

PEPSICO INC  
Form 8-K  
April 26, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

**Date of report (Date of earliest event reported): April 26, 2006**

**PepsiCo, Inc.**

**(Exact Name of Registrant as Specified in its Charter)**

**North Carolina**

**(State or other jurisdiction of incorporation)**

**1-1183**

**(Commission File Number)**

**13-1584302**

**(IRS Employer Identification No.)**

**700 Anderson Hill Road, Purchase, New York 10577**

**(Address of Principal Executive Offices)**

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written Communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02 Results of Operations and Financial Condition.**

The information contained in this Item 2.02, including the exhibit attached hereto, is being furnished and shall not be deemed filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in this Item 2.02 shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, except as otherwise expressly stated in such filing.

Attached as Exhibit 99.1 and incorporated by reference into this Item 2.02 is a copy of the press release issued by PepsiCo, Inc., dated April 26, 2006, reporting PepsiCo, Inc.'s financial results for the 12 weeks ended March 25, 2006.

**Item 9.01. Financial Statements and Exhibits.**

**(c) Exhibits**

99.1 Press Release issued by PepsiCo, Inc., dated April 26, 2006.

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

|  | 12 Weeks Ended |          |
|--|----------------|----------|
|  | 3/25/06        | 3/19/05  |
|  | (unaudited)    |          |
| Net Revenue                                  | \$ 7,205       | \$ 6,585 |
| Cost and Expenses                            |                |          |
| Cost of sales                                | 3,179          | 2,870    |
| Selling, general and administrative expenses | 2,647          | 2,439    |
| Amortization of intangible assets            | 31             | 29       |
| Operating Profit                             | 1,348          | 1,247    |
| Bottling Equity Income                       | 84             | 65       |
| Interest Expense                             | (62)           | (50)     |
| Interest Income                              | 45             | 23       |
| Income before Income Taxes                   | 1,415          | 1,285    |
| Provision for Income Taxes                   | 396            | 373      |
| Net Income                                   | \$ 1,019       | \$ 912   |
| Diluted                                      |                |          |
| Net Income Per Common Share                  | \$ 0.60        | \$ 0.53  |
| Average Shares Outstanding                   | 1,695          | 1,713    |

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**PepsiCo, Inc. and Subsidiaries**  
**Supplemental Financial Information**  
(in millions)

|                                 | 12 Weeks Ended |          |
|---------------------------------|----------------|----------|
|                                 | 3/25/06        | 3/19/05  |
|                                 | (unaudited)    |          |
| <u>Net Revenue</u>              |                |          |
| Frito-Lay North America         | \$ 2,393       | \$ 2,263 |
| PepsiCo Beverages North America | 1,991          | 1,784    |
| PepsiCo International           | 2,378          | 2,121    |
| Quaker Foods North America      | 443            | 417      |
| <br>                            |                |          |
| Total Net Revenue               | \$ 7,205       | \$ 6,585 |
| <br>                            |                |          |
| <u>Operating Profit</u>         |                |          |
| Frito-Lay North America         | \$ 569         | \$ 539   |
| PepsiCo Beverages North America | 428            | 415      |
| PepsiCo International           | 371            | 307      |
| Quaker Foods North America      | 151            | 145      |
| <br>                            |                |          |
| Division Operating Profit       | 1,519          | 1,406    |
| Corporate                       | (171)          | (159)    |
| <br>                            |                |          |
| Total Operating Profit          | \$ 1,348       | \$ 1,247 |

**PepsiCo, Inc. and Subsidiaries**  
**Condensed Consolidated Statement of Cash Flows**  
(in millions)

|  | 12 Weeks Ended |                |
|--|----------------|----------------|
|  | 3/25/06        | 3/19/05        |
|  | (unaudited)    |                |
| <b>Operating Activities</b>  |                |                |
| Net income   | \$ 1,019       | \$ 912         |
| Depreciation and amortization  | 286            | 282            |
| Stock-based compensation expense                                       | 67             | 77             |
| Excess tax benefits from share-based payment arrangements              | (34)           |                |
| Cash payments for merger-related costs and other restructuring charges |                | (14)           |
| Pension and retiree medical plan contributions                         | (28)           | (48)           |
| Pension and retiree medical plan expenses                              | 123            | 102            |
| Bottling equity income, net of dividends                               | (70)           | (51)           |
| Deferred income taxes and other tax charges and credits                | 20             | 51             |
| Change in accounts and notes receivable                                | (347)          | (237)          |
| Change in inventories  | (179)          | (93)           |
| Change in prepaid expenses and other current assets                    | (39)           | 3              |
| Change in accounts payable and other current liabilities               | (441)          | (522)          |
| Change in income taxes payable   | (140)          | 233            |
| Other, net   | 9              | 54             |
| <b>Net Cash Provided by Operating Activities</b>                       | <b>246</b>     | <b>749</b>     |
| <b>Investing Activities</b>  |                |                |
| Snack Ventures Europe (SVE) minority interest acquisition              |                | (750)          |
| Capital spending   | (289)          | (181)          |
| Sales of property, plant and equipment                                 | 6              | 25             |
| Other acquisitions and investments in noncontrolled affiliates         | (275)          | (41)           |
| Cash proceeds from sale of The Pepsi Bottling Group (PBG) stock        | 85             | 47             |
| Short-term investments, net  | 800            | (528)          |
| <b>Net Cash Provided by/(Used for) Investing Activities</b>            | <b>327</b>     | <b>(1,428)</b> |
| <b>Financing Activities</b>  |                |                |
| Proceeds from issuances of long-term debt                              |                | 13             |
| Payments of long-term debt   | (22)           | (3)            |
| Short-term borrowings, net   | (691)          | 733            |
| Cash dividends paid  | (432)          | (387)          |
| Share repurchases - common   | (660)          | (494)          |
| Share repurchases - preferred  | (2)            | (6)            |
| Proceeds from exercises of stock options                               | 436            | 233            |
| Excess tax benefits from share-based payment arrangements              | 34             |                |

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|  |         |        |
|--|---------|--------|
| Net Cash (Used for)/Provided by Financing Activities         | (1,337) | 89     |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | 4       | (9)    |
| Net Decrease in Cash and Cash Equivalents                    | (760)   | (599)  |
| Cash and Cash Equivalents Beginning of year                  | 1,716   | 1,280  |
| Cash and Cash Equivalents End of period                      | \$ 956  | \$ 681 |

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**PepsiCo, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheet**  
(in millions)

|  | 3/25/06<br>(unaudited) | 12/31/05         |
|--|------------------------|------------------|
| <b>Assets</b>                                  |                        |                  |
| Current Assets                                 |                        |                  |
| Cash and cash equivalents                      | \$ 956                 | \$ 1,716         |
| Short-term investments                         | 2,373                  | 3,166            |
| Accounts and notes receivable, net             | 3,634                  | 3,261            |
| Inventories                                    |                        |                  |
| Raw materials                                  | 764                    | 738              |
| Work-in-process                                | 159                    | 112              |
| Finished goods                                 | 958                    | 843              |
|  | 1,881                  | 1,693            |
| Prepaid expenses and other current assets      | 658                    | 618              |
| Total Current Assets                           | 9,502                  | 10,454           |
| Property, plant and equipment, net             | 8,754                  | 8,681            |
| Amortizable intangible assets, net             | 503                    | 530              |
| Goodwill                                       | 4,100                  | 4,088            |
| Other nonamortizable intangible assets         | 1,098                  | 1,086            |
| Nonamortizable Intangible Assets               | 5,198                  | 5,174            |
| Investments in noncontrolled affiliates        | 3,506                  | 3,485            |
| Other assets                                   | 3,531                  | 3,403            |
| <b>Total Assets</b>                            | <b>\$ 30,994</b>       | <b>\$ 31,727</b> |
| <b>Liabilities and Shareholders Equity</b>     |                        |                  |
| Current Liabilities                            |                        |                  |
| Short-term obligations                         | \$ 2,214               | \$ 2,889         |
| Accounts payable and other current liabilities | 5,587                  | 5,971            |
| Income taxes payable                           | 359                    | 546              |
| Total Current Liabilities                      | 8,160                  | 9,406            |
| Long-term debt obligations                     | 2,288                  | 2,313            |
| Other liabilities                              | 4,427                  | 4,323            |
| Deferred income taxes                          | 1,378                  | 1,434            |



|   |                  |                  |
|---|------------------|------------------|
| Total Liabilities                                 | 16,253           | 17,476           |
| Commitments and Contingencies                     |                  |                  |
| Preferred stock, no par value                     | 41               | 41               |
| Repurchased preferred stock                       | (112)            | (110)            |
| Common Shareholders' Equity                       |                  |                  |
| Common stock                                      | 30               | 30               |
| Capital in excess of par value                    | 567              | 614              |
| Retained earnings                                 | 21,702           | 21,116           |
| Accumulated other comprehensive loss              | (989)            | (1,053)          |
|   | 21,310           | 20,707           |
| Less: Repurchased common stock                    | (6,498)          | (6,387)          |
| Total Common Shareholders' Equity                 | 14,812           | 14,320           |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>\$ 30,994</b> | <b>\$ 31,727</b> |

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**PepsiCo, Inc. and Subsidiaries**  
**Supplemental Share and Option Data**  
(in millions of shares, except average share and exercise prices, and unaudited)

|  | 12 Weeks Ended |          |
|--|----------------|----------|
|  | 3/25/06        | 3/19/05  |
| Beginning Net Shares Outstanding                                   | 1,656          | 1,679    |
| Options Exercised  | 12             | 7        |
| Shares Repurchased   | (12)           | (9)      |
| Ending Net Shares Outstanding                                      | 1,656          | 1,677    |
| Weighted Average Basic   | 1,656          | 1,678    |
| Dilutive securities:   |                |          |
| Options  | 33             | 31       |
| Restricted Stock Units   | 4              | 2        |
| ESOP Convertible Preferred Stock/Other                             | 2              | 2        |
| Weighted Average Diluted   | 1,695          | 1,713    |
| Average Share Price for the period                                 | \$ 58.79       | \$ 53.46 |
| <i>Growth Versus Prior Year</i>                                    | 10%            | 9%       |
| Options Outstanding  | 150            | 178      |
| Options in the Money   | 150            | 166      |
| Dilutive Shares from Options                                       | 33             | 31       |
| <i>Dilutive Shares from Options as a % of Options in the Money</i> | 22%            | 19%      |
| Average Exercise Price of Options in the Money                     | \$ 43.55       | \$ 40.31 |

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**Reconciliation of GAAP and Non-GAAP Information  
(unaudited)**

**Operating Profit Growth Reconciliation**

|                                  | Quarter<br>Ended<br>3/25/06 |
|----------------------------------|-----------------------------|
| Total operating profit growth    | 8.1%                        |
| Impact of Corporate unallocated. | (0.1)                       |
| Division operating profit growth | 8.0%                        |

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

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**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 hereunto duly authorized.

Date: April 26, 2006

**PepsiCo, Inc.**

By: /s/ Robert E. Cox  
Robert E. Cox  
Vice President, Deputy General Counsel  
and  
Assistant Secretary

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**INDEX TO EXHIBITS**

**Exhibit Number**

**Description**

99.1 Press Release issued by PepsiCo, Inc., dated April 26, 2006.