 9, 2012, Kozep-Duna-Volgyi Kornyezetvedelmi, Termeszetvedelmi es Vizugyi Felugyeloseg notified Fovarosi Asvanyviz- es Uditoipari Zrt. that it assessed monetary sanctions of approximately $153,000 for alleged violation of applicable wastewater discharge standards in 2011. Fovarosi Asvanyviz- es Uditoipari Zrt. appealed this decision, and the appeal is pending.

In addition, we and our subsidiaries are party to a variety of legal, administrative, regulatory and government proceedings, claims and inquiries arising in the normal course of business. While the results of these proceedings, claims and inquiries cannot be predicted with certainty, management believes that the final outcome of the foregoing will not have a material adverse effect on our consolidated financial statements, results of operations or cash flows. See Item 1. Business - Regulatory Environment and Environmental Compliance in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

ITEM 1A. Risk Factors.

There have been no material changes with respect to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

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 third quarter under the $15.0 billion repurchase program authorized by our Board of Directors and publicly announced on March 15, 2010, and expiring on June 30, 2013, is set forth in the following table. All such shares of common stock were repurchased pursuant to open market transactions.

Table of Contents

Issuer Purchases of Common Stock

Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that may Yet Be Purchased Under the Plans or Programs
06/16/12				$9,794
6/17/12 – 7/14/12	4.5	$69.68	4.5	(316)
				9,478
7/15/12 – 8/11/12	3.9	$70.57	3.9	(271)
				9,207
8/12/12 – 9/8/12	7.5	$72.69	7.5	(547)
Total	15.9	$71.32	15.9	$8,660

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

Issuer Purchases of Convertible Preferred Stock

Period	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that may Yet Be Purchased Under the Plans or Programs
06/16/12				
6/17/12 – 7/14/12	2,200	$341.96	N/A	N/A
7/15/12 – 8/11/12	2,400	$349.46	N/A	N/A
8/12/12 – 9/8/12	—	—	N/A	N/A
Total	4,600	$345.87	N/A	N/A

ITEM 6. Exhibits
See Index to Exhibits on page 52.

Table of Contents

SIGNATURES

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

		PepsiCo, Inc. (Registrant)
Date:	October 17, 2012	/s/ Marie T. Gallagher Marie T. Gallagher Senior Vice President and Controller
Date:	October 17, 2012	/s/ Kelly Mahon Tullier Kelly Mahon Tullier Senior Vice President, Deputy General Counsel (Duly Authorized Officer)

Table of Contents

INDEX TO EXHIBITS
ITEM 6

EXHIBITS

Exhibit 2.1	Agreement and Plan of Merger dated as of August 3, 2009, among PepsiCo, Inc., The Pepsi Bottling Group, Inc. and Pepsi-Cola Metropolitan Bottling Company, Inc. (the schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K), which is incorporated herein by reference to Exhibit 2.1 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 4, 2009.
Exhibit 2.2	Agreement and Plan of Merger dated as of August 3, 2009, among PepsiCo, Inc., PepsiAmericas, Inc. and Pepsi-Cola Metropolitan Bottling Company, Inc. (the schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K), which is incorporated herein by reference to Exhibit 2.2 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 4, 2009.
Exhibit 2.3	Purchase Agreement dated as of December 1, 2010 among PepsiCo, Inc., Pepsi-Cola (Bermuda) Limited, Gavril A. Yushvaev, David Iakobachvili, Mikhail V. Dubinin, Sergei A. Plastinin, Alexander S. Orlov, Mikhail I. Vishnaykov, Aladaro Limited, Tony D. Maher, Dmitry Ivanov, Wimm Bill Dann Finance Cyprus Ltd. and Wimm-Bill-Dann Finance Co. Ltd. (the schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K), which is incorporated herein by reference to Exhibit 2.1 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 2, 2010.
Exhibit 3.1	Articles of Incorporation of PepsiCo, Inc., as amended and restated, effective as of May 9, 2011, which are incorporated herein by reference to Exhibit 3.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2011.
Exhibit 3.2	By-laws of PepsiCo, Inc., as amended, effective as of March 8, 2012, 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 March 12, 2012.
Exhibit 4.1	Form of 0.700% Senior Note due 2015, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 13, 2012.
Exhibit 4.2	Form of 1.250% Senior Note due 2017, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 13, 2012.
Exhibit 4.3	Form of 3.600% Senior Note due 2042, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 13, 2012.
Exhibit 4.4	Board of Directors Resolutions Authorizing PepsiCo's Officers to Establish the Terms of the 0.700% Senior Notes due 2015, the 1.250% Senior Notes due 2017 and the 3.600% Senior Notes due 2042, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo's Current Report filed on Form 8-K with the Securities and Exchange Commission on May 6, 2011.
Exhibit 10.1	PepsiCo Director Deferral Program, amended and restated effective as of January 1, 2005 with revisions through September 19, 2012.

52

Table of Contents

Exhibit 10.2	Summary of Compensation Arrangements for Zein Abdalla.
Exhibit 12	Computation of Ratio of Earnings to Fixed Charges.
Exhibit 14	PepsiCo, Inc. Global Code of Conduct.
Exhibit 15	Letter re: Unaudited Interim Financial Information.
Exhibit 24	Power of Attorney executed by Indra K. Nooyi, Hugh F. Johnston, Marie T. Gallagher, Shona L. Brown, Ian M. Cook, Dina Dublon, Victor J. Dzau, Ray L. Hunt, Alberto Ibargüen, Sharon Percy Rockefeller, James J. Schiro, Lloyd G. Trotter, Daniel Vasella and Alberto Weisser, which is incorporated herein by reference to Exhibit 24 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 13, 2012.
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 September 8, 2012 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statement of Income, (ii) the Condensed Consolidated Statement of Comprehensive Income, (iii) the Condensed Consolidated Statement of Cash Flows, (iv) the Condensed Consolidated Balance Sheet, (v) the Condensed Consolidated Statement of Equity, and (vi) notes to the condensed consolidated financial statements.