ROPER TECHNOLOGIES INC
Form 424B5
August 14, 2018

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-208200
The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are part of an effective registration statement filed with the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and they are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.
SUBJECT TO COMPLETION
Preliminary Prospectus Supplement dated August 14, 2018
Prospectus Supplement
(To Prospectus dated November 24, 2015)

$_________
Roper Technologies, Inc.
$____%_ Senior Notes due _
$____%_ Senior Notes due _

Roper Technologies, Inc. is offering $ aggregate principal amount of % senior notes due (the " Notes") and $ aggregate principal amount of % senior notes due (the " Notes" and, together with the Notes, the "Notes").
The Notes will bear interest at the rate of % per year and the Notes will bear interest at the rate of % per year. Interest on the Notes will be payable semi-annually in arrears on March 15 and September 15 of each year, beginning March 15, 2019. The Notes will mature on , and the Notes will mature on , .
We may redeem the Notes in whole or in part at any time or from time to time at the applicable redemption price described under the heading "Description of the Notes—Optional Redemption." We will be required to make an offer to repurchase the Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase, upon the occurrence of a Change of Control Triggering Event (as defined herein). See the section entitled "Description of the Notes—Repurchase Upon Change of Control Triggering Event" for more information.
We intend to use the net proceeds from the sale of the Notes to repay all of our $500 million of outstanding 6.25% senior notes due 2019 (the "2019 Notes") and outstanding amounts under the 2016 facility (as defined below) and for general corporate purposes. See "Use of Proceeds."
The Notes will be our senior unsecured obligations and will rank equally in right of payment with all of our existing and future senior unsecured indebtedness. The Notes will be effectively subordinated to any of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness. The Notes will not be guaranteed by any of our subsidiaries and will be effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries.
The Notes are new issues of securities with no established trading market. We do not intend to list the Notes on any securities exchange or any automated quotation system.

Investing in the Notes involves risks. See "Risk Factors" beginning on page S-9.

	Per Note	Per Note	Total
Public offering price(1)	%	%	$
Underwriting discount	%	%	$

Proceeds, before expenses, to us	%	%	$

(1) Plus accrued interest from August___, 2018, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Notes or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the Notes to purchasers on or about August ___, 2018, which is the tenth business day following the date of this prospectus supplement, through The Depository Trust Company ("DTC") and its direct participants, including the Euroclear System and Clearstream Banking S.A.

Joint Book-Running Managers

BofA Merrill Lynch J.P. Morgan Wells Fargo Securities

Prospectus Supplement dated August ___, 2018

We have not, and the underwriters have not, authorized anyone to provide any information other than that contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus or the free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein or therein is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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Prospectus Supplement

Prospectus

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and documents that are incorporated by reference into this prospectus supplement and the accompanying prospectus include “forward-looking statements” within the meaning of the federal securities laws. In addition, we, or our executive officers on our behalf, may from time to time make forward-looking statements in reports and other documents we file with the Securities and Exchange Commission (“SEC”) or in connection with oral statements made to the press, potential investors or others. All statements that are not historical facts are “forward-looking statements.” Forward-looking statements may be indicated by words or phrases such as “anticipate,” “estimate,” “plans,” “expects,” “projects,” “should,” “will,” “believes” or “intends” and similar words and
These statements reflect management’s current beliefs and are not guarantees of future performance. They involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied in any forward-looking statement.

Examples of forward-looking statements in this prospectus supplement, the accompanying prospectus and documents that are incorporated by reference into this prospectus and the accompanying prospectus include but are not limited to statements regarding operating results, the success of our internal operating plans, our expectations regarding our ability to generate operating cash flows and reduce debt and associated interest expense, profit and cash flow expectations, the prospects for newly acquired businesses to be integrated and contribute to future growth and our expectations regarding growth through acquisitions. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products, the cost, timing and success of product upgrades and new product introductions, raw materials costs, expected pricing levels, the timing and cost of expected capital expenditures, expected outcomes of pending litigation, competitive conditions, general economic conditions and expected synergies relating to acquisitions, joint ventures and alliances. These assumptions could prove inaccurate. Although we believe that the estimates and projections reflected in the forward-looking statements are reasonable, our expectations may prove to be incorrect. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section entitled “Risk Factors” in our Annual Report on Form 10 K and our Quarterly Reports on Form 10 Q, as amended, incorporated by reference herein. You should understand that the following important factors, in addition to those discussed in the incorporated documents, could affect our future results, and could cause those results or other outcomes to differ materially from those estimates or projections in the forward-looking statements:

- general economic conditions;
- difficulty making acquisitions and successfully integrating acquired businesses;
- any unforeseen liabilities associated with future acquisitions;
- limitations on our business imposed by our indebtedness, including the Notes offered hereby;
- unfavorable changes in foreign exchange rates;
- difficulties associated with exports;
- risks and costs associated with our international sales and operations;
- rising interest rates;
- product liability and insurance risks;
- increased warranty exposure;
- future competition;
- the cyclical nature of some of our markets;
- reduction of business with large customers;
- risks associated with government contracts;
- changes in the supply of, or price for, labor, raw materials, parts and components;

- environmental compliance costs and liabilities;
- risks and costs associated with asbestos-related litigation;
- potential write-offs of our goodwill and other intangible assets;
- our ability to successfully develop new products;
- failure to protect our intellectual property;
- the effect of, or change in, government regulations (including tax);
- economic disruption caused by terrorist attacks, including cybersecurity threats, health crises or other unforeseen events; and
- the factors discussed in other reports filed with the SEC.

We believe these forward-looking statements are reasonable; however, you should not place undue reliance on any forward-looking statements, which are based on current expectations. Further, forward-looking statements speak only as of the date they are made, and we undertake no obligation to publicly update any of these statements in light of new information or future events.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first is this prospectus supplement, which describes the specific terms of this offering. This prospectus supplement also incorporates by reference the information described under “Where You Can Find More Information.” The second part is the accompanying prospectus dated November 24, 2015, which contains a description of our debt securities and gives more general information, some of which may not apply to this offering.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Unless we have indicated otherwise, references in this prospectus supplement to “Roper,” the “Company,” “we,” “us” and “our” or similar terms are to Roper Technologies, Inc. and our consolidated subsidiaries.

SUMMARY

The following summary highlights information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. It may not contain all of the information that you should consider before investing in the Notes. You should carefully read this entire prospectus supplement, as well as the accompanying prospectus and the documents incorporated by reference herein that are described under "Where You Can Find More Information."

Roper Technologies, Inc.

Roper Technologies, Inc. is a diversified technology company. We operate businesses that design and develop software (both license and software-as-a-service) and engineered products and solutions for a variety of niche end markets.

We pursue consistent and sustainable growth in earnings and cash flow by emphasizing continuous improvement in the operating performance of our existing businesses and by acquiring other businesses that offer high value-added services, engineered products and solutions that we believe are capable of achieving growth and maintaining high margins. We compete in many niche markets and believe we are the market leader or a competitive alternative to the market leader in most of these markets.

Our principal executive offices are located at 6901 Professional Parkway East, Suite 200, Sarasota, Florida 34240, and the telephone number is (941) 556-2601. We maintain a website at www.ropertech.com where general information about us is available. We are not incorporating the contents of the website into this prospectus supplement or the accompanying prospectus.

Our Business Segments

Our operations are reported in four segments based upon common customers, markets, sales channels, technologies and common cost opportunities. The segments are: RF Technology, Medical & Scientific Imaging, Industrial Technology and Energy Systems & Controls.

RF Technology. Our RF Technology segment provides radio frequency identification communication technology and software solutions that are used primarily in comprehensive management software, software-as-a-service, card systems/integrated security solutions, toll and traffic systems, RFID card readers, and metering and remote monitoring applications.

Medical & Scientific Imaging. Our Medical & Scientific Imaging segment offers products and software in medical applications and high performance digital imaging products.

Industrial Technology. Our Industrial Technology segment produces water meter and automatic meter reading products and systems, fluid handling pumps, and materials analysis equipment and consumables.

Energy Systems & Controls. Our Energy Systems & Controls segment principally produces control systems, fluid properties testing equipment, sensors, controls and valves, and non-destructive inspection and measurement instrumentation.

The Offering

The following summary contains certain material information about the Notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding 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" in the accompanying prospectus. For purposes of the description of the Notes and other indebtedness included in this prospectus supplement, references to the "Company," "issuer," "we," "us" and "our" refer only to Roper Technologies, Inc. and do not include its subsidiaries.

Issuer	Roper Technologies, Inc., a Delaware corporation.
Securities offered	$___aggregate principal amount of___% senior notes due___. $___ aggregate principal amount of___% senior notes due___.
Maturity dates	___,___for the___Notes. ___,___for the___Notes.
Interest payment dates	March 15 and September 15 of each year, beginning March 15, 2019.
Ranking	The Notes will be our unsecured senior obligations and will: · rank senior in right of payment to all of our existing and future subordinated indebtedness; · rank equally in right of payment with all of our existing and future unsecured senior indebtedness; · be effectively subordinated in right of payment to all of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness; and · be effectively subordinated in right of payment to all existing and future indebtedness and other liabilities of our subsidiaries. As of June 30, 2018, the Notes would have been effectively subordinated to approximately $1.6 billion of obligations of our subsidiaries.
Guarantees	The Notes will not be guaranteed by any of our subsidiaries.
Optional redemption	We may redeem the Notes in whole or in part at any time or from time to time at the applicable redemption prices described in "Description of the Notes—Optional Redemption."
Repurchase upon a change of control	Upon the occurrence of a Change of Control Triggering Event, we will be required to make an offer to purchase the Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase. See "Description of the Notes—Repurchase Upon Change of Control Triggering Event."
Listing	We do not intend to list the Notes on any securities exchange or any automated quotation system.
No prior market	The Notes are new issues of securities with no established trading market. Although the underwriters have informed us that they intend to make a market in the Notes, they are not obligated to do so, and they may discontinue market making activities at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.

Use of proceeds	We intend to use the net proceeds from the sale of the Notes to repay all of the 2019 Notes and outstanding amounts under the 2016 facility and for general corporate purposes. See "Use of Proceeds."
Governing law	New York.
Trustee	Wells Fargo Bank, National Association.
Risk factors	You should carefully consider all of the information in this prospectus supplement. In particular, you should evaluate the information set forth under "Special Note on Forward-Looking Statements" and "Risk Factors" before deciding whether to invest in the Notes.

Summary Consolidated Financial Data

Our summary consolidated financial information presented below as of and for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, except for the summary consolidated balance sheet data as of December 31, 2015, has been derived from our audited consolidated financial statements incorporated by reference into this prospectus supplement and the accompanying prospectus. The summary consolidated balance sheet data as of December 31, 2015 has been derived from our audited consolidated financial statements not incorporated by reference into this prospectus supplement and the accompanying prospectus. The summary consolidated financial information as of and for the six months ended June 30, 2018 and June 30, 2017 has been derived from our unaudited condensed consolidated financial statements incorporated by reference into this prospectus supplement and the accompanying prospectus and includes all adjustments (consisting of normal recurring items) which are, in our opinion, necessary for a fair statement of our financial position as of such dates and results of operations for such periods. The results of operations for the six months ended June 30, 2018 are not necessarily indicative of the results for our full fiscal year ending December 31, 2018.

Our summary consolidated financial information set forth below should be read in conjunction with our consolidated financial statements, including the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations," both of which can be found in our Annual Report on Form 10 K, for the year ended December 31, 2017, and our Quarterly Reports on Form 10 Q for the quarters ended March 31, 2018 and June 30, 2018, all of which are incorporated by reference herein.

	Six Months Ended June 30,		Year Ended December 31,		
	2018	2017	2017	2016	2015
	(Unaudited)				
	(In millions, except per share amounts)				
Statement of Operations Data:					
Net revenues	$2,496.2	$2,221.0	$4,607.5	$3,789.9	$3,582.4
Gross profit	1,566.4	1,373.3	2,864.8	2,332.4	2,164.6
Income from operations	654.5	552.5	1,210.2	1,054.6	1,027.9
Earnings before income taxes	568.7	466.7	1,034.7	940.7	1,002.3
Net earnings	$439.7	$337.6	$971.8	$658.6	$696.1
Net earnings per share:					
Basic	$4.26	$3.31	$9.51	$6.50	$6.92
Diluted	4.22	3.27	9.39	6.43	6.85
Dividends declared per common share	$0.8250	$0.7000	$1.4625	$1.2500	$1.0500
Balance Sheet Data:					
Cash and cash equivalents	$421.8	$663.3	$671.3	$757.2	$778.5
Working capital (1)	(415.3)	202.6	(270.0)	331.2	897.9
Total assets	15,361.0	14,213.3	14,316.4	14,324.9	10,168.4
Long-term debt, net of current portion	4,821.7	5,241.1	4,354.6	5,808.6	3,264.4
Stockholders' equity	7,302.9	6,200.5	6,863.6	5,788.9	5,298.9

(1) Working capital is calculated as total current assets less total current liabilities.

RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratios of earnings to fixed charges for each of the periods indicated.

	Six Months Ended June 30, 2018	Year Ended December 31, 2017	2016	2015	2014	2013
Ratio of earnings to fixed charges(1)	6.7x	6.0x	8.2x	11.1x	10.9x	8.3x

(1) For purposes of calculating these ratios, earnings is the amount resulting from adding (a) earnings from continuing operations before income taxes and (b) fixed charges. Fixed charges for these purposes include (a) interest expense, (b) amortization of debt issuance costs, and (c) one-third of rental expense, which we consider to be a reasonable approximation of the interest factor included in rental expense.

RISK FACTORS

In considering whether to purchase the Notes, you should carefully consider all the information we have included or incorporated by reference into this prospectus supplement and the accompanying prospectus. In particular, you should read the risk factors described below and the risk factors incorporated by reference from our Annual Report on Form 10 K for the year ended December 31, 2017 and our Quarterly Reports on Form 10 Q for the quarters ended March 31, 2018 and June 30, 2018.

Risks Related to the Offering

The Notes are structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries.

The Notes are our obligations exclusively and are not the obligations of any of our subsidiaries. Substantially all of our operations are conducted through our subsidiaries. As a result, our cash flow and ability to service our debt, including the Notes, depend upon the earnings of our subsidiaries and the ability of our subsidiaries to distribute their earnings, loans or other payments to us. Our subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Notes or to make any funds available therefor, whether by dividends, loans or other payments. Except to the extent we are a creditor with separately recognized claims against our subsidiaries, all claims of creditors of our subsidiaries, including trade creditors, and holders of preferred stock, if any, will have priority with respect to the assets of such subsidiaries over our claims (and therefore the claims of our creditors, including holders of the Notes), and our subsidiaries may enter into future borrowing arrangements that limit their ability to transfer funds to us. Consequently, your Notes will be structurally subordinated to all liabilities, including trade payables, of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish. As of June 30, 2018, our subsidiaries had approximately $1.6 billion of liabilities. In addition, the indenture governing the Notes permits our subsidiaries to incur additional indebtedness, and does not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by our subsidiaries. Thus, the amount of these liabilities may increase in the future.

The Notes will be subject to the prior claims of any future secured creditors.

The Notes are unsecured obligations, ranking effectively junior to our outstanding secured indebtedness and any additional secured indebtedness we may incur. The indenture governing the Notes does not limit the amount of additional debt that we and our subsidiaries may incur, permits us to incur secured debt under specified circumstances and permits our subsidiaries to incur secured debt without restriction. If we incur additional secured debt, our assets securing any such indebtedness will be subject to prior claims by our secured creditors. In the event of our bankruptcy, insolvency, liquidation, reorganization, dissolution or other winding up, or upon any acceleration of the Notes, our assets that secure other indebtedness will be available to pay obligations on the Notes only after all other such debt secured by those assets has been repaid in full. Any remaining assets will be available to you ratably with all of our other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

The negative covenants in the indenture that governs the Notes provide limited protection to holders of the Notes.

The indenture governing the Notes contains covenants limiting our ability to create certain liens, enter into certain sale and leaseback transactions, and consolidate or merge with, or convey, transfer or lease all or substantially all our assets to, another person. The covenants addressing limitations on liens and on sale and leaseback transactions do not apply to our subsidiaries and contain exceptions that will allow us to incur liens with respect to material assets. See "Description of Debt Securities—Certain Covenants" in the accompanying prospectus. In light of these exceptions, your Notes may be structurally or effectively subordinated to new lenders. The indenture does not limit the amount of additional debt that we or our subsidiaries may incur.

Our credit facility contains covenants that may limit our operations.

The credit agreement governing the 2016 facility contains certain covenants restricting our operations. For example, the agreement contains affirmative and negative covenants which, among other things, limit our ability to incur new debt, enter into certain mergers and acquisitions, sell assets and grant liens, make restricted payments (including the payment of dividends on our common stock) and capital expenditures, or change our line of business. We are also subject to financial covenants that require us to limit our Consolidated Total Leverage Ratio and to maintain a minimum Consolidated Interest Coverage Ratio, in each case as defined in the credit agreement. Our ability to meet the financial covenants or requirements in our credit agreement may be affected by events beyond our control, and we may not be able to satisfy such covenants and requirements. A breach of these covenants or our inability to comply with the financial ratios, tests or other restrictions contained in our credit facility could result in an event of default under our credit agreement. Upon the occurrence of an event of default under our credit agreement, and the expiration of any grace periods, the lenders could elect to declare all amounts outstanding under the credit facility, together with accrued interest, to be immediately due and payable. If this were to occur, our assets may not be sufficient to fully repay the amounts due under our credit facility or our other indebtedness, including the Notes.

Additional debt offerings may have adverse consequences to you.

We may incur additional indebtedness in the future, which may have important consequences for you as a holder of the Notes, including making it more difficult for us to satisfy our obligations with respect to the Notes as a result of additional interest payment expenses, a loss in the trading value of your Notes and a risk that the credit rating of your Notes may be lowered.

The provisions of the Notes will not necessarily protect you in the event of certain highly leveraged transactions or changes in the composition of our board.

Upon the occurrence of a Change of Control Triggering Event, you will have the right to require us to repurchase the Notes as provided in, and on the terms set forth in, the Notes. However, the Change of Control Triggering Event provisions will not afford you protection in the event of certain highly leveraged transactions that may adversely affect you. For example, any leveraged recapitalization, refinancing, restructuring or acquisition initiated by us generally will not constitute a Change of Control (as defined under "Description of the Notes—Repurchase Upon Change of Control Triggering Event") that would potentially lead to a Change of Control Triggering Event. As a result, we could enter into any such transaction even though the transaction could increase the total amount of our outstanding indebtedness, adversely affect our capital structure or credit rating or otherwise adversely affect the holders of the Notes. These transactions may not involve a change in voting power or beneficial ownership or result in a downgrade in the ratings of the Notes, or, even if they do, may not necessarily constitute a Change of Control Triggering Event that affords you the protections described in this prospectus supplement. If any such transaction were to occur, the value of your Notes could decline. In addition, significant changes in the composition of our board of directors will not in and of themselves constitute a Change of Control.

We may not be able to repurchase all of the Notes, and other notes issued under the indenture, upon the occurrence of a Change of Control Triggering Event, which would result in a default under each series of notes.

We will be required to offer to repurchase the Notes, and other notes issued under the indenture, upon the occurrence of a Change of Control Triggering Event as provided in each series of the Notes. However, we may not have sufficient funds to repurchase the Notes in cash at such time. In addition, our ability to repurchase the Notes for cash may be limited by law or the terms of other agreements relating to our indebtedness outstanding at the time, which agreements may provide that a Change of Control Triggering Event constitutes an event of default or prepayment under such other indebtedness. Our failure to make such a repurchase would result in a default under such series of notes.

Changes in our credit ratings may adversely affect the value of the Notes.

Changes in our credit ratings may affect the value of the Notes. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of such rating may be obtained from such rating agency. Such ratings are not recommendations to buy, sell or hold securities, and there can be no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. Each rating should be evaluated independently of any other rating. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could affect the market value of your Notes and increase our corporate borrowing costs.

There may not be an active trading market for the Notes.

The Notes are new issues of securities with no established trading market. We do not intend to list the Notes on any securities exchange or any automated quotation system. Accordingly, there can be no assurance that a trading market for the Notes will ever develop or will be maintained. Further, there can be no assurance as to the liquidity of any market that may

develop for the Notes, your ability to sell your Notes or the price at which you will be able to sell your Notes. Future trading prices of the Notes will depend on many factors, including, but not limited to, prevailing interest rates, our financial condition and results of operations, prospects for companies in our industry generally, the then-current ratings assigned to the Notes and the market for similar securities. Any trading market that develops would be affected by many factors independent of and in addition to the foregoing, including:

- the time remaining to the maturity of the Notes;
- the outstanding amount of the Notes;
- the terms related to the optional redemption of the Notes; and
- the level, direction and volatility of market interest rates generally.

An increase in market interest rates could result in a decrease in the market value of the Notes.

In general, as market interest rates rise, the market value of notes bearing interest at a fixed rate generally declines. Consequently, if you purchase these Notes and market interest rates increase, the market value of your Notes may decline. We cannot predict the future level of market interest rates.

Risks Related to Our Business

We hereby incorporate by reference risk factors in Item 1A of our Annual Report on Form 10 K for the year ended December 31, 2017.

USE OF PROCEEDS

We expect the net proceeds from the sale of the Notes to be approximately $ billion, after deducting the underwriting discount and estimated offering expenses payable by us.

We intend to use the net proceeds from the sale of the Notes to repay all of the 2019 Notes and outstanding amounts under the 2016 facility and for general corporate purposes. Pending such application, such proceeds may be temporarily invested in short-term marketable securities.

CAPITALIZATION

The following table sets forth a summary of our consolidated capitalization on an actual basis and on an as adjusted basis as of June 30, 2018. Our consolidated capitalization, on an as adjusted basis, gives effect to the issuance of the Notes offered by this prospectus supplement and the application of the net proceeds therefrom described above in “Use of Proceeds.” This table should be read in conjunction with our consolidated financial statements and the related notes incorporated by reference into this prospectus supplement and the accompanying prospectus.

	As of June 30, 2018	
	Actual	Adjusted for the Offering
	(Unaudited, in millions)	
Current portion of long-term debt	$ 801.7	$ 801.7
Long-term debt:		
Notes offered hereby(1)		
Notes offered hereby(1)		
Other long-term debt, net of current portion(1)(2)	4,821.7	
Total debt	5,623.4	
Stockholders’ equity:		
Preferred stock, $0.01 par value—authorized: 1,000,000 shares; outstanding: none	—	—
Common stock, $0.01 par value—authorized: 350,000,000 shares; outstanding: 103,296,619 shares	1.1	1.1
Additional paid-in capital	1,691.6	1,691.6
Retained earnings	5,833.4	
Accumulated other comprehensive loss	(204.6)	(204.6)
Treasury stock	(18.6)	(18.6)
Total stockholders’ equity	7,302.9	
Total capitalization	$ 12,926.3	$

(1) Amounts shown net of debt issuances costs.

(2) Excludes $800 million aggregate principal amount of 2.050% senior notes due 2018 that are reflected as “Current portion of long-term debt.” These notes are intended to be repaid in October 2018 with funds expected to be received upon the closing of the divestiture of Gatan, Inc. (“Gatan”).

DESCRIPTION OF OTHER INDEBTEDNESS

Unsecured Credit Facility

On September 23, 2016, we entered into a new five-year unsecured credit facility (the "2016 facility") with JPMorgan Chase Bank, N.A., as administrative agent, Wells Fargo Bank, N.A. and Bank of America, N.A., as syndication agents, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., PNC Bank, National Association, SunTrust Bank and TD Bank, N.A., as co-documentation agents, which replaced our previous unsecured credit facility, dated as of July 27, 2012, as amended as of October 28, 2015. The 2016 facility comprises a five year $2.50 billion revolving credit facility, which includes availability of up to $150.0 million for letters of credit. Loans under the facility are available in dollars, and letters of credit are available in dollars and other currencies to be agreed. We may also, subject to compliance with specified conditions, request additional term loans or revolving credit commitments in an aggregate amount not to exceed $500.0 million. At June 30, 2018, there were $1,735.0 million in outstanding borrowings and $77.2 million of outstanding letters of credit under the 2016 facility.

We will have the right to add foreign subsidiaries as borrowers under the 2016 facility, subject to the satisfaction of specified conditions. We will guarantee the payment and performance by the foreign subsidiary borrowers of their obligations under the 2016 facility. Our obligations under the 2016 facility are not guaranteed by any of our subsidiaries. However, we have the right, subject to the satisfaction of certain conditions set forth in the 2016 facility, to cause any of our wholly-owned domestic subsidiaries to become guarantors.

Borrowings under the term loan and revolving credit facilities will bear interest, at our option, at a rate based on either:

- The highest of (1) the interest per annum publicly announced from time to time by JPMorgan Chase Bank, N.A., as its prime rate in effect at its principal office in New York City, (2) the NYFRB Rate (as defined in the 2016 facility) plus 0.50% and (3) the Eurocurrency Rate (as defined in the 2016 facility, and which in no case shall be less than zero) for a deposit in Dollars with a maturity of one month plus 1%, in each case plus a per annum spread depending on our senior unsecured long-term debt rating. Based on our current rating, the spread would be 0.10%; or
- The Eurocurrency Rate (as defined in the 2016 facility, and which in no case shall be less than zero) plus a per annum spread depending on our senior unsecured long-term debt rating. Based on our current rating, the spread would be 1.10%.

Outstanding letters of credit issued under the 2016 facility will be charged a quarterly fee depending on our senior unsecured long-term debt rating. Based on our current rating, the quarterly fee would be payable at a rate of 1.10% per annum, plus a fronting fee of 0.125% per annum on the undrawn and unexpired amount of all letters of credit.

Additionally, we will pay a quarterly facility fee on the used and unused portions of the revolving credit facility depending on our senior unsecured long-term debt rating. Based on our current rating, the quarterly fee would accrue at a rate of 0.15% per annum.

Amounts outstanding under the 2016 facility may be accelerated upon the occurrence of customary events of default. The 2016 facility contains various affirmative and negative covenants which, among other things, limit our ability to incur new debt, enter into certain mergers and acquisitions, sell assets and grant liens, make restricted payments (including the payment of dividends on our common stock) and capital expenditures, or change our line of business. We also are subject to financial covenants which require us to limit our consolidated total leverage ratio and to maintain a consolidated interest coverage ratio. The most restrictive covenant is the consolidated total leverage ratio, which is limited to 3.5 to 1; provided that, if we make a Qualifying Material Acquisition (as defined in the 2016 facility) in a fiscal quarter, such ratio will be increased to 4.0 to 1.0 for the first fiscal quarter that ends on or subsequent to the date on which the Qualifying Material Acquisition is consummated and for each of the three consecutive fiscal quarters immediately thereafter.

Senior Notes due 2021 and 2026

In December 2016, we completed a public offering of $500 million aggregate principal amount of 2.80% senior unsecured notes due December 15, 2021 (the "2021 Notes") and $700 million aggregate principal amount of 3.80% senior unsecured notes due December 15, 2026 (the "2026 Notes"), of which all amounts remain outstanding as of the date of this prospectus

supplement. Net proceeds of $1.19 billion, together with cash on hand and borrowings under the 2016 facility, were used to fund the purchase price of the Deltek acquisition, and any remaining net proceeds were used for general corporate purposes.

The 2021 Notes and the 2026 Notes bear interest at a fixed rate of 2.80% and 3.80% per year, respectively, payable semi-annually in arrears on June 15 and December 15 of each year, beginning June 15, 2017.

We may redeem some or all of these notes at any time or from time to time, at 100% of their principal amount, plus with respect to any redemption prior to November 15, 2021 in the case of the 2021 Notes and September 15, 2026 in the case of the 2026 Notes, a make-whole premium based on a spread to U.S. Treasury securities.

The 2021 Notes and the 2026 Notes are unsecured senior obligations of ours and rank equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness, including the Notes offered hereby. The 2021 Notes and 2026 Notes are effectively subordinated to any of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness. The 2021 Notes and the 2026 Notes are not guaranteed by any of our subsidiaries and are effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries. In addition, upon a Change of Control Triggering Event (as defined in the 2021 Notes and the 2026 Notes, respectively), the terms require us to repurchase all or part of each holder's 2021 Notes and 2026 Notes for cash equal to 101% of the aggregate principal amount purchased plus accrued and unpaid interest, if any.

Senior Notes due 2020 and 2025

In December 2015, we completed a public offering of $600 million aggregate principal amount of 3.00% senior notes due December 15, 2020 (the "2020 Notes") and $300 million aggregate principal amount of 3.85% senior notes due December 15, 2025 (the "2025 Notes").

The 2020 Notes and the 2025 Notes bear interest at a fixed rate of 3.00% and 3.85% per year, respectively, payable semi-annually in arrears on June 15 and December 15 of each year, beginning June 15, 2016.

We may redeem some or all of these notes at any time or from time to time, at 100% of their principal amount, plus with respect to any redemption prior to November 15, 2020 in the case of the 2020 Notes and September 15, 2025 in the case of the 2025 Notes, a make-whole premium based on a spread to U.S. Treasury securities.

The 2020 Notes and the 2025 Notes are unsecured senior obligations of ours and rank senior in right of payment to all of our existing and future subordinated indebtedness and rank equally in right of payment with all of our existing and future unsecured senior indebtedness. The 2020 Notes and the 2025 Notes are effectively subordinated to any of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness. The 2020 Notes and the 2025 Notes are not guaranteed by any of our subsidiaries and are effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries. In addition, upon a Change of Control Triggering Event (as defined in the 2020 Notes and the 2025 Notes, respectively), the terms require us to repurchase all or part of each holder's 2020 Notes and 2025 Notes for cash equal to 101% of the aggregate principal amount purchased plus accrued and unpaid interest, if any.

Senior Notes due 2018

In June 2013, we completed a public offering of $800 million aggregate principal amount of 2.050% senior unsecured notes due October 1, 2018 (the "2018 Notes"), of which all amounts remain outstanding as of the date of this prospectus supplement. Net proceeds of $792 million were used to pay off a portion of the outstanding revolver balance under the 2012 facility.

The 2018 Notes bear interest at a fixed rate of 2.050% per year, payable semi-annually in arrears on April 1 and October 1 of each year, beginning October 1, 2013.

We may redeem some or all of these 2018 Notes at any time or from time to time, at 100% of their principal amount, plus a make-whole premium based on a spread to U.S. Treasury securities.

We intend to fund the repayment of the 2018 Notes with funds expected to be received upon the closing of the divestiture of Gatan.

The 2018 Notes are unsecured senior obligations of ours and rank senior in right of payment with all of our existing and future subordinated indebtedness and rank equally in right of payment with all of our existing and future unsecured senior indebtedness, including the Notes offered hereby. The 2018 Notes are effectively subordinated to any of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness. The 2018 Notes are not guaranteed by any of our subsidiaries and are effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries. In addition, upon a Change of Control Triggering Event (as defined in the 2018 Notes), the terms require us to repurchase all or part of each holder's 2018 Notes for cash equal to 101% of the aggregate principal amount purchased plus accrued and unpaid interest, if any.

Senior Notes due 2022

In November 2012, we completed a public offering of $500 million aggregate principal amount of 3.125% senior unsecured notes due November 2022 (the "2022 Notes"). Net proceeds of $496 million were used to pay off a portion of the outstanding revolver balance under the 2012 facility.

The 2022 Notes bear interest at a fixed rate of 3.125% per year, payable semi-annually in arrears on May 15 and November 15 of each year, beginning May 15, 2013.

We may redeem some or all of these 2022 Notes at any time or from time to time, at 100% of their principal amount, plus, with respect to any redemption prior to August 15, 2022, a make-whole premium based on a spread to U.S. Treasury securities.

The 2022 Notes are unsecured senior obligations of ours and rank senior in right of payment with all of our existing and future subordinated indebtedness and rank equally in right of payment with all of our existing and future unsecured senior indebtedness, including the Notes offered hereby. The 2022 Notes are effectively subordinated to any of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness. The 2022 Notes are not guaranteed by any of our subsidiaries and are effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries. In addition, upon a Change of Control Triggering Event (as defined in the 2022 Notes), the terms require us to repurchase all or part of each holder's 2022 Notes for cash equal to 101% of the aggregate principal amount purchased plus accrued and unpaid interest, if any.

Senior Notes due 2019

In September 2009, we completed a public offering of $500 million aggregate principal amount of 6.25% senior unsecured notes due September 2019 (the "2019 Notes"), of which all amounts remain outstanding as of the date of this prospectus supplement. Net proceeds of $496 million were used to pay off our $350 million term loan originally due July 2010 and the outstanding revolver balance under the 2008 credit facility. We recorded a $0.4 million non-cash debt extinguishment charge related to the early repayment of the term loan portion of the 2008 facility.

The 2019 Notes bear interest at a fixed rate of 6.25% per year, payable semi-annually in arrears on March 1 and September 1 of each year, beginning March 1, 2010.

We may redeem some or all of these 2019 Notes at any time or from time to time, at 100% of their principal amount, plus a make-whole premium based on a spread to U.S. Treasury securities.

The 2019 Notes are unsecured senior obligations of ours and rank equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness, including the Notes offered hereby. The 2019 Notes are effectively subordinated to any of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness. The 2019 Notes are not guaranteed by any of our subsidiaries and are effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries. In addition, upon a Change of Control Triggering Event (as defined in the 2019 Notes), the terms require us to repurchase all or part of each holder's 2019 Notes for cash equal to 101% of the aggregate principal amount purchased plus accrued and unpaid interest, if any.

DESCRIPTION OF THE NOTES

The summary herein of certain provisions of the indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the indenture, which has been filed as an exhibit to the registration statement of which this prospectus supplement forms apart. The following description of the particular terms of the Notes supplements the description of the general terms and provisions of the debt securities set forth under "Description of Debt Securities" beginning on page 6 of the accompanying prospectus.

General

For purposes of this section, references to "we," "us" and "our" are references to Roper Technologies, Inc. only and not to any of its subsidiaries. We will issue the Notes under the indenture, dated as of August 4, 2008 (the "Indenture"), between us and Wells Fargo Bank, National Association, as trustee (the "Trustee").

The following is a summary of the material provisions of the Indenture. It does not include all of the provisions of the Indenture. We urge you to read the Indenture because it defines your rights. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the "TIA"). A copy of the Indenture may be obtained from us. You can find definitions of certain capitalized terms relating to the Notes as used in the Indenture in this description and in the accompanying prospectus under "Description of Debt Securities—Certain Definitions." The following summary supplements the description of the general terms and provisions of the debt securities set forth under "Description of Debt Securities" beginning on page 6 of the accompanying prospectus.

We will issue the Notes in fully registered form in minimum denominations of $2,000 and multiples of $1,000 in excess thereof. The Trustee will initially act as paying agent and registrar for the Notes. The Notes may be presented for registration of transfer and exchange at the offices of the registrar. We may change any paying agent and registrar without notice to holders of the Notes (the "Holders"). We will pay principal (and premium, if any) on the Notes at the Trustee's corporate office in New York, New York. At our option, interest may be paid at the Trustee's corporate trust office or by check mailed to the registered address of Holders.

The Notes will not be guaranteed by any of our subsidiaries. The Notes will not be entitled to the benefit of any mandatory sinking fund.

Principal, Maturity and Interest

We will issue $ aggregate principal amount of the Notes and $ aggregate principal amount of the Notes in this offering. The Notes will mature on , and the Notes will mature on , . Interest on the Notes will accrue at the respective rates per annum shown on the cover of this prospectus supplement. Interest on the Notes will be payable semi-annually in arrears on each March 15 and September 15, beginning March 15, 2019, to the persons who are registered Holders at the close of business on March 1 and September 1 whether or not a business day, immediately preceding the applicable interest payment date.

Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the issue date. If any interest payment date, Redemption Date (as defined below), repurchase date or maturity date falls on a day which is not a business day, payment of interest, principal and premium, if any, with respect to such Notes will be made on the next business day with the same force and effect as if made on the due date and no interest on such payment will accrue from and after such due date. Interest will be computed on the basis of a 360-day year composed of twelve 30-day months.

We may from time to time without notice to, or the consent of, any Holder, create and issue additional notes under the Indenture, equal in rank to the Notes offered hereby in all respects (or in all respects except for the issue date, the issue price and, if applicable, the initial interest payment date) so that the additional notes may be consolidated and form a single series with the applicable series of Notes offered hereby, and have the same terms as to status, redemption and otherwise as the applicable series of Notes offered hereby; provided, however, that if the additional notes are not fungible with the applicable series of Notes offered hereby for U.S. federal income tax purposes, the additional notes will have a separate CUSIP number.

We will pay interest (including post-petition interest in any proceeding under any bankruptcy law) on overdue payments of the principal, purchase price and redemption price of the Notes from time to time on demand at the rate then borne by the Notes offered hereby; and will pay interest (including post-petition interest in any proceeding under any bankruptcy law) on overdue installments of interest, if any (without regard to any applicable grace periods) on the Notes offered hereby from time to time on demand at the same rate to the extent lawful.

Ranking

The Notes will be our unsecured senior obligations and will:

- rank senior in right of payment to all of our existing and future subordinated indebtedness;
- rank equally in right of payment with all of our existing and future unsecured senior indebtedness;
- be effectively subordinated in right of payment to all of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness; and
- be effectively subordinated in right of payment to all existing and future indebtedness and other liabilities of our subsidiaries.

As of June 30, 2018, the Notes would have been effectively subordinated to approximately $1.6 billion of obligations of our subsidiaries.

Optional Redemption

The Notes will be redeemable, in whole or in part, at our option, at any time or from time to time prior to , (___month prior to the maturity date of the Notes (the " Par Call Date")) for the Notes and prior to ,___ (___months prior to the maturity date of the___Notes (the "___Par Call Date")) for the Notes, on at least 30 days', but not more than 60 days', prior notice mailed to the registered address of each Holder of the Notes (the "Redemption Date") at a redemption price equal to the greater of:

(i) 100% of the principal amount of the Notes to be redeemed; or

(ii) the sum of the present values of the Remaining Scheduled Payments (as defined below) discounted to the Redemption Date, on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months), at a rate equal to the sum of the Treasury Rate (as defined below) plus basis points with respect to the Notes and basis points with respect to the Notes, plus, in each case, accrued and unpaid interest thereon to the Redemption Date.

At any time on or after the Par Call Date for the Notes and the Par Call Date for the Notes, we may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest thereon to the date of redemption.

Notice of any redemption of Notes in connection with a corporate transaction (including any equity offering, an incurrence of indebtedness or a transaction involving a change of control of us) may, at our discretion, be given prior to the completion thereof and any such redemption or notice may, at our discretion, be subject to one or more conditions precedent, including, but not limited to, completion of the related transaction. If such redemption or purchase is so subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the Redemption Date. In addition, we may provide in such notice that payment of the redemption price and performance of our obligations with respect to such redemption may be performed by another person.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed (assuming, for this purpose, that such Notes matured on the applicable Par Call Date) 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 a comparable maturity to the remaining term of such Notes.

"Comparable Treasury Price" means, with respect to any Redemption Date, (1) the average of the Reference Treasury Dealer Quotations for such Redemption Date after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if we obtain fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers, appointed by us.

"Reference Treasury Dealer" means each of (i) J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, and their respective affiliates, and their respective successors and (ii) one other nationally recognized investment banking firm that is a primary U.S. government securities dealer in the City of New York (a "Primary Treasury Dealer") as selected by us. If any of the foregoing or their affiliates shall cease to be a Primary Treasury Dealer, we will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by us, of the bid and ask prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such Redemption Date.

"Remaining Scheduled Payments" means, with respect to each Note to be redeemed, the remaining scheduled payments of principal of and interest on the Note that would be due after the related Redemption Date but for the redemption (assuming, for this purpose, that such Notes matured on the applicable Par Call Date). If that Redemption Date is not an interest payment date with respect to a Note, the amount of the next succeeding scheduled interest payment on the Note will be reduced by the amount of interest accrued on the Note to the Redemption Date.

"Treasury Rate" means, with respect to any Redemption Date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolation (on a day count basis) of the interpolated 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.

On and after the Redemption Date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption, unless we default in the payment of the redemption price and accrued interest. On or before the Redemption Date, we will deposit with a paying agent or the Trustee money sufficient to pay the redemption price of, and accrued interest on, the Notes to be redeemed on that date.

Selection and Notice of Redemption

If we choose to redeem less than all of the Notes of a series, selection of the Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which such Notes are listed and in accordance with the procedures of the depositary; or, if such Notes are not so listed, on a pro rata basis, by lot or by such method as the Trustee shall deem fair and appropriate.

No Notes of a principal amount of $2,000 or less shall be redeemed in part. Notice of redemption will be mailed by first-class mail at least 30 but not more than 60 days before the Redemption Date to each Holder of Notes to be redeemed at its registered address. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Note. On and after the Redemption Date, interest will cease to accrue on Notes or portions thereof called for redemption as long as we have deposited with the paying agent funds in satisfaction of the applicable redemption price.

Repurchase Upon Change of Control Triggering Event

If a Change of Control Triggering Event (as defined below) occurs, unless we have exercised our right to redeem the Notes as described under "—Optional Redemption" above, we will be required to make an offer to repurchase all or, at the Holder's option, any part (equal to $2,000 or any multiple of $1,000 in excess thereof), of each Holder's Notes pursuant to the offer described below (the "Change of Control Offer") on the terms set forth in the Notes. In the Change of Control Offer, we will

be required to offer payment in cash equal to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest, if any, on the Notes repurchased, to, but not including, the date of purchase (the "Change of Control Payment").

Within 30 days following any Change of Control Triggering Event, we will be required to mail a notice to Holders of the Notes, with a copy to the Trustee for the Notes, describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the Notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the "Change of Control Payment Date"), pursuant to the procedures required by the Notes and described in such notice. We must comply with the requirements of applicable securities laws and regulations in connection with the repurchase of the Notes as a result of a Change of Control Triggering Event.

On the Change of Control Payment Date, we will be required, to the extent lawful, to:

- accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and
- deliver or cause to be delivered to the Trustee the Notes properly accepted together with an officer's certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by us.

The paying agent will be required to promptly mail, to each Holder who properly tendered Notes, the purchase price for such Notes, and the Trustee will be required to promptly authenticate and mail (or cause to be transferred by book entry) to each such Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; provided that each new Note will be in a principal amount of $2,000 or a multiple of $1,000 in excess thereof.

We will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by us and such third party purchases all Notes properly tendered and not withdrawn under its offer. If such third party terminates or defaults its offer, we will be required to make a Change of Control Offer treating the date of such termination or default as though it were the date of the Change of Control Triggering Event. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control Triggering Event, conditional upon such Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control at the time of making the Change of Control Offer.

We will comply with the requirements of Rule 14e 1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Triggering Event. To the extent that the provision of any such securities laws or regulations conflicts with the Change of Control Offer provisions of the Notes, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Offer provisions of the Notes by virtue of any such conflict. For purposes of the repurchase provisions of the Notes, the following terms will be applicable:

"Change of Control" means the occurrence of any one of the following: (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, amalgamation, arrangement or consolidation), in one or a series of related transactions, of all or substantially all of our properties or assets and those of our subsidiaries, taken as a whole, to one or more persons, other than to us or one of our subsidiaries; (2) the consummation of any transaction including, without limitation, any merger, amalgamation, arrangement or consolidation the result of which is that any person becomes the beneficial owner, directly or indirectly, of more than 50% of our Voting Stock; (3) we consolidate with, or merge with or into, any person, or any person consolidates with, or merges with or into, us, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of us or of such other person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of our Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving person immediately after giving effect to such transaction; or (4) the adoption of a plan relating to our liquidation or dissolution. For the purposes of this definition, "person" and "beneficial owner" have the meanings used in Section 13(d) of the Exchange Act.

"Change of Control Triggering Event" means the Notes cease to be rated Investment Grade by both Rating Agencies on any date during the period (the "Trigger Period") commencing 60 days prior to the first public announcement of the

Change of

Control or our intention to effect a Change of Control and ending 60 days following consummation of such Change of Control, which Trigger Period will be extended following consummation of a Change of Control for so long as any of the Rating Agencies has publicly announced that it is considering a possible ratings change. Unless at least one Rating Agency is providing a rating for the Notes at the commencement of any Trigger Period, the Notes will be deemed to have ceased to be rated Investment Grade during that Trigger Period. Notwithstanding the foregoing, no Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

"Investment Grade" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's or BBB- (or the equivalent) by S&P and the equivalent investment grade credit rating from any replacement Rating Agency or Rating Agencies selected by us.

"Moody's" means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors. "Rating Agencies" means (a) each of Moody's and S&P; and (b) if any of the Rating Agencies ceases to provide rating services to issuers or investors, and no Change of Control Triggering Event has occurred or is occurring, a "nationally recognized statistical rating organization" as defined in Section 3(a)(62) of the Exchange Act that is selected by us (as certified by a resolution of our board of directors) as a replacement for Moody's or S&P, or both of them, as the case may be, and that is reasonably acceptable to the Trustee.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., and its successors.

"Voting Stock" of any specified person as of any date means the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

Book-Entry; Delivery and Form

Global Notes

We will issue the Notes in the form of one or more global notes in definitive, fully registered, book-entry form. The global notes will be deposited with or on behalf of DTC and registered in the name of Cede & Co., as nominee of DTC.

DTC, Clearstream and Euroclear

Beneficial interests in the global notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may hold interests in the global notes through either DTC (in the United States), Clearstream Banking, S.A. ("Clearstream"), or Euroclear Bank SA/NV ("Euroclear"), in Europe, either directly if they are participants in such systems or indirectly through organizations that are participants in such systems. Clearstream and Euroclear will hold interests on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their U.S. depositaries, which in turn will hold such interests in customers' securities accounts in the U.S. depositaries' names on the books of DTC.

DTC has advised us as follows:

- DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under Section 17A of the Exchange Act.
- DTC holds securities that its participants deposit with DTC and facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates.
- Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and other organizations.

- DTC is owned by a number of its direct participants and by NYSE Euronext and the Financial Industry Regulatory Authority, Inc.
- Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.
- The rules applicable to DTC and its direct and indirect participants are on file with the SEC.

Clearstream has advised us that it is incorporated under the laws of Luxembourg as a professional depositary. Clearstream holds securities for its customers and facilitates the clearance and settlement of securities transactions between its customers through electronic book-entry changes in accounts of its customers, thereby eliminating the need for physical movement of certificates. Clearstream provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depositary, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Section. Clearstream customers are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and other organizations and may include the underwriters. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream customer either directly or indirectly.

Euroclear has advised us that it was created in 1968 to hold securities for participants of Euroclear and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank SA/NV (the "Euroclear Operator"), under contract with Euroclear Clearance Systems S.C., a Belgian cooperative corporation (the "Cooperative"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers, and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear Operator has advised us that it is licensed by the Belgian Banking and Finance Commission to carry out banking activities on a global basis. As a Belgian bank, it is regulated and examined by the Belgian Banking and Finance Commission.

We have provided the descriptions of the operations and procedures of DTC, Clearstream and Euroclear in this prospectus supplement solely as a matter of convenience. These operations and procedures are solely within the control of those organizations and are subject to change by them from time to time. None of us, the underwriters or the trustee takes any responsibility for these operations or procedures, and you are urged to contact DTC, Clearstream and Euroclear or their participants directly to discuss these matters.

We expect that under procedures established by DTC:

- upon deposit of the global notes with DTC or its custodian, DTC will credit on its internal system the accounts of direct participants designated by the underwriters with portions of the principal amounts of the global notes; and
- ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC or its nominee, with respect to interests of direct participants, and the records of direct and indirect participants, with respect to interests of persons other than participants.

The laws of some jurisdictions may require that purchasers of securities take physical delivery of those securities in definitive form. Accordingly, the ability to transfer interests in the Notes represented by a global note to those persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person having an interest in notes represented by a global note to pledge or

transfer those interests to persons or entities that do not participate in DTC's system, or otherwise to take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of a global note, DTC or that nominee will be considered the sole owner or holder of the Notes represented by that global note for all purposes under the indenture and under the Notes. Except as provided below, owners of beneficial interests in a global note will not be entitled to have notes represented by that global note registered in their names, will not receive or be entitled to receive physical delivery of certificated notes and will not be considered the owners or holders thereof under the indenture or under the Notes for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee. Accordingly, each holder owning a beneficial interest in a global note must rely on the procedures of DTC and, if that holder is not a direct or indirect participant, on the procedures of the participant through which that holder owns its interest, to exercise any rights of a holder of notes under the indenture or a global note.

Neither we nor the trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of notes by DTC, Clearstream or Euroclear, or for maintaining, supervising or reviewing any records of those organizations relating to the Notes.

Payments on the Notes represented by the global notes will be made to DTC or its nominee, as the case may be, as the registered owner thereof. We expect that DTC or its nominee, upon receipt of any payment on the Notes represented by a global note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the global note as shown in the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in the global note held through such participants will be governed by standing instructions and customary practice as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. The participants will be responsible for those payments.

Distributions on the Notes held beneficially through Clearstream will be credited to cash accounts of its customers in accordance with its rules and procedures, to the extent received by the U.S. depositary for Clearstream.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Distributions on the Notes held beneficially through Euroclear will be credited to the cash accounts of its participants in accordance with the Terms and Conditions, to the extent received by the U.S. depositary for Euroclear.

Clearance and Settlement Procedures

Initial settlement for the Notes will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled in immediately available funds. Secondary market trading between Clearstream customers and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear, as applicable, and will be settled using the procedures applicable to conventional eurobonds in immediately available funds.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream customers or Euroclear participants, on the other hand, will be effected through DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the U.S. depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the U.S. depositary to take action to effect final settlement on its behalf by delivering or receiving the Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream customers and Euroclear participants may not deliver instructions directly to their U.S. depositaries.

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Because of time-zone differences, credits of the Notes received in Clearstream or Euroclear as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in the Notes settled during such processing will be reported to the relevant Clearstream customers or Euroclear participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of the Notes by or through a Clearstream customer or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures to facilitate transfers of the Notes among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be changed or discontinued at any time.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

[The following is a general discussion of the material U.S. federal income tax consequences of the acquisition, ownership, and disposition of the Notes to beneficial owners of the Notes. This discussion is based upon the Internal Revenue Code of 1986, as amended (the "Code"), the U.S. Treasury regulations promulgated thereunder, administrative pronouncements and judicial decisions, all as of the date hereof and all of which are subject to change or differing interpretation, possibly on a retroactive basis, which may result in U.S. federal income tax consequences different from those set forth below. No ruling from the Internal Revenue Service ("IRS") or opinion of counsel has been or will be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the U.S. federal income tax consequences of the acquisition, ownership or disposition of the Notes.

This discussion applies only to beneficial owners of Notes that acquire the Notes upon their initial issuance at their initial "issue price," which will equal the first price at which a substantial amount of the Notes is sold for money to the public (not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers), and that hold the Notes as "capital assets" within the meaning of the Code (generally, property held for investment). This discussion does not address all aspects of U.S. federal income taxation that might be important to particular holders in light of their individual circumstances (such as the effects of Section 451(b) of the Code, as revised by the 2017 legislation known as the "Tax Cuts and Jobs Act") or the U.S. federal income tax consequences applicable to holders that may be subject to special tax rules, including without limitation banks and other financial institutions, insurance companies, real estate investment trusts, regulated investment companies, tax-exempt entities, government instrumentalities, pension funds, retirement plans and other tax-deferred accounts, cooperatives, partnerships (or entities or arrangements classified as partnerships for U.S. federal income tax purposes) or investors therein, S corporations or other pass-through entities or investors therein, brokers or dealers in securities, currencies or notional principal contracts, traders in securities that elect to use a mark-to-market method of accounting, persons liable for U.S. federal alternative minimum tax, U.S. Holders (as defined below) whose functional currency is not the U.S. dollar, certain former citizens or residents of the United States, persons holding the Notes as part of a hedging, conversion transaction, a straddle or other risk reduction transaction, persons deemed to sell the Notes under the constructive sale provisions of the Code, or "controlled foreign corporations" or "passive foreign investment companies" (within the meanings of the Code). This discussion does not address any U.S. federal estate and gift tax consequences, alternative minimum tax consequences, tax treaties, non-U.S., U.S. federal non-income, state or local tax consequences of the acquisition, ownership or disposition of the Notes. Accordingly, potential purchasers of the Notes should consult their own tax advisors regarding the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of the Notes in their particular circumstances.

As used in this discussion, the term "U.S. Holder" means a beneficial owner of a Note that is, or is treated as, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organized in or under the laws of the United States, any State thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust, if (i) it is subject to the primary supervision of a court within the United States and one or more "United States persons" (as defined in the Code) have the authority to control all substantial decisions of the trust, or (ii) a valid election is in place under applicable U.S. Treasury regulations to treat such trust as a "United States person" (as defined in the Code).

As used in this discussion, the term "Non-U.S. Holder" means any beneficial owner of a Note that is neither a U.S. Holder nor a partnership or other entity or arrangement treated as a partnership (or other flow-through entity) for U.S. federal income tax purposes. For the purposes of this discussion, U.S. Holders and Non-U.S. Holders are referred to collectively as "Holders."

If a partnership or other entity or arrangement treated as a partnership (or other flow-through entity) for U.S. federal income tax purposes is a beneficial owner of a Note, the tax treatment of a partner (or other owner of the entity) generally will depend upon the status of the partner (or other owner) and the activities of the entity. Such entities and owners of such entities should consult their tax advisors about the U.S. federal income and other tax consequences of the acquisition, ownership, and disposition of a Note.

THIS DISCUSSION IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS, INCLUDING THE EFFECTS OF THE RECENTLY ENACTED TAX CUTS AND JOBS ACT, AND THE CONSEQUENCES TO THEM OF ACQUIRING, OWNING OR DISPOSING OF NOTES UNDER U.S. FEDERAL NON-INCOME, NON-U.S., STATE, OR LOCAL TAX LAWS, ANY TAX TREATIES, AND THE POSSIBLE EFFECTS OF CHANGES IN TAX LAWS.

Certain Additional Payments

In certain circumstances, we may be obligated to pay amounts in excess of stated interest and principal on the Notes (as described above under "Description of the Notes—Repurchase Upon a Change of Control Triggering Event"). Treasury regulations provide special rules for "contingent payment debt instruments" which, if applicable, could cause the timing, amount and character of a Holder's income, gain or loss with respect to the Notes to be different from the consequences discussed below. Pursuant to the applicable Treasury regulations, however, for purposes of determining whether a debt instrument is a contingent payment debt instrument, remote or incidental contingencies (determined as of the date the Notes are issued) are ignored. Although the matter is not free from doubt, we believe the possibility of making additional payments on the Notes is remote and/or incidental. Therefore, we do not intend to treat the Notes as contingent payment debt instruments. Our treatment will be binding on all Holders, except a Holder that discloses its differing treatment in a statement attached to its timely filed U.S. federal income tax return for the taxable year during which the Note was acquired. Our treatment is not binding on the IRS, however, which may take a contrary position and treat the Notes as contingent payment debt instruments. The remainder of this discussion assumes that the Notes are not treated as contingent payment debt instruments.

U.S. Federal Income Taxation of U.S. Holders

Payments of Interest

A U.S. Holder generally must include payments of stated interest on the Notes as ordinary income at the time such interest is received or accrued, in accordance with the U.S. Holder's regular method of accounting for U.S. federal income tax purposes. If, however, the stated principal amount of the Notes exceeds the issue price thereof by more than a de minimis amount (as set forth in the applicable Treasury regulations), a U.S. Holder (regardless of its method of tax accounting) will be required to include such excess in income as "original issue discount" as it accrues generally in accordance with a constant yield method (unless otherwise accelerated) before the receipt of cash payments attributable to this income. It is anticipated, and this discussion assumes, that the Notes will be issued at par or at a discount that is less than de minimis for U.S. federal income tax purposes.

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of the Notes

Upon the sale, exchange, redemption, retirement or other taxable disposition of Notes, a U.S. Holder generally will recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between (i) the amount realized upon the sale, exchange, redemption, retirement or other taxable disposition of the Notes (other than amounts attributable to accrued but unpaid interest which would be treated as interest described above in "—Payments of Interest" to the extent such interest has not been previously included in income), and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Notes. The

amount realized by a U.S. Holder generally is the sum of cash plus the fair market value of all other property received on such sale, exchange, redemption, retirement or other taxable disposition. A U.S. Holder's adjusted U.S. federal income tax basis in the Notes generally will be its cost for the Notes, decreased by the amount of any payments, other than qualified stated interest payments, received with respect to such Notes.

The gain or loss a U.S. Holder recognizes on the sale, exchange, redemption, retirement or other taxable disposition of the Notes generally will be capital gain or loss. Such gain or loss generally will be long-term capital gain or loss if the U.S. Holder has held the Notes for more than 12 consecutive months. Long-term capital gains of non-corporate taxpayers generally are eligible for preferential rates of taxation. The deductibility of capital losses is subject to limitations. A U.S. Holder should consult its tax advisor regarding the deductibility of capital losses in its particular circumstances.

Tax on "Net Investment Income"

Certain U.S. Holders that are individuals, estates or trusts are subject to a 3.8% additional tax on the lesser of (i) their "net investment income" (or "undistributed net investment income," in the case of estates and trusts) and (ii) the excess of the U.S. Holder's modified adjusted gross income over a certain threshold (which in the case of individuals is between $125,000 and $250,000, depending on the individual's circumstances, and in the case of an estate or trust, the dollar amount at which the highest income tax bracket applicable to an estate or trust begins (for taxable years beginning in 2018, $12,500)). A U.S. Holder's net investment income generally will include its gross interest income and its net gains from the sale, exchange, redemption, retirement or other taxable disposition of a Note, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). U.S. Holders are urged to consult their tax advisors regarding the applicability of this additional tax.

Backup Withholding and Information Reporting

In general, a U.S. Holder that is not an "exempt recipient" (such as corporations and tax exempt organizations that properly establish their exemption) will be subject to U.S. federal backup withholding tax at the applicable rate (currently 24%) with respect to payments of interest on the Notes and the proceeds of a sale, exchange, redemption, retirement or other taxable disposition of the Notes, unless the U.S. Holder provides its taxpayer identification number (which for an individual is generally the individual's Social Security Number) to the paying agent and certifies, under penalties of perjury, that it is not subject to backup withholding on an IRS Form W-9 and otherwise complies with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder may be allowed as a credit against such U.S. Holder's U.S. federal income tax liability and may entitle such U.S. Holder to a refund, provided the required information is furnished to the IRS in a timely manner. In addition, payments on the Notes made to, and the proceeds of a sale or other taxable disposition by, a U.S. Holder that is not an exempt recipient generally will be subject to information reporting requirements.

U.S. Federal Income Taxation of Non-U.S. Holders

Payments of Interest

Subject to the discussions below under "—Effectively Connected Income," "—Backup Withholding and Information Reporting," and "—FATCA," a Non-U.S. Holder generally will be exempt from U.S. federal income tax and withholding tax on interest paid on the Notes under the "portfolio interest exemption" so long as:

- the Non-U.S. Holder does not conduct a trade or business within the United States to which the interest income is effectively connected;
- the Non-U.S. Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote within the meaning of section 881(c)(3)(B) of the Code and the Treasury regulations thereunder; and
- either (i) the Non-U.S. Holder certifies under penalties of perjury on a properly executed IRS Form W-8BEN or IRS Form W-8BEN-E (or appropriate successor form), as applicable, that it is not a "United States person" (as defined in the Code), and provides its name and address, and U.S. taxpayer identification number, if any; (ii) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business and that holds the Notes on behalf of the Non-U.S. Holder certifies under penalties of perjury that the

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certification referred to in clause (i) has been received from the Non-U.S. Holder and furnishes to us a copy thereof; or (iii) the Non-U.S. Holder holds its Notes directly through a "qualified intermediary" and such qualified intermediary has entered into a withholding agreement with the IRS and certain other conditions are satisfied.

A Non-U.S. Holder that does not qualify for exemption from withholding as described above generally will be subject to withholding of U.S. federal income tax at a rate of 30% on payments of interest on the Notes. A Non-U.S. Holder may be entitled to the benefits of an income tax treaty under which interest on the Notes is subject to a reduced rate of U.S. withholding tax or is exempt from U.S. withholding tax, provided the Non-U.S. Holder furnishes to us a properly completed and executed IRS Form W-8BEN or IRS Form W-8BEN-E (or appropriate successor form), as applicable, establishing the reduction or exemption under the benefit of an applicable income tax treaty and the Non-U.S. Holder complies with any other applicable procedures. Alternatively, a Non-U.S. Holder may be exempt from U.S. withholding tax if it provides a properly executed IRS Form W-8ECI, or appropriate successor form, certifying that interest paid on the Note is not subject to withholding tax because the interest is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (as discussed below under "—Effectively Connected Income").

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of the Notes

Subject to the discussions below under "—Effectively Connected Income," "—Backup Withholding and Information Reporting," and "—FATCA," generally, any gain recognized by a Non-U.S. Holder on the sale, exchange, redemption, retirement or other taxable disposition of a Note (other than amounts attributable to accrued but unpaid interest which would be treated as interest described above in "—Payments of Interest" to the extent such interest has not been previously included in income) will be exempt from U.S. federal income and withholding tax, unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if an applicable income tax treaty requires, is attributable to a permanent establishment or fixed base maintained by the Non-U.S. Holder in the United States); or
- the Non-U.S. Holder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year, and certain other requirements are met.

If a Non-U.S. Holder is described in the first bullet point, see " -Effectively Connected Income" below. If a Non-U.S. Holder is described in the second bullet point, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% (unless a lower rate applies under an applicable income tax treaty) on the amount by which the Non-U.S. Holder's capital gains allocable to U.S. sources, including gain from such sale, exchange, redemption, retirement or other taxable disposition, exceed any capital losses allocable to U.S. sources, except as otherwise required by an applicable income tax treaty.

Effectively Connected Income

If interest, gain or other income recognized by a Non-U.S. Holder on a Note is "effectively connected" with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if an applicable income tax treaty requires, is attributable to a permanent establishment or fixed base maintained by the Non-U.S. Holder in the United States), the Non-U.S. Holder generally will be subject to U.S. federal income tax on a net-income basis on such interest, gain or other income as if it were a "United States person" (as defined in the Code), but will not be subject to the withholding tax discussed above, provided the Non-U.S. Holder provides us with a properly completed and executed IRS Form W-8ECI (or appropriate successor form). In addition, if the Non-U.S. Holder is a corporation, it may be subject to an additional branch profits tax equal to 30% (or a lower applicable income tax treaty rate) on such Non-U.S. Holder's earnings and profits for the taxable year, subject to adjustments, that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States.

Backup Withholding and Information Reporting

We must report annually to the IRS and to a Non-U.S. Holder the amount of interest, and proceeds from the sale, exchange, redemption, retirement or other taxable disposition paid to a Non-U.S. Holder and the tax withheld from those payments. These reporting requirements apply regardless of whether U.S. withholding tax on such payments was reduced or eliminated by any applicable income tax treaty or otherwise. Copies of the information returns reporting those payments and the amounts withheld may also be made available to the tax authorities in the country where a Non-U.S. Holder is a resident under the provisions of an applicable income tax treaty or agreement.

Under some circumstances, U.S. Treasury regulations may require backup withholding and additional information reporting on payments on the Notes. Such backup withholding and additional information reporting generally will not apply to payments on the Notes made by us or our paying agent to a Non-U.S. Holder if the certification described above under "—Payments of Interest" is timely received from the Non-U.S. Holder. Backup withholding is not an additional tax. A Non-U.S. Holder may obtain a refund or credit against its U.S. federal income tax liability of any amounts withheld under the backup withholding rules, provided the required information is furnished to the IRS in a timely matter.

Non-U.S. Holders should consult their tax advisors regarding the application of information reporting and backup withholding in their particular situations, the availability of an exemption therefrom, and the procedures for obtaining such an exemption, if available.

FATCA

Pursuant to sections 1471 through 1474 of the Code, any current or future Treasury regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code ("FATCA"), foreign financial institutions (which term includes most non-U.S. hedge funds, private equity funds, mutual funds and other investment vehicles) and certain other foreign entities generally must comply with information reporting rules with respect to their U.S. account holders and investors or confront a withholding tax on certain U.S.-source payments made to them (whether received as a beneficial owner or as an intermediary for another party). A foreign financial institution that does not comply with the FATCA reporting requirements will be subject to a 30% U.S. withholding tax on certain U.S. source payments, including interest, dividends and other fixed or determinable annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce U.S.-source interest or dividends ("Withholdable Payments"), including amounts paid to a foreign financial institution on behalf of a Holder. FATCA also generally imposes a withholding tax of 30% on Withholdable Payments made to certain nonfinancial foreign entities unless such entity provides the withholding agent with a certification that it does not have any substantial U.S. owners or a certification identifying the direct and indirect "substantial United States owners" (as defined in the Code) of the entity. Under the applicable Treasury regulations, these withholding and reporting requirements generally apply to U.S.-source interest payments, although withholding has been deferred on payments of gross proceeds from a disposition of the Notes until January 1, 2019. Foreign financial institutions and non-financial foreign entities located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

We will not pay any additional amounts to Holders in respect of any amounts withheld, including pursuant to FATCA. Under certain circumstances, Holders might be eligible for refunds or credits of such taxes. Prospective investors are urged to consult with their tax advisors regarding the possible implications of FATCA on their investment in the Notes.

UNDERWRITING

J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC are acting as representatives of the underwriters named below. We have entered into a firm commitment underwriting agreement, dated the date of this prospectus supplement, with the representatives. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has agreed severally to purchase, the principal amount of the ___ Notes and ___ Notes that appear opposite each underwriter's name in the following table:

Underwriter	Principal Amount of___Notes	Principal Amount of___Notes
J.P. Morgan Securities LLC	$	$
Merrill Lynch, Pierce, Fenner & Smith Incorporated		
Wells Fargo Securities, LLC		
Total	$	$

The obligations of the underwriters under the underwriting agreement, including their agreement to purchase the Notes from us, are several and not joint. Those obligations are also subject to the satisfaction of certain conditions in the underwriting agreement. The underwriters have agreed to purchase all of the Notes if any of them are purchased.

The underwriters have advised us that they propose to offer the Notes to the public at the public offering prices set forth on the cover of this prospectus supplement. The underwriters may offer the Notes to selected dealers at the public offering price minus a selling concession not in excess of ___% of the principal amount for the___Notes and___% of the principal amount for the___Notes. The underwriters may allow, and such dealers may reallow, a selling concession not in excess of___% of the principal amount of the___Notes and___% of the principal amount for the___Notes to certain other dealers. After the initial public offering of the Notes, the underwriters may change the public offering price and any other selling terms.

The following table shows the underwriting discounts that we are to pay to the underwriters in connection with this offering:

	Paid by Roper Technologies, Inc.
Per___Note	$
Per___Note	
Total	$

We estimate that our total expenses for this offering, excluding the underwriting discount, will be approximately $ million.

We have agreed to indemnify the underwriters against, or contribute to payments that the underwriters may be required to make in respect of, certain liabilities, including liabilities under the Securities Act of 1933, as amended.

The Notes are new issues of securities with no established trading market. We do not intend to list the Notes on any securities exchange or on any automated quotation system. The underwriters may make a market in the Notes after completion of the offering, but will not be obligated to do so and may discontinue any market-making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for the Notes or that an active public market for the Notes will develop. If an active public market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected.

We expect that delivery of the Notes will be made to investors on or about August ___, 2018, 2018 which is the tenth business day following the date of this prospectus supplement (such settlement being referred to as "T+10"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this prospectus supplement or the following seven business days will be required, by virtue of the fact that the Notes initially settle in T+10, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of this prospectus supplement or on the following seven business days should consult their advisors.

We have agreed, during the period from the date of the underwriting agreement until the first business day immediately following the delivery of the Notes, not to offer, sell, contract to sell or otherwise dispose of any debt securities that are substantially similar to the Notes (other than commercial paper issued in the ordinary course of business), without the prior written consent of the representatives.

In connection with the offering of the Notes, certain of the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the underwriters may overallot in connection with the offering, creating a short position. In addition, the underwriters may bid for, and purchase, the Notes in the open market to cover short positions or to stabilize the price of the Notes.

The underwriters may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the representatives, in covering syndicate positions or making stabilizing purchases, repurchase Notes originally sold by that syndicate member.

Any of these activities may stabilize or maintain the market price of the Notes above independent market levels, but no representation is made hereby of the magnitude of any effect that the transactions described above may have on the market price of the Notes. The underwriters will not be required to engage in these activities, and may engage in these activities, and may end any of these activities, at any time without notice.

Other Relationships

In the ordinary course of business, the underwriters or their affiliates have provided and may in the future provide commercial, financial advisory or investment banking services for us and our subsidiaries for which they have received or will receive customary compensation.

In addition, in the ordinary course of their 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 (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the underwriters or their affiliates have a lending relationship with us, certain of those underwriters or their affiliates routinely hedge, and certain other of those underwriters may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these underwriters and their affiliates would hedge such 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 offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The underwriters and their respective 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.

Affiliates of each of the underwriters are lenders under our 2016 facility, for which these underwriters and affiliates have been paid customary fees. Wells Fargo Securities, LLC is an affiliate of the trustee under the indenture governing the Notes.

Selling Restrictions

Canada

The Notes may be sold in Canada 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 (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

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation. This prospectus supplement and the accompanying prospectus have been prepared on the basis that any offer of Notes in any member state of the EEA will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. This prospectus supplement and the accompanying prospectus are not a prospectus for the purposes of the Prospectus Directive.

United Kingdom

In the United Kingdom, this prospectus supplement and the accompanying prospectus are being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This prospectus supplement and accompanying prospectus must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this prospectus supplement and the accompanying prospectus relates is only available to, and will be engaged in with, relevant persons.

Hong Kong

Each underwriter (i) has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in 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 (ii) has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the 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 the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Japan

This offering of the Notes has not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act (Act No. 25 of 1948 of Japan, as amended) (the "FIEA"). Accordingly, none of the Notes nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any "resident" of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

Singapore

This prospectus supplement and the accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement, 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 the 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 Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, 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 by a relevant person which is: (i) a corporation (which is not an accredited investor), 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 (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary 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: (A) to an institutional investor under Section 274 of the SFA (as defined in Section 275(2) of the SFA), or to any person arising from an offer referred to in to Section 275(1A), or Section 276(4)(i)(B) of the SFA; (B) where no consideration is or will be given for the transfer; (C) where the transfer is by operation of law; (D) as specified in Section 276(7) of the SFA; or (E) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Switzerland

This prospectus supplement is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this prospectus supplement nor any other offering or marketing material relating to the Notes constitute a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither this prospectus supplement nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

LEGAL MATTERS

Certain legal matters regarding the Notes offered hereby will be passed upon for us by Jones Day, Atlanta, Georgia and for the underwriters by Winston & Strawn LLP, Chicago, Illinois.

EXPERTS

The financial statements 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 in this prospectus supplement by reference to the Annual Report on Form 10 K for the year ended December 31, 2017 have been so incorporated in reliance on the report (which contains an explanatory paragraph on the effectiveness of internal control over financial reporting due to the exclusion of certain elements of the internal control over financial reporting of the businesses the registrant acquired during fiscal year 2017) of PricewaterhouseCoopers LLP, an independent registered certified public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document that we file at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1 800 SEC 0330. In addition, the SEC maintains an Internet site at http://www.sec.gov, from which interested persons can electronically access the registration statement of which this prospectus supplement and the accompanying prospectus form apart, including the exhibits and schedules to the registration statement.

As permitted by the SEC rules, this prospectus supplement and the accompanying prospectus do not contain all the information that you can find in the registration statement or the exhibits to that statement. The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus supplement and the accompanying prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below, and all filings pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, subsequently filed with the SEC prior to the termination of the offering under this prospectus supplement:

(a) our Annual Report on Form 10 K for the year ended December 31, 2017;

(b) our Quarterly Reports on Form 10 Q for the quarters ended March 31, 2018 and June 30, 2018;

(c) our Current Reports on Form 8-K filed on February 2, 2018 (with respect to Item 5.02), April 9, 2018, June 8, 2018 and August 14, 2018; and

(d) the portions of our Definitive Proxy Statement on Schedule 14A for our 2018 annual meeting of stockholders filed on April 30, 2018 that are incorporated by reference into our Annual Report on Form 10 K for the year ended December 31, 2017.

In reviewing any agreements incorporated by reference, please remember they are included to provide you with information regarding the terms of such agreements and are not intended to provide any other factual or disclosure information about us. The agreements may contain representations and warranties by us, which should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate. The representations and warranties were made only as of the date of the relevant agreement or such other date or dates as may be specified in such agreement and are subject to more recent developments. Accordingly, these representations and warranties alone may not describe the actual state of affairs as of the date they were made or at any other time.

You may request a copy of these filings at no cost, by contacting our Investor Relations department by calling (941) 556-2601, by writing to Investor Relations, Roper Technologies, Inc., 6901 Professional Parkway East, Suite 200, Sarasota, Florida 34240 or by sending an email to investorrelations@ropertech.com.

PROSPECTUS
Roper Technologies, Inc.

The following are types of securities that may be offered and sold by Roper Technologies, Inc. or by selling security holders under this prospectus from time to time:

l	Common stock	l	Warrants
l	Preferred stock	l	Purchase contracts
l	Debt securities	l	Units

The securities may be offered by us or by selling security holders in amounts, at prices and on terms determined at the time of the offering. The securities may be sold directly to you, through agents, or through underwriters and dealers. If agents, underwriters or dealers are used to sell the securities, we will name them and describe their compensation in a prospectus supplement. You should read this prospectus and any prospectus supplement carefully before you invest.
We will describe in a prospectus supplement, which must accompany this prospectus, the securities we are offering and selling, as well as the specific terms of the securities. Those terms may include:

l	Maturity	l	Redemption terms	l	Liquidation amount
l	Interest rate	l	Listing on a security exchange	l	Subsidiary guarantees
l	Currency of payments	l	Amount payable at maturity	l	Sinking fund terms
l	Dividends	l	Conversion or exchange rights		

Our common stock is listed on the New York Stock Exchange under the ticker symbol ROP. On November 23, 2015, the reported last sale price on the New York Stock Exchange for our common stock was $192.28 per share.

Investing in these securities involves certain risks. See “Item 1A-Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014, which is incorporated by reference herein. We may include specific risk factors in an applicable prospectus supplement under the heading “Risk Factors.”

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.
The date of this prospectus is November 24, 2015

We have not, and the underwriters have not, authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus or applicable prospectus supplement or free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in or incorporated by reference in this prospectus or an applicable prospectus supplement or free writing prospectus is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates. Unless we have indicated otherwise, references in this prospectus to "Roper", "we," "us," and "our" refer to Roper Technologies, Inc. and not to any of its existing or future subsidiaries.

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ROPER TECHNOLOGIES, INC.

References in this section to “Roper,” the “Company,” “we,” “us” and “our” or similar terms are to Roper Technologies, Inc. a our consolidated subsidiaries.

Our Business

We operate businesses that design and develop software (both software-as-a-service and licensed) and engineered products and solutions for healthcare, transportation, food, energy, water, education and other niche markets worldwide.

We pursue consistent and sustainable growth in earnings by emphasizing continuous improvement in the operating performance of our existing businesses and by acquiring other businesses that offer high value-added services, engineered products and solutions and are capable of achieving growth and maintaining high margins. We compete in many niche markets and believe we are the market leader or a competitive alternative to the market leader in most of these markets.

Our Business Segments

Our operations are reported in four segments based upon common customers, markets, sales channels, technologies and common cost opportunities. The segments are: Medical and Scientific Imaging, RF Technology, Industrial Technology and Energy Systems and Controls.

Medical and Scientific Imaging. Our Medical and Scientific Imaging segment principally offers products and software in medical applications and high performance digital imaging products. These products and solutions are provided through eleven reporting units.

RF Technology. Our RF Technology segment provides radio frequency identification (“RFID”) communication technology and software solutions that are used primarily in toll and traffic systems and processing, security and access control, campus card systems, software-as-a-service in the freight matching and food industries and metering and remote monitoring applications. These products and solutions are provided through nine reporting units.

Industrial Technology. Our Industrial Technology segment produces fluid handling pumps, materials analysis equipment and consumables, leak testing equipment, flow measurement and metering equipment and water meter and automatic meter reading (“AMR”) products and systems. These products and solutions are provided through six reporting units.

Energy Systems and Controls. Our Energy Systems and Controls segment principally produces control systems, fluid properties testing equipment, industrial valves and controls, vibration sensors and controls and non-destructive inspection and measurement products and solutions, which are provided through six reporting units.

Our principal executive offices are located at 6901 Professional Parkway East, Suite 200, Sarasota, Florida 34240, and the telephone number is (941) 556-2601. We maintain a website at www.ropertech.com where general information about us is available. We are not incorporating the contents of the website into this prospectus.

About this Prospectus

This prospectus is part of a registration statement that we filed with the SEC utilizing a “shelf” registration process. Under this shelf process, we may sell any combination of the securities described in this prospectus in one or more offerings from time to time. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the heading “Where You Can Find More Information.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy any document that we file at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at http://www.sec.gov, from which interested persons can electronically access the registration statement including the exhibits and schedules thereto.

As permitted by SEC rules, this prospectus does not contain all the information that you can find in the registration statement or the exhibits to that statement. The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below, and all filings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), subsequently filed with the SEC prior to the termination of the offering under this prospectus:

(a) Annual Report on Form 10-K for the year ended December 31, 2014;
(b) Quarterly Reports on Form 10-Q for the quarters ended March 31, 2015, June 30, 2015 and September 30, 2015;
(c) Current Reports on Form 8-K filed on April 24, 2015, June 1, 2015 and October 30, 2015; and
(d) The portions of the Definitive Proxy Statement on Schedule 14A for the 2015 annual meeting of stockholders filed on April 29, 2015 that are incorporated by reference in the Annual Report on Form 10-K for the year ended December 31, 2014.

You may request a copy of these filings at no cost, by contacting our Investor Relations department by calling (941) 556-2601, by writing to Investor Relations, Roper Technologies, Inc., 6901 Professional Parkway East, Suite 200, Sarasota, Florida 34240 or by sending an email to investor-relations@ropertech.com.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This prospectus and documents that are incorporated by reference in this prospectus include forward-looking statements within the meaning of the federal securities laws. In addition, we, or our executive officers on our behalf, may from time to time make forward-looking statements in reports and other documents we file with the SEC or in oral statements made to the press, potential investors or others. All statements that are not historical facts are "forward-looking statements." The words "estimate," "project," "intend," "expect," "should," "will," "plan," "believe," "antici similar expressions identify forward-looking statements. These forward-looking statements include statements regarding our expected financial position, business, financing plans, business strategy, business prospects, revenues, working capital, liquidity, capital needs, interest costs and income, in each case relating to our company as a whole, as well as statements regarding acquisitions, potential acquisitions and the benefits of acquisitions.

Forward-looking statements are estimates and projections reflecting our best judgment and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information. Examples of forward-looking statements in this prospectus include but are not limited to our expectations regarding our ability to generate operating cash flows and reduce debt and associated interest expense, profit and cash flow expectations, the prospects for newly acquired businesses to be integrated and contribute to future growth and our expectations regarding growth through acquisitions. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products, the cost, timing and success of product upgrades and new product introductions, raw materials costs, expected pricing levels, the timing and cost of expected capital expenditures, expected outcomes of pending litigation, competitive conditions, general economic conditions and expected synergies relating to acquisitions, joint ventures and alliances. These assumptions could prove inaccurate. Although we believe that the estimates and projections reflected in the forward-looking statements are reasonable, our expectations may prove to be incorrect. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section entitled "Risk Factors" in our

Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, incorporated by reference herein. You should understand that the

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following important factors, in addition to those discussed in the incorporated documents, could affect our future results, and could cause those results or other outcomes to differ materially from those estimates or projections in the forward-looking statements:

- general economic conditions;
- difficulty making acquisitions and successfully integrating acquired businesses;
- any unforeseen liabilities associated with future acquisitions;
- limitations on our business imposed by our indebtedness;
- use of cash and borrowings;
- unfavorable changes in foreign exchange rates;
- difficulties associated with exports;
- risks and costs associated with our international sales and operations;
- increased insurance costs;
- rising interest rates;
- product liability and insurance risks;
- increased warranty exposure;
- future competition;
- the cyclical nature of some of our markets;
- reduction of business with large customers;
- risks associated with government contracts;
- changes in the supply of, or price for, raw materials, parts and components;
- environmental compliance costs and liabilities;
- risks and costs associated with asbestos-related litigation;
- potential write-offs of our substantial goodwill and other intangible assets;
- our ability to successfully develop new products;
- failure to protect our intellectual property;
- the effect of, or change in, government regulations (including tax); and
- economic disruption caused by terrorist attacks, including cybersecurity threats, health crises or other unforeseen events.

We believe these forward-looking statements are reasonable; however, you should not place undue reliance on any forward-looking statements, which are based on current expectations. Further, forward-looking statements speak only as of the date they are made, and we undertake no obligation to publicly update any of these statements in light of new information or future events.

USE OF PROCEEDS

We intend to use the net proceeds from the sale of securities issued pursuant to this registration statement for general corporate purposes which may include repaying debt, making capital investments and funding working capital requirements, or financing acquisitions. If we decide to use the net proceeds from a particular offering of securities for a specific purpose, we will describe that purpose and include any other relevant information in the related prospectus supplement.

RATIOS OF EARNINGS TO FIXED CHARGES AND TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table sets forth our ratios of earnings to fixed charges and to combined fixed charges and preferred stock dividends for each of the periods indicated.

	Nine Months Ended September 30,		Year Ended December 31,				
	2015	2014	2014	2013	2012	2011	2010
Ratios of earnings to fixed charges	10.7x	10.4x	10.9x	8.3x	9.7x	9.0x	6.8x
Ratios of earnings to combined fixed charges and dividends on preferred stock	10.7x	10.4x	10.9x	8.3x	9.7x	9.0x	6.8x

For purposes of calculating these ratios, earnings is the amount resulting from adding (a) earnings from continuing operations before income taxes and (b) fixed charges. Fixed charges for these purposes include (a) interest expense, (b) amortization of debt issuance costs, and (c) one-third of rental expense, which we consider to be a reasonable approximation of the interest factor included in rental expense. Currently, we have no shares of preferred stock outstanding and we have not paid any dividends on preferred stock in the periods presented. Therefore, the ratios of earnings to combined fixed charges and preferred stock dividends are not different from the ratios of earnings to fixed charges.

DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 350,000,000 shares of common stock, par value $0.01 per share, and 1,000,000 shares of preferred stock, par value $0.01 per share.

The following descriptions are summaries of the material terms of our amended and restated certificate of incorporation and amended and restated by-laws. Reference is made to the more detailed provisions of, and the descriptions are qualified in their entirety by reference to, our amended and restated certificate of incorporation and amended and restated by-laws, copies of which are filed with the SEC.

Common Stock

As of October 30, 2015, there were 100,805,189 shares of our common stock outstanding.

Voting. Each holder of shares of our common stock is entitled to one vote on each matter properly submitted to a vote of our stockholders.

Dividend Rights. Holders of common stock may receive dividends when declared by our board of directors out of our funds that we can legally use to pay dividends. We may pay dividends in cash, stock or other property. In certain cases, holders of common stock may not receive dividends until we have satisfied our obligations to holders of any outstanding preferred stock.

Other Rights. If we voluntarily or involuntarily liquidate, dissolve or wind up our business, holders of common stock will receive any remaining assets on a pro rata basis after we have provided for any liquidation preference for any outstanding shares of preferred stock. When we issue securities in the future, holders of common stock will not have preemptive rights to buy any portion of those issued securities.

Listing. Our common stock is listed on the New York Stock Exchange under the symbol "ROP." The transfer agent and registrar for the common stock is Wells Fargo Bank, N.A., Sioux Falls, South Dakota.

Fully Paid. All of our outstanding shares of common stock are fully paid and nonassessable, which means that the full purchase price for the outstanding shares of common stock has been paid and the holders of such shares will not be assessed any additional monies for such shares. Any additional common stock that we may issue in the future pursuant to an offering under this prospectus will also be fully paid and nonassessable.

Preferred Stock

Under our amended and restated certificate of incorporation, without further stockholder action, our board of directors is authorized, subject to any limitations prescribed by the law of the State of Delaware, to provide for the issuance of the shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the designation, powers, preferences and rights of the shares of each such series and any qualifications, limitations or restrictions thereof, and to increase or decrease the number of shares of any such series (but not below the number of shares of such series then outstanding).

Certain Anti-Takeover Effects of Delaware Law

General. Certain provisions of our amended and restated certificate of incorporation, amended and restated by-laws and applicable law may make it less likely that our management would be changed or someone would acquire our company without the consent of our board of directors. These provisions may delay, deter or prevent tender offers or takeover attempts that stockholders may believe are in their best interests, including tender offers or takeover attempts that might allow stockholders to receive a premium over the market price of their common stock.

Preferred Stock. Under our amended and restated certificate of incorporation, our board of directors can at any time, and without stockholder approval, issue one or more new series of preferred stock. In some cases, the issuance of preferred stock without stockholder approval could discourage or make more difficult attempts to take control of our company through a merger, tender offer, proxy contest or otherwise. Preferred stock with special voting rights or other features issued to persons favoring our management could stop a takeover by preventing the person trying to take control of our company from acquiring enough shares necessary to take control.

Proposal and Nominating Procedures. Stockholders can propose that business be considered at an annual meeting of stockholders, and, in addition to our board of directors, can nominate candidates for our board of directors. However, a stockholder must follow the advance notice procedures described in Section 1.08 of our amended and restated by-laws. In general, a stockholder must submit a written notice of the proposal and the stockholder's interest in the proposal, or of the nomination, to our corporate secretary at least 90 days and at most 120 days before the first anniversary date of the annual meeting for the preceding year.

Removal of Directors. Subject to the rights of holders of any outstanding series of preferred stock, until our 2016 annual meeting of stockholders, any director may be removed from office at any time, but only for cause, and only by an affirmative vote of the holders of at least a majority of the voting power of all shares entitled to vote for the election of directors. From and after the 2016 annual meeting of stockholders, any director may be removed from office at any time, with or without cause, only by the affirmative vote of the holders of at least a majority of the voting power of all of the shares of the corporation entitled to vote for the election of directors.

Amendment of By-laws. Under our amended and restated certificate of incorporation and amended and restated by-laws, our board of directors can adopt, amend or repeal the by-laws by a majority vote of the directors then in office. Our stockholders also have the power to amend or repeal our amended and restated by-laws at any meeting at which a quorum is present by a vote of two-thirds of the number of shares of stock entitled to vote present in person or by proxy at such meeting.

Business Combination Statute. We are subject to Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in various "business combination" transactions with any interested stockholder for a period of three years following the date of the transactions in which the person became an interested stockholder, unless:

- the transaction is approved by the board of directors prior to the date the interested stockholder obtained such status;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or
- on or subsequent to such date the business combination is approved by the board and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66 2⁄3% of the outstanding voting stock which is not owned by the interested stockholder.

A "business combination" is defined to include mergers, asset sales, and other transactions resulting in financial benefit to a stockholder. In general, an "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years, did own) 15% or more of a corporation's voting stock. The statute could prohibit or delay mergers or other takeover or change in control attempts with respect to our company and, accordingly, may discourage attempts to acquire us even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.

DESCRIPTION OF DEBT SECURITIES

This prospectus describes certain general terms and provisions of the debt securities. The debt securities will be issued under the indenture (the "Indenture"), dated as of August 4, 2008, between Roper Technologies, Inc. and Wells Fargo Bank, National Association, as trustee (the "Trustee"), in one or more series established from time to time in or pursuant to a board resolution and set forth in an officer's certificate or supplemental indenture. When we offer to sell a particular series of debt securities, we will describe the specific terms for the securities in a supplement to this prospectus. The prospectus supplement will also indicate whether the general terms and provisions described in this prospectus apply to a particular series of debt securities.

The following is a summary of the material provisions of the Indenture. It does not include all of the provisions of the Indenture. We urge you to read the Indenture because it defines your rights. The terms of the debt securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the "TIA"). A copy of the Indenture may be obtained from us. You can find definitions of certain capitalized terms used in this description under "-Certain Definitions."

General

The Indenture does not limit the amount of debt securities which we may issue. We have the right to "reopen" a previous issue of a series of debt securities by issuing additional debt securities of such series; provided, however, that if any additional debt securities are not fungible with the debt securities previously issued for U.S. federal income tax purposes, the additional debt securities will have a separate CUSIP or other identifying number. We may issue debt securities up to an aggregate principal amount as we may authorize from time to time. The debt securities will be our unsecured obligations and will rank equally with all of our other unsecured and unsubordinated debt from time to time outstanding. Our secured debt, if any, will be effectively senior to the debt securities to the extent of the value of the assets securing such debt. The debt securities will be exclusively our obligations and not of our subsidiaries and therefore the debt securities will be structurally subordinate to the debt and liabilities of any of our subsidiaries. The prospectus supplement will describe the terms of any debt securities being offered, including:

- the title;
- any limit upon the aggregate principal amount;
- the date or dates on which the principal is payable;
- the rate or rates at which the debt securities shall bear interest, if any, or the method by which such rate shall be determined;
- the date or dates from which interest shall accrue;
- the date or dates on which interest shall be payable;
- the record dates for the determination of holders to whom interest is payable;
- the right, if any, to extend the interest payment periods and the duration of such extension;
- the place or places where the principal of and any interest shall be payable;
- the price or prices at which, the period or periods within which and the terms and conditions upon which debt securities may be redeemed;
- our obligation, if any, to redeem, purchase or repay the debt securities pursuant to any sinking fund or otherwise or at the option of a holder thereof;
- if applicable, the price or prices at which and the period or periods within which and the terms and conditions upon which the debt securities shall be redeemed, purchased or repaid, in whole or in part;
- if other than denominations of $1,000 and any multiple thereof, the denominations in which the debt securities of the series shall be issuable;
- the percentage of the principal amount at which the debt securities will be issued and, if other than the principal amount thereof, the portion of such principal amount which shall be payable upon declaration of acceleration of the maturity thereof or provable in bankruptcy;
- any and all other terms of the series including any terms which may be required by or advisable under U.S. law or regulations or advisable in connection with the marketing of the debt securities;
- whether the debt securities are issuable as global securities or definitive certificates and, in such case, the identity for the depositary;
- any deletion from, modification of or addition to the events of default or covenants;
- any provisions granting special rights to holders when a specified event occurs;
- whether and under what circumstances we will pay additional amounts on the debt securities held by a person who is not a U.S. person in respect of any tax, assessment or governmental charge withheld or deducted;
- any special tax implications of the debt securities;
- any trustees, authenticating or paying agents, transfer agents or registrars or any other agents with respect to the debt securities;
- any guarantor or co-issuer;
- any special interest premium or other premium;

- whether the debt securities are convertible or exchangeable into common stock or other of our equity securities and the terms and conditions upon which such conversion or exchange shall be effected; and
- the currency in which payments shall be made, if other than U.S. dollars.

Certain Covenants

The Indenture contains, among others, the following covenants:

Limitations on Liens

With respect to each series of debt securities, we will not issue, incur, create, assume or guarantee any Indebtedness secured by a Lien upon any Principal Property or upon any of the Capital Stock or Indebtedness of any of our Significant Subsidiaries (whether such Principal Property, or Capital Stock or Indebtedness is now existing or owed or is hereafter created or acquired) without in any such case effectively providing, concurrently with the issuance, incurrence, creation, assumption or guaranty of any such secured Indebtedness, or the grant of such Lien, that the debt securities of the applicable series (together, if we shall so determine, with any other Indebtedness of or guarantee by us ranking equally with the debt securities) shall be secured equally and ratably with (or, at our option, prior to) such secured Indebtedness. The foregoing restriction, however, will not apply to any of the following:

- Liens existing on the Issue Date;
- Liens on assets or property of a person at the time it becomes a Subsidiary, securing Indebtedness of such person, provided such Indebtedness was not incurred in connection with such person or entity becoming a Subsidiary and such Liens do not extend to any assets other than those of the person becoming a Subsidiary;
- Liens on property or assets of a person existing at the time such person is merged into or consolidated with us or any of our Subsidiaries, or at the time of a sale, lease or other disposition of all or substantially all of the properties or assets of a person to us or any of our Subsidiaries, provided that such Lien was not incurred in anticipation of the merger, consolidation, or sale, lease, other disposition or other such transaction by which such person was merged into or consolidated with us or any of our Subsidiaries;
- Liens existing on assets created at the time of, or within the 12 months following, the acquisition, purchase, lease, improvement or development of such assets to secure all or a portion of the purchase price or lease for, or the costs of improvement or development of (in each case including related costs and expenses), such assets;
- Liens to secure any extension, renewal, refinancing or refunding (or successive extensions, renewals, refinancings or refundings), in whole or in part, of any Indebtedness secured by Liens referred to above, so long as such Lien is limited to all or part of substantially the same property which secured the Lien extended, renewed or replaced, and the amount of Indebtedness secured is not increased (other than by the amount equal to any costs and expenses (including any premiums, fees or penalties) incurred in connection with any extension, renewal, refinancing or refunding);
- Liens for taxes not yet due or that are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on our books in conformity with generally accepted accounting principles;
- Liens imposed by law, such as carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 30 days or that are being contested in good faith by appropriate proceedings;
- Liens to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;
- Liens in favor of only us or one or more of our Subsidiaries;
- Liens in favor of the Trustee securing Indebtedness owed under the Indenture to the Trustee and granted in accordance with the Indenture; and

- Liens to secure Hedging Obligations.

Notwithstanding the restrictions in the preceding paragraph, we will be permitted to incur Indebtedness, secured by Liens otherwise prohibited by this covenant, which, together with the value of Attributable Debt outstanding pursuant to the second paragraph of the "-Limitation on Sale and Lease-Back Transactions" covenant below, do not exceed 15% of Consolidated Net Tangible Assets measured at the date of incurrence of the Lien.

Limitation on Sale and Lease-Back Transactions

We will not enter into any Sale and Lease-Back Transaction with respect to any Principal Property, other than any such Sale and Lease-Back Transaction involving a lease for a term of not more than three years or any such Sale and Lease-Back Transaction between us and one of our Subsidiaries or between our Subsidiaries, unless: we or such Subsidiary would be entitled to incur Indebtedness secured by a Lien on the Principal Property involved in such Sale and Lease-Back Transaction at least equal in amount to the Attributable Debt with respect to such Sale and Lease-Back Transaction, without equally and ratably securing the debt securities, pursuant to the covenant described above under the caption "-Limitation on Liens;" or (b) the proceeds of such Sale and Lease-Back Transaction are at least equal to the fair market value of the affected Principal Property (as determined in good faith by our board of directors) and we apply an amount equal to the net proceeds of such Sale and Lease-Back Transaction within 365 days of such Sale and Lease-Back Transaction to any (or a combination) of (i) the prepayment or retirement of the debt securities, (ii) the prepayment or retirement (other than any mandatory retirement, mandatory prepayment or sinking fund payment or by payment at maturity) of other Indebtedness of us or of one of our Subsidiaries (other than Indebtedness that is subordinated to the debt securities or Indebtedness owed to us or one of our Subsidiaries) that matures more than 12 months after its creation or (iii) the purchase, construction, development, expansion or improvement of other comparable property.

Notwithstanding the restrictions in the preceding paragraph, we will be permitted to enter into Sale and Lease-Back Transactions otherwise prohibited by this covenant, which, together with all Indebtedness outstanding pursuant to the second paragraph of the "-Limitation on Liens" covenant above, do not exceed 15% of Consolidated Net Tangible Assets measured at the closing date of the Sale and Lease-Back Transaction.

Limitation on Mergers and Other Transactions

We may not merge or consolidate with any other person or persons (whether or not affiliated with us), and we may not sell, convey, transfer, lease or otherwise dispose of all or substantially all of our property or assets to any other person or persons (whether or not affiliated with us), unless the following conditions are satisfied:

- either (a) the transaction is a merger or consolidation, and we are the surviving entity; or (b) the successor person (or the person which acquires by sale, conveyance, transfer or lease all or substantially all of our property or assets) is organized under the laws of the United States, any state thereof or the District of Columbia and expressly assumes, by a supplemental indenture satisfactory to the Trustee, all of our obligations under the debt securities and the Indenture;
- immediately after giving effect to the transaction and treating our obligations in connection with or as a result of such transaction as having been incurred as of the time of such transaction, no Default or Event of Default shall have occurred and be continuing under the Indenture; and
- an officer's certificate is delivered to the Trustee to the effect that both of the conditions set forth above have been satisfied and an opinion of counsel has been delivered to the Trustee to the effect that the condition in the first bullet set forth above has been satisfied.

The restrictions in the second and third bullets above shall not be applicable to:

- the merger or consolidation of us with an affiliate of ours if our board of directors determines in good faith that the purpose of such transaction is principally to change our state of incorporation or convert our form of organization to another form; or

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- the merger of us with or into a single direct or indirect wholly owned subsidiary of ours pursuant to Section 251(g) (or any successor provision) of the Delaware General Corporation Law.

In the case of any such consolidation, merger, sale, transfer or other conveyance, but not a lease, in a transaction in which there is a successor entity, the successor entity will succeed to, and be substituted for, us under the Indenture and, subject to the terms of the Indenture, we will be released from the obligation to pay principal and interest on the debt securities and all obligations under the Indenture.

For purposes of the foregoing, if we consummate a Holding Company Reorganization, the newly formed holding company (New HoldCo, as defined below) shall be treated as the “successor person” and the Holding Company Reorganization shall constitute the transfer to New HoldCo of substantially all of our assets.

The Indenture provides that upon completion of the Holding Company Reorganization, Roper will be discharged from all obligations and covenants under the indenture and the Notes and New HoldCo will be the sole obligor on the debt securities.

“Holding Company Reorganization” shall mean a merger with and into a newly formed wholly-owned, indirect subsidiary (“MergerCo”), all of the equity interests of which shall be held by a newly formed wholly-owned, direct subsidiary (“New HoldCo”) of Roper, all of the equity interests of which shall be initially be held by Roper. Such merger shall be pursuant to Section 251(g) (or any successor provision) of the Delaware General Corporation Law and shall not require the vote of our stockholders. Each of our shares of common stock shall be converted into a right to receive one share of New HoldCo common stock, with identical terms and rights as our common stock immediately prior to such conversion.

Reports to Holders

The Indenture provides that any document or report that we are required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act will be filed with the Trustee within 15 days after such document or report is filed with the SEC.

Events of Default

The following events are defined in the Indenture as “Events of Default” with respect to debt securities:

(1) the failure to pay interest on any debt securities when the same becomes due and payable and the Default continues for a period of 30 days;

(2) the failure to pay the principal (or premium, if any) of any debt securities, when such principal becomes due and payable, at maturity, upon acceleration, upon redemption or otherwise;

(3) a Default in the performance, or breach, of our obligations under the “-Certain Covenants-Limitation on Mergers and Other Transactions” covenant described above;

(4) a Default in the observance or performance of any other covenant or agreement contained in the Indenture which Default continues for a period of 60 days after we receive written notice specifying the Default (and demanding that such Default be remedied) from the Trustee or the Holders of at least 25% of the outstanding principal amount of each series of debt securities affected, voting together as a single class;

(5) (a) a failure to make any payment at maturity on any of our Indebtedness (other than Indebtedness owing to any of our Subsidiaries) outstanding in an amount in excess of $50 million or its foreign currency equivalent at the time and continuance of this failure to pay after any applicable grace period or (b) a default on any of our Indebtedness (other than Indebtedness owing to any of our Subsidiaries), which default results in the acceleration of such Indebtedness in an amount in excess of $50 million or its foreign currency equivalent at the time without such Indebtedness having been discharged or the acceleration having been cured, waived, rescinded or annulled, in the case of clause (a) or (b) above; provided, however, that if any failure, default or acceleration referred to in clauses 5(a) or (b) ceases or is cured, waived, rescinded or annulled, then the Event of Default under the Indenture will be deemed cured; or
(6) certain events of bankruptcy or insolvency affecting us or any of our Significant Subsidiaries.

If an Event of Default (other than an Event of Default specified in clause (6) above), shall occur and be continuing, the Trustee or the Holders of at least 25% of the principal amount of each series of debt securities affected, voting together as a single class, may declare the principal of and accrued interest on all such debt securities to be due and payable by notice in writing to us and the Trustee specifying the respective Event of Default and that it is a "notice of acceleration", and the same shall become immediately due and payable.

Notwithstanding the foregoing, if an Event of Default specified in clause (6) above occurs and is continuing, then all unpaid principal of and premium, if any, and accrued and unpaid interest on all debt securities shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Indenture provides that, at any time after a declaration of acceleration with respect to one or more series of debt securities as described in the preceding paragraph, the Holders of a majority in principal amount of each series of debt securities affected, voting together as a single class, (including additional debt securities of each such series, if any) may rescind and cancel such declaration and its consequences if:

(1) the rescission would not conflict with any judgment or decree;
(2) all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration;
(3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid;

Net revenue excluding above item*	**$13,062**	$12,573	$12,421	**4**	1

Impact of foreign currency translation

(1)

Net revenue growth excluding above item, on a constant currency basis*

3.5**

Operating profit

$3,621	$3,376	$3,105	**7**	9

53rd week

(72)

Restructuring and impairment charges

76	1

Operating profit excluding above items*

$3,625 $3,376 $3,106 **7** 9

Impact of foreign currency translation

(1)

Operating profit growth excluding above items, on a constant currency basis*

7 8

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

2011

Net revenue increased 6% and pound volume grew 3%. The volume growth primarily reflects double-digit growth in our Sabra joint venture and in variety packs, as well as mid-single-digit growth in trademark Doritos, Cheetos and Ruffles. These gains were partially offset by a double-digit decline in trademark SunChips. Net revenue growth also benefited from effective net pricing. The 53rd week contributed 2 percentage points to both net revenue and volume growth.

Operating profit grew 7%, primarily reflecting the net revenue growth. Restructuring charges reduced operating profit growth by 2 percentage points and were offset by the 53rd week, which contributed 2 percentage points to operating profit growth.

2010

Pound volume decreased 1%, primarily due to the overlap of the 2009 20% More Free promotion, as well as a double-digit decline in SunChips, partially offset by mid-single-digit growth in trademark Lay s. Net revenue grew 1%, primarily reflecting mid-single-digit revenue growth in trademark Lay s, double-digit revenue growth in variety packs and high-single-digit revenue growth in trademark Ruffles. These gains were partially offset by a double-digit revenue decline in SunChips and a mid-single-digit revenue decline in Tostitos. Foreign currency contributed 1 percentage point to the net revenue growth.

Operating profit grew 9%, reflecting lower commodity costs, primarily cooking oil.

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Quaker Foods North America

				% Change	
	2011	2010	2009	**2011**	2010
Net revenue	**$ 2,656**	$ 2,656	$ 2,687		(1)
53rd week	**(42)**				
Net revenue excluding above item*	**$ 2,614**	$ 2,656	$ 2,687	**(2)**	(1)
Impact of foreign currency translation				**(1)**	(1)
Net revenue growth excluding above item, on a constant currency basis*				**(2)****	(2)
Operating profit	**$ 797**	$ 741	$ 781	**8**	(5)
53rd week	**(12)**				
Restructuring and impairment charges	**18**		2		
Operating profit excluding above items*	**$ 803**	$ 741	$ 783	**8**	(5)
Impact of foreign currency translation				**(0.5)**	(1)
Operating profit growth excluding above items, on a constant currency basis*				**8****	(6)

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

2011

Net revenue was flat and volume declined 5%. The volume decline primarily reflects double-digit volume declines in ready-to-eat cereals and Chewy granola bars, as well as a mid-single-digit decline in Aunt Jemima syrup and mix. The impact of positive net pricing, driven primarily by price increases taken in the fourth quarter of 2010, was partially offset by negative mix. Favorable foreign currency contributed nearly 1 percentage point to the net revenue performance. The 53rd week positively contributed almost 2 percentage points to both the net revenue and volume performance.

Operating profit grew 8%, primarily reflecting the favorable effective net pricing, partially offset by the volume declines. Gains on the divestiture of a business and the sale of a distribution center increased operating profit growth by 4 percentage points, and a change in accounting methodology for inventory contributed 2 percentage points to operating profit growth (see Note 1). Restructuring charges reduced operating profit growth by over 2 percentage points and were mostly offset by the 53rd week, which contributed 2 percentage points to operating profit growth.

2010

Net revenue declined 1% and volume was flat. Low-single-digit volume declines in Oatmeal and ready-to-eat cereals were mostly offset by high-single-digit growth in Chewy granola bars. Unfavorable mix and net pricing contributed to the net revenue decline. Favorable foreign currency positively contributed 1 percentage point to net revenue performance.

Operating profit declined 5%, primarily reflecting the net revenue performance, as well as insurance settlement recoveries recorded in the prior year related to the Cedar Rapids flood, which negatively impacted operating profit performance by over 2 percentage points.

Latin America Foods

				% Change	
	2011	2010	2009	**2011**	2010
Net revenue	**$ 7,156**	$ 6,315	$ 5,703	**13**	11
Impact of foreign currency translation				**(2)**	(1)
Net revenue growth, on a constant currency basis*				**11**	10
Operating profit	**$ 1,078**	$ 1,004	$ 904	**7**	11
Restructuring and impairment charges	**48**		3		
Operating profit excluding above item*	**$ 1,126**	$ 1,004	$ 907	**12**	11
Impact of foreign currency translation				**(1)**	
Operating profit growth excluding above item, on a constant currency basis*				**11**	11

* See Non-GAAP Measures

2011

Volume increased 5%, primarily reflecting mid-single-digit increases in Brazil (excluding the impact of an acquisition in the fourth quarter) and at Gamesa in Mexico. Additionally, Sabritas in Mexico was up slightly. Acquisitions contributed 1 percentage point to the volume growth.

Net revenue increased 13%, primarily reflecting effective net pricing and the volume growth. Favorable foreign currency contributed 2 percentage points to net revenue growth. Acquisitions and divestitures had a nominal impact on the net revenue growth rate.

Operating profit grew 7%, driven by the net revenue growth, partially offset by higher commodity costs. Acquisitions and divestitures, which included a gain from the sale of a fish business in Brazil, contributed nearly 4 percentage points to operating profit growth. Restructuring charges reduced operating profit growth by 5 percentage points.

2010

Volume increased 4%, reflecting mid-single-digit increases at Sabritas in Mexico and Brazil. Additionally, Gamesa in Mexico grew at a low-single-digit rate.

Net revenue increased 11%, primarily reflecting favorable effective net pricing and the volume growth. Net revenue growth reflected 1 percentage point of favorable foreign currency, which was net of a 6-percentage-point unfavorable impact from Venezuela.

Operating profit grew 11%, primarily reflecting the net revenue growth. Unfavorable foreign currency reduced operating profit growth slightly, as an 8-percentage-point unfavorable impact from Venezuela was offset by favorable foreign currency in other markets.

PepsiCo Americas Beverages

				% Change	
	2011	2010	2009	**2011**	2010
Net revenue	**$ 22,418**	$ 20,401	$ 10,116	**10**	102
53rd week	**(288)**				
Net revenue excluding above item*	**$ 22,130**	$ 20,401	$ 10,116	**8**	102
Impact of foreign currency translation				**(1)**	
Net revenue growth excluding above item, on a constant currency basis*				**8****	102
Operating profit	**$ 3,273**	$ 2,776	$ 2,172	**18**	28
53rd week	**(35)**				
Restructuring and impairment charges	**81**		16		
Merger and integration costs	**112**	467			
Inventory fair value adjustments	**21**	358			
Venezuela currency devaluation		(9)			
Operating profit excluding above items*	**$ 3,452**	$ 3,592	$ 2,188	**(4)**	64
Impact of foreign currency translation				**(0.5)**	4
Operating profit growth excluding above items, on a constant currency basis*				**(4)****	68

* See Non-GAAP Measures

** Does not sum due to rounding

2011

Volume increased 2%, primarily reflecting a 3% increase in Latin America volume, as well as volume from incremental brands related to our DPSG manufacturing and distribution agreement, which contributed 1 percentage point to volume growth. North America volume, excluding the impact of the incremental DPSG volume, increased slightly, as a 4% increase in non-carbonated beverage volume was partially offset by a 2% decline in CSD volume. The non-carbonated beverage volume growth primarily reflected a double-digit increase in Gatorade sports drinks. The 53rd week contributed 1 percentage point to volume growth.

Net revenue increased 10%, primarily reflecting the incremental finished goods revenue related to our acquisitions of PBG and PAS. Favorable foreign currency contributed nearly 1 percentage point to net revenue growth and the 53rd week contributed over 1 percentage point to net revenue growth.

Reported operating profit increased 18%, primarily reflecting the items affecting comparability in the above table (see Items Affecting Comparability). Excluding these items, operating profit decreased 4%, mainly driven by higher commodity costs and higher selling and distribution costs, partially offset by the net revenue growth. Operating profit performance also benefited from the impact of certain insurance adjustments and more-favorable settlements of promotional spending accruals in the current year, which collectively contributed 2 percentage points to the reported operating profit growth. The net impact of the divestiture of our Mexico beverage business in the fourth quarter contributed 1 percentage point to reported operating profit growth and included a one-time gain associated with the contribution of this business to form a joint venture with both Grupo Embotelladoras Unidas S.A.B. de C.V. and Empresas Polar.

2010

Volume increased 10%, primarily reflecting volume from incremental brands related to our acquisition of PBG s operations in Mexico, which contributed over 6 percentage points to volume growth, as well as incremental volume related to our DPSG manufacturing and distribution agreement, entered into in connection with our acquisitions of PBG and PAS, which contributed over 5 percentage points to volume growth. North America volume, excluding the impact of the incremental DPSG volume, declined 1%, driven by a 3% decline in CSD volume, partially offset by a 1% increase in non-carbonated beverage volume. The non-carbonated beverage volume growth primarily reflected a mid-single-digit increase in Gatorade sports drinks and a high-single-digit increase in Lipton ready-to-drink teas, mostly offset by mid-single-digit declines in our base Aquafina water and Tropicana businesses.

Net revenue increased 102%, primarily reflecting the incremental finished goods revenue related to our acquisitions of PBG and PAS.

Reported operating profit increased 28%, primarily reflecting the incremental operating results from our acquisitions of PBG and PAS, partially offset by the items affecting comparability in the above table (see Items Affecting Comparability). Excluding the items affecting comparability, operating profit increased 64%. Unfavorable foreign currency reduced operating profit performance by 4 percentage points, driven primarily by a 6-percentage-point unfavorable impact from Venezuela.

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Europe

				% Change	
	2011	2010	2009	**2011**	2010
Net revenue	**$ 13,560**	$ 9,602	$ 7,028	**41**	37
53rd week	**(33)**				
Net revenue excluding above item*	**$ 13,527**	$ 9,602	$ 7,028	**41**	37
Impact of foreign currency translation				**(3)**	1
Net revenue growth excluding above item, on a constant currency basis*				**38**	38
Operating profit	**$ 1,210**	$ 1,054	$ 948	**15**	11
53rd week	**(8)**				
Restructuring and impairment charges	**77**		2		
Merger and integration costs	**123**	111	1		
Inventory fair value adjustments	**25**	40			
Operating profit excluding above items*	**$ 1,427**	$ 1,205	$ 951	**18**	27
Impact of foreign currency translation				**(4)**	1
Operating profit growth excluding above items, on a constant currency basis*				**14**	27**

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

2011

Snacks volume grew 35%, primarily reflecting our acquisition of WBD, which contributed 31 percentage points to volume growth. Double-digit growth in Turkey and South Africa and high-single-digit growth in Russia (ex-WBD) was partially offset by a mid-single-digit decline in Spain. Additionally, Walkers in the United Kingdom experienced low-single-digit growth.

Beverage volume increased 21%, primarily reflecting our acquisition of WBD, which contributed 20 percentage points to volume growth, and incremental brands related to our acquisitions of PBG and PAS, which contributed nearly 1 percentage point to volume growth. A double-digit increase in Turkey and mid-single-digit increases in the United Kingdom and France were offset by a high-single-digit decline in Russia (ex-WBD).

Net revenue grew 41%, primarily reflecting our acquisition of WBD, which contributed 29 percentage points to net revenue growth, and the incremental finished goods revenue related to our acquisitions of PBG and PAS. Favorable foreign currency contributed 3 percentage points to net revenue growth.

Reported operating profit increased 15%, primarily reflecting the net revenue growth, partially offset by higher commodity costs. Our acquisition of WBD contributed 19 percentage points to the reported operating profit growth and reflected net charges of $56 million included in items affecting comparability in the above table (see Items Affecting Comparability). Excluding the items affecting comparability, operating profit increased 18%. Favorable foreign currency contributed 4 percentage points to operating profit growth.

2010

Snacks volume increased 2%, reflecting high-single-digit growth in South Africa and Quaker in the United Kingdom, a double-digit increase in France and mid-single-digit increases in Russia and Turkey. These gains were partially offset by a double-digit decline in Romania and a low-single-digit decline in Spain. Additionally, Walkers in the United Kingdom experienced low-single-digit growth.

Beverage volume increased 10%, reflecting double-digit increases in Russia and Turkey, high-single-digit growth in Poland and France and a mid-single-digit increase in the United Kingdom. These gains were partially offset by a double-digit decline in Romania. Additionally, incremental brands related to our acquisitions of PBG and PAS contributed 5 percentage points to the beverage volume growth.

Net revenue grew 37%, primarily reflecting the incremental finished goods revenue related to our acquisitions of PBG and PAS. Unfavorable foreign currency reduced net revenue growth by over 1 percentage point.

Operating profit grew 11%, primarily reflecting incremental operating results from our acquisitions of PBG and PAS. Operating profit growth was also adversely impacted by the items affecting comparability in the above table (see Items Affecting Comparability). Excluding these items, operating profit increased 27%. Unfavorable foreign currency reduced operating profit growth by 1 percentage point.

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Asia, Middle East & Africa

				% Change	
	2011	2010	2009	**2011**	2010
Net revenue	**$ 7,392**	$ 6,291	$ 5,277	**17**	19
Impact of foreign currency translation				**(2)**	(3)
Net revenue growth, on a constant currency basis*				**16****	16
Operating profit	**$ 887**	$ 708	$ 700	**25**	1
Restructuring and impairment charges	**9**		12		
Operating profit excluding above item*	**$ 896**	$ 708	$ 712	**27**	(1)
Impact of foreign currency translation				**(2.5)**	(3)
Operating profit growth excluding above item, on a constant currency basis*				**24****	(4)

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

2011

Snacks volume grew 15%, reflecting broad-based increases driven by double-digit growth in India, China and the Middle East.

Beverage volume grew 5%, driven by double-digit growth in India and mid-single-digit growth in China and the Middle East. Acquisitions had a nominal impact on the beverage volume growth rate.

Net revenue grew 17%, reflecting the volume growth and favorable effective net pricing. Foreign currency contributed 2 percentage points to net revenue growth. Acquisitions had a nominal impact on net revenue growth.

Operating profit grew 25%, driven primarily by the net revenue growth, partially offset by higher commodity costs. Acquisitions and divestitures increased operating profit growth by 16 percentage points, primarily as a result of a one-time gain associated with the sale of our investment in our franchise bottler in Thailand. Favorable foreign currency contributed 2.5 percentage points to the operating profit growth.

2010

Snacks volume grew 16%, reflecting broad-based increases driven by double-digit growth in India, the Middle East and China, partially offset by a low-single-digit decline in Australia. Acquisitions contributed nearly 3 percentage points to the snacks volume growth.

Beverage volume grew 7%, driven by double-digit growth in India and China, partially offset by a low-single-digit decline in the Middle East. Acquisitions had a nominal impact on the beverage volume growth rate.

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Net revenue grew 19%, reflecting the volume growth and favorable effective net pricing. Foreign currency contributed 3 percentage points to the net revenue growth. The net impact of acquisitions and divestitures contributed 1 percentage point to the net revenue growth.

Operating profit grew 1%, driven primarily by the net revenue growth, partially offset by higher commodity costs and increased investments in strategic markets. The net impact of acquisitions and divestitures reduced operating profit growth by 10 percentage points, primarily as a result of a one-time gain in the prior year associated with the contribution of our snacks business in Japan to form a joint venture with Calbee Foods Company. Favorable foreign currency contributed over 3 percentage points to the operating profit growth and the absence of restructuring and impairment charges in the current year contributed 2 percentage points.

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. 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. See Note 9 for a description of our credit facilities. See also Unfavorable economic conditions may have an adverse impact on our business results or financial condition. in Risk Factors in Item 1A.

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 December 31, 2011, our operations in Venezuela comprised 8% of our cash and cash equivalents balance.

Furthermore, our cash provided from operating activities is somewhat impacted by seasonality. Working capital needs are impacted by weekly sales, which are generally highest in the third quarter due to seasonal and holiday-related sales patterns, and generally lowest in the first quarter. On a continuing basis, we consider various transactions to increase shareholder value and enhance our business results, including acquisitions, divestitures, joint ventures and share repurchases. These transactions may result in future cash proceeds or payments.

The table below summarizes our cash activity:

	2011	2010	2009
Net cash provided by operating activities	**$ 8,944**	$ 8,448	$ 6,796
Net cash used for investing activities	**$ (5,618)**	$ (7,668)	$ (2,401)
Net cash (used for)/provided by financing activities	**$ (5,135)**	$ 1,386	$ (2,497)

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Operating Activities

During 2011, net cash provided by operating activities was $8.9 billion, compared to net cash provided of $8.4 billion in the prior year. The increase over the prior year primarily reflects the overlap of discretionary pension contributions of $1.3 billion ($1.0 billion after-tax) in the prior year, partially offset by unfavorable working capital comparisons to the prior year.

During 2010, net cash provided by operating activities was $8.4 billion, compared to net cash provided of $6.8 billion in the prior year. The increase over the prior year primarily reflects the incremental operating results from our acquisitions of PBG and PAS, as well as favorable working capital comparisons to the prior year.

Also see Management Operating Cash Flow below for certain other items impacting net cash provided by operating activities.

Investing Activities

During 2011, net cash used for investing activities was $5.6 billion, primarily reflecting $3.3 billion for net capital spending and $2.4 billion of cash paid, net of cash and cash equivalents acquired, in connection with our acquisition of WBD.

During 2010, net cash used for investing activities was $7.7 billion, primarily reflecting $3.2 billion for net capital spending, $2.8 billion of net cash paid in connection with our acquisitions of PBG and PAS, and $0.9 billion of cash paid in connection with our manufacturing and distribution agreement with DPSG. We also paid $0.5 billion to acquire WBD American Depositary Shares (ADS) in the open market.

We anticipate capital spending in 2012 of approximately $3.0 billion.

Financing Activities

During 2011, net cash used for financing activities was $5.1 billion, primarily reflecting the return of operating cash flow to our shareholders through share repurchases and dividend payments of $5.6 billion, our purchase of an additional $1.4 billion of WBD ordinary shares (including shares underlying ADSs) and our repurchase of certain WBD debt obligations of $0.8 billion, partially offset by net proceeds from long-term debt of $1.4 billion and stock option proceeds of $0.9 billion.

During 2010, net cash provided by financing activities was $1.4 billion, primarily reflecting proceeds from issuances of long-term debt of $6.5 billion, mostly in connection with our acquisitions of PBG and PAS, and net proceeds from short-term borrowings of $2.5 billion. These increases were largely offset by the return of operating cash flow to our shareholders through share repurchases and dividend payments of $8.0 billion.

We annually review our capital structure with our Board, including our dividend policy and share repurchase activity. In the first quarter of 2012, our Board of Directors approved a 4% dividend increase, raising the dividend payable on our common stock, effective with the dividend payable in June 2012, to $2.15 per share. We expect to repurchase approximately $3.0 billion of our common stock in 2012.

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Management Operating Cash Flow

We focus on management operating cash flow as a key element in achieving maximum shareholder value, and it is the primary measure we use to monitor cash flow performance. However, it is not a measure provided by accounting principles generally accepted in the U.S. Therefore, this measure is not, and should not be viewed as, a substitute for U.S. GAAP cash flow measures. 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.

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.

	2011	2010	2009
Net cash provided by operating activities	**$ 8,944**	$ 8,448	$ 6,796
Capital spending	**(3,339)**	(3,253)	(2,128)
Sales of property, plant and equipment	**84**	81	58
Management operating cash flow	**5,689**	5,276	4,726
Discretionary pension and retiree medical contributions (after-tax)	**44**	983	640
Payments related to restructuring charges (after-tax)	**21**	20	168
Merger and integration payments (after-tax)	**283**	299	49
Foundation contribution (after-tax)		64	
Debt repurchase (after-tax)		112	
Capital investments related to the PBG/PAS integration	**108**	138	
Management operating cash flow excluding above items	**$ 6,145**	$ 6,892	$ 5,583

In 2011 and 2010, management operating cash flow was used primarily to repurchase shares and pay dividends. In 2009, management operating cash flow was used primarily to pay dividends. 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 Our borrowing costs and access to capital and credit markets may be adversely affected by a downgrade or potential downgrade of our credit ratings. in Risk Factors in Item 1A. and Our Business Risks 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 Our Business Risks , Note 9 and Our borrowing costs and access to capital and credit markets may be adversely affected by a downgrade or potential downgrade of our credit ratings. in Risk Factors in Item 1A.

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Credit Facilities and Long-Term Contractual Commitments

See Note 9 for a description of our credit facilities and long-term contractual commitments.

Off-Balance-Sheet Arrangements

It is not our business practice to enter into off-balance-sheet arrangements, other than in the normal course of business. Additionally, we do not enter into off-balance-sheet transactions specifically structured to provide income or tax benefits or to avoid recognizing or disclosing assets or liabilities. See Note 9.

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Consolidated Statement of Income

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 31, 2011, December 25, 2010 and December 26, 2009

(in millions except per share amounts)

	2011	2010	2009
Net Revenue	**$ 66,504**	$ 57,838	$ 43,232
Cost of sales	**31,593**	26,575	20,099
Selling, general and administrative expenses	**25,145**	22,814	15,026
Amortization of intangible assets	**133**	117	63
Operating Profit	**9,633**	8,332	8,044
Bottling equity income		735	365
Interest expense	**(856)**	(903)	(397)
Interest income and other	**57**	68	67
Income before income taxes	**8,834**	8,232	8,079
Provision for income taxes	**2,372**	1,894	2,100
Net income	**6,462**	6,338	5,979
Less: Net income attributable to noncontrolling interests	**19**	18	33
Net Income Attributable to PepsiCo	**$ 6,443**	$ 6,320	$ 5,946
Net Income Attributable to PepsiCo per Common Share			
Basic	**$ 4.08**	$ 3.97	$ 3.81
Diluted	**$ 4.03**	$ 3.91	$ 3.77
Weighted-average common shares outstanding			
Basic	**1,576**	1,590	1,558
Diluted	**1,597**	1,614	1,577
Cash dividends declared per common share	**$ 2.025**	$ 1.89	$ 1.775

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Cash Flows

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 31, 2011, December 25, 2010 and December 26, 2009

(in millions)

	2011	2010	2009
Operating Activities			
Net income	**$ 6,462**	$ 6,338	$ 5,979
Depreciation and amortization	**2,737**	2,327	1,635
Stock-based compensation expense	**326**	299	227
Restructuring and impairment charges	**383**		36
Cash payments for restructuring charges	**(31)**	(31)	(196)
Merger and integration costs	**329**	808	50
Cash payments for merger and integration costs	**(377)**	(385)	(49)
Gain on previously held equity interests in PBG and PAS		(958)	
Asset write-off		145	
Non-cash foreign exchange loss related to Venezuela devaluation		120	
Excess tax benefits from share-based payment arrangements	**(70)**	(107)	(42)
Pension and retiree medical plan contributions	**(349)**	(1,734)	(1,299)
Pension and retiree medical plan expenses	**571**	453	423
Bottling equity income, net of dividends		42	(235)
Deferred income taxes and other tax charges and credits	**495**	500	284
Change in accounts and notes receivable	**(666)**	(268)	188
Change in inventories	**(331)**	276	17
Change in prepaid expenses and other current assets	**(27)**	144	(127)
Change in accounts payable and other current liabilities	**520**	488	(133)
Change in income taxes payable	**(340)**	123	319
Other, net	**(688)**	(132)	(281)
Net Cash Provided by Operating Activities	**8,944**	8,448	6,796
Investing Activities			
Capital spending	**(3,339)**	(3,253)	(2,128)
Sales of property, plant and equipment	**84**	81	58
Acquisitions of PBG and PAS, net of cash and cash equivalents acquired		(2,833)	
Acquisition of manufacturing and distribution rights from DPSG		(900)	
Acquisition of WBD, net of cash and cash equivalents acquired	**(2,428)**		
Investment in WBD	**(164)**	(463)	
Other acquisitions and investments in noncontrolled affiliates	**(601)**	(83)	(500)
Divestitures	**780**	12	99
Cash restricted for pending acquisitions			15
Short-term investments, by original maturity			
More than three months purchases		(12)	(29)

More than three months maturities	**21**	29	71
Three months or less, net	**45**	(229)	13
Other investing, net	**(16)**	(17)	
Net Cash Used for Investing Activities	**(5,618)**	(7,668)	(2,401)

(Continued on following page)

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Consolidated Statement of Cash Flows (continued)

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 31, 2011, December 25, 2010 and December 26, 2009

(in millions)

	2011	2010	2009
Financing Activities			
Proceeds from issuances of long-term debt	**$ 3,000**	$ 6,451	$ 1,057
Payments of long-term debt	**(1,596)**	(59)	(226)
Debt repurchase	**(771)**	(500)	
Short-term borrowings, by original maturity			
More than three months proceeds	**523**	227	26
More than three months payments	**(559)**	(96)	(81)
Three months or less, net	**339**	2,351	(963)
Cash dividends paid	**(3,157)**	(2,978)	(2,732)
Share repurchases common	**(2,489)**	(4,978)	
Share repurchases preferred	**(7)**	(5)	(7)
Proceeds from exercises of stock options	**945**	1,038	413
Excess tax benefits from share-based payment arrangements	**70**	107	42
Acquisition of noncontrolling interests	**(1,406)**	(159)	
Other financing	**(27)**	(13)	(26)
Net Cash (Used for)/Provided by Financing Activities	**(5,135)**	1,386	(2,497)
Effect of exchange rate changes on cash and cash equivalents	**(67)**	(166)	(19)
Net (Decrease)/Increase in Cash and Cash Equivalents	**(1,876)**	2,000	1,879
Cash and Cash Equivalents, Beginning of Year	**5,943**	3,943	2,064
Cash and Cash Equivalents, End of Year	**$ 4,067**	$ 5,943	$ 3,943
Non-cash activity:			
Issuance of common stock and equity awards in connection with our acquisitions of PBG and PAS, as reflected in investing and financing activities		$ 4,451	

See accompanying notes to consolidated financial statements.

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Consolidated Balance Sheet

PepsiCo, Inc. and Subsidiaries

December 31, 2011 and December 25, 2010

(in millions except per share amounts)

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 4,067**	$ 5,943
Short-term investments	**358**	426
Accounts and notes receivable, net	**6,912**	6,323
Inventories	**3,827**	3,372
Prepaid expenses and other current assets	**2,277**	1,505
Total Current Assets	**17,441**	17,569
Property, Plant and Equipment, net	**19,698**	19,058
Amortizable Intangible Assets, net	**1,888**	2,025
Goodwill	**16,800**	14,661
Other nonamortizable intangible assets	**14,557**	11,783
Nonamortizable Intangible Assets	**31,357**	26,444
Investments in Noncontrolled Affiliates	**1,477**	1,368
Other Assets	**1,021**	1,689
Total Assets	**$ 72,882**	$ 68,153
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term obligations	**$ 6,205**	$ 4,898
Accounts payable and other current liabilities	**11,757**	10,923
Income taxes payable	**192**	71
Total Current Liabilities	**18,154**	15,892
Long-Term Debt Obligations	**20,568**	19,999
Other Liabilities	**8,266**	6,729
Deferred Income Taxes	**4,995**	4,057
Total Liabilities	**51,983**	46,677
Commitments and Contingencies		
Preferred Stock, no par value	**41**	41
Repurchased Preferred Stock	**(157)**	(150)
PepsiCo Common Shareholders Equity		
Common stock, par value $1^2/_3$¢ per share (authorized 3,600 shares, issued 1,865 shares)	**31**	31

Capital in excess of par value	**4,461**	4,527
Retained earnings	**40,316**	37,090
Accumulated other comprehensive loss	**(6,229)**	(3,630)
Repurchased common stock, at cost (301 and 284 shares, respectively)	**(17,875)**	(16,745)
Total PepsiCo Common Shareholders Equity	**20,704**	21,273
Noncontrolling interests	**311**	312
Total Equity	**20,899**	21,476
Total Liabilities and Equity	**$ 72,882**	$ 68,153

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Equity

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 31, 2011, December 25, 2010 and December 26, 2009

(in millions)

	2011		2010		2009	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Preferred Stock	**0.8**	**$ 41**	0.8	$ 41	0.8	$ 41
Repurchased Preferred Stock						
Balance, beginning of year	**(0.6)**	**(150)**	(0.6)	(145)	(0.5)	(138)
Redemptions	( )	**(7)**	( )	(5)	(0.1)	(7)
Balance, end of year	**(0.6)**	**(157)**	(0.6)	(150)	(0.6)	(145)
Common Stock						
Balance, beginning of year	**1,865**	**31**	1,782	30	1,782	30
Shares issued in connection with our acquisitions of PBG and PAS			83	1		
Balance, end of year	**1,865**	**31**	1,865	31	1,782	30
Capital in Excess of Par Value						
Balance, beginning of year		**4,527**		250		351
Stock-based compensation expense		**326**		299		227
Stock option exercises/RSUs converted[(a)]		**(361)**		(500)		(292)
Withholding tax on RSUs converted		**(56)**		(68)		(36)
Equity issued in connection with our acquisitions of PBG and PAS				4,451		
Other		**25**		95		
Balance, end of year		**4,461**		4,527		250
Retained Earnings						
Balance, beginning of year		**37,090**		33,805		30,638
Net income attributable to PepsiCo		**6,443**		6,320		5,946
Cash dividends declared common		**(3,192)**		(3,028)		(2,768)
Cash dividends declared preferred		**(1)**		(1)		(2)
Cash dividends declared RSUs		**(24)**		(12)		(9)
Other				6		
Balance, end of year		**40,316**		37,090		33,805

Accumulated Other Comprehensive Loss						
Balance, beginning of year		**(3,630)**		(3,794)		(4,694)
Currency translation adjustment		**(1,529)**		312		800
Cash flow hedges, net of tax:						
Net derivative losses		**(83)**		(111)		(55)
Reclassification of net losses to net income		**14**		53		28
Pension and retiree medical, net of tax:						
Net pension and retiree medical (losses)/gains		**(1,110)**		(280)		21
Reclassification of net losses to net income		**133**		166		86
Unrealized (losses)/gains on securities, net of tax		**(8)**		23		20
Other		**(16)**		1		
Balance, end of year		**(6,229)**		(3,630)		(3,794)
Repurchased Common Stock						
Balance, beginning of year	**(284)**	**(16,745)**	(217)	(13,383)	(229)	(14,122)
Share repurchases	**(39)**	**(2,489)**	(76)	(4,978)		
Stock option exercises	**20**	**1,251**	24	1,487	11	649
Other	**2**	**108**	(15)	129	1	90
Balance, end of year	**(301)**	**(17,875)**	(284)	(16,745)	(217)	(13,383)
Total Common Shareholders Equity		**20,704**		21,273		16,908
Noncontrolling Interests						
Balance, beginning of year		**312**		638		476
Net income attributable to noncontrolling interests		**19**		18		33
Distributions to noncontrolling interests, net		**(24)**		(6)		
Currency translation adjustment		**65**		(13)		(12)
Acquisitions and divestitures		**(57)**		(326)		150
Other, net		**(4)**		1		(9)
Balance, end of year		**311**		312		638
Total Equity		**$ 20,899**		$ 21,476		$ 17,442

(a) Includes total tax benefits of $43 million in 2011, $75 million in 2010 and $31 million in 2009.

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Consolidated Statement of Equity (continued)

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 31, 2011, December 25, 2010 and December 26, 2009

(in millions)

	2011	2010	2009
Comprehensive Income			
Net income	**$ 6,462**	$ 6,338	$ 5,979
Other comprehensive (loss)/income			
Currency translation adjustment	**(1,464)**	299	788
Cash flow hedges, net of tax	**(69)**	(58)	(27)
Pension and retiree medical, net of tax:			
Net prior service (cost)/credit	**(10)**	22	(3)
Net (losses)/gains	**(967)**	(136)	110
Unrealized (losses)/gains on securities, net of tax	**(8)**	23	20
Other	**(16)**	1	
	(2,534)	151	888
Comprehensive income	**3,928**	6,489	6,867
Comprehensive income attributable to noncontrolling interests	**(84)**	(5)	(21)
Comprehensive Income Attributable to PepsiCo	**$ 3,844**	$ 6,484	$ 6,846

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

Note 1 Basis of Presentation and Our Divisions

Basis of Presentation

Our financial statements include the consolidated accounts of PepsiCo, Inc. and the affiliates that we control. In addition, we include our share of the results of certain other affiliates using the equity method based on our economic ownership interest, our ability to exercise significant influence over the operating or financial decisions of these affiliates or our ability to direct their economic resources. We do not control these other affiliates, as our ownership in these other affiliates is generally less than 50%. Intercompany balances and transactions are eliminated. Our fiscal year ends on the last Saturday of each December, resulting in an additional week of results every five or six years. In 2011, we had an additional week of results (53rd week).

On February 26, 2010, we completed our acquisitions of The Pepsi Bottling Group, Inc. (PBG) and PepsiAmericas, Inc. (PAS). The results of the acquired companies in the U.S. and Canada are reflected in our consolidated results as of the acquisition date, and the international results of the acquired companies have been reported as of the beginning of our second quarter of 2010, consistent with our monthly international reporting calendar. The results of the acquired companies in the U.S., Canada and Mexico are reported within our PAB segment, and the results of the acquired companies in Europe, including Russia, are reported within our Europe segment. Prior to our acquisitions of PBG and PAS, we recorded our share of equity income or loss from the acquired companies in bottling equity income in our income statement. Our share of income or loss from other noncontrolled affiliates is reflected as a component of selling, general and administrative expenses. Additionally, in the first quarter of 2010, in connection with our acquisitions of PBG and PAS, we recorded a gain on our previously held equity interests of $958 million, comprising $735 million which was non-taxable and recorded in bottling equity income and $223 million related to the reversal of deferred tax liabilities associated with these previously held equity interests. See Notes 8 and 15 and for additional unaudited information on items affecting the comparability of our consolidated results, see Items Affecting Comparability in Management s Discussion and Analysis of Financial Condition and Results of Operations.

As of the beginning of our 2010 fiscal year, the results of our Venezuelan businesses are reported under hyperinflationary accounting. See Our Business Risks and Items Affecting Comparability in Management s Discussion and Analysis of Financial Condition and Results of Operations.

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 is considered preferable by management as we believe that the average cost method of accounting for all U.S. foods inventories will improve 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 will enhance the comparability of QFNA s financial results with our other

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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). Prior periods were not restated as the impact of the change on previously issued financial statements was not considered material.

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 preparation of our consolidated financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities. Estimates are used in determining, among other items, sales incentives accruals, tax reserves, stock-based compensation, pension and retiree medical accruals, useful lives for intangible assets, and future cash flows associated with impairment testing for perpetual brands, goodwill and other long-lived assets. We evaluate our estimates on an ongoing basis using our historical experience, as well as other factors we believe appropriate under the circumstances, such as current economic conditions, and adjust or revise our estimates as circumstances change. As future events and their effect cannot be determined with precision, actual results could differ significantly from these estimates.

While our North America results are reported on a weekly calendar basis, most of our international operations report on a monthly calendar basis. The following chart details our quarterly reporting schedule in 2011, reflecting the extra week in the fourth quarter this year:

Quarter	U.S. and Canada	International
First Quarter	12 weeks	January, February
Second Quarter	12 weeks	March, April and May
Third Quarter	12 weeks	June, July and August
Fourth Quarter	17 weeks	September, October,
		November and December

See Our Divisions below and for additional unaudited information on items affecting the comparability of our consolidated results, see Items Affecting Comparability in Management s Discussion and Analysis of Financial Condition and Results of Operations.

Tabular dollars are in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless noted, and are based on unrounded amounts. Certain reclassifications were made to prior years amounts to conform to the 2011 presentation.

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Our Divisions

We manufacture or use contract manufacturers, market and sell a variety of salty, convenient, sweet and grain-based snacks, carbonated and non-carbonated beverages, dairy products and other foods in over 200 countries and territories with our largest operations in North America (United States and Canada), Russia, Mexico and the United Kingdom. Division results are based on how our Chief Executive Officer assesses the performance of and allocates resources to our divisions. For additional unaudited information on our divisions, see Our Operations in Management s Discussion and Analysis of Financial Condition and Results of Operations. The accounting policies for the divisions are the same as those described in Note 2, except for the following allocation methodologies:

- stock-based compensation expense;
- pension and retiree medical expense; and
- derivatives.

Stock-Based Compensation Expense

Our divisions are held accountable for stock-based compensation expense and, therefore, this expense is allocated to our divisions as an incremental employee compensation cost. The allocation of stock-based compensation expense in 2011 was approximately 15% to FLNA, 2% to QFNA, 4% to LAF, 31% to PAB, 12% to Europe, 9% to AMEA and 27% to corporate unallocated expenses. We had similar allocations of stock-based compensation expense to our divisions in 2010 and 2009. The expense allocated to our divisions excludes any impact of changes in our assumptions during the year which reflect market conditions over which division management has no control. Therefore, any variances between allocated expense and our actual expense are recognized in corporate unallocated expenses.

Pension and Retiree Medical Expense

Pension and retiree medical service costs measured at a fixed discount rate, as well as amortization of costs related to certain pension plan amendments and gains and losses due to demographics, including salary experience, are reflected in division results for North American employees. Division results also include interest costs, measured at a fixed discount rate, for retiree medical plans. Interest costs for the pension plans, pension asset returns and the impact of pension funding, and gains and losses other than those due to demographics, are all reflected in corporate unallocated expenses. In addition, corporate unallocated expenses include the difference between the service costs measured at a fixed discount rate (included in division results as noted above) and the total service costs determined using the plans discount rates as disclosed in Note 7.

Derivatives

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

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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. These derivatives hedge underlying commodity price risk and were not entered into for speculative purposes.

	Net Revenue			***Operating Profit***[(a)]		
	2011	2010	2009	**2011**	2010	2009
FLNA	**$ 13,322**	$ 12,573	$ 12,421	**$ 3,621**	$ 3,376	$ 3,105
QFNA	**2,656**	2,656	2,687	**797**	741	781
LAF	**7,156**	6,315	5,703	**1,078**	1,004	904
PAB	**22,418**	20,401	10,116	**3,273**	2,776	2,172
Europe [(b)]	**13,560**	9,602	7,028	**1,210**	1,054	948
AMEA	**7,392**	6,291	5,277	**887**	708	700
Total division	**66,504**	57,838	43,232	**10,866**	9,659	8,610
Corporate Unallocated						
53rd week				**(18)**		
Net impact of mark-to-market on commodity hedges				**(102)**	91	274
Merger and integration costs				**(78)**	(191)	(49)
Restructuring and impairment charges				**(74)**		
Venezuela currency devaluation					(129)	
Asset write-off					(145)	
Foundation contribution					(100)	
Other				**(961)**	(853)	(791)
	$ 66,504	$ 57,838	$ 43,232	**$ 9,633**	$ 8,332	$ 8,044

(a) For information on the impact of restructuring, impairment and integration charges on our divisions, see Note 3.

(b) Change in net revenue in 2011 relates primarily to our acquisition of WBD.

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Corporate

Corporate includes costs of our corporate headquarters, centrally managed initiatives, such as our ongoing global business transformation initiative and research and development projects, unallocated insurance and benefit programs, foreign exchange transaction gains and losses, certain commodity derivative gains and losses and certain other items.

Other Division Information

	Total Assets			Capital Spending		
	2011	2010	2009	**2011**	2010	2009
FLNA	**$ 6,120**	$ 6,027	$ 6,093	**$ 439**	$ 515	$ 478
QFNA	**1,174**	1,217	1,241	**43**	48	45
LAF	**4,731**	4,053	3,575	**413**	370	310
PAB	**31,187**	31,622	7,670	**1,006**	973	182
Europe [a]	**18,479**	13,032	9,471	**588**	517	370
AMEA	**6,048**	5,569	4,787	**693**	610	572
Total division	**67,739**	61,520	32,837	**3,182**	3,033	1,957
Corporate [b]	**5,143**	6,394	3,933	**157**	220	171
Investments in bottling affiliates		239	3,078			
	$ 72,882	$ 68,153	$ 39,848	**$ 3,339**	$ 3,253	$ 2,128

(a) Changes in total assets in 2011 relate primarily to our acquisition of WBD.

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

	Amortization of Intangible Assets			Depreciation and Other Amortization		
	2011	2010	2009	**2011**	2010	2009
FLNA	**$ 7**	$ 7	$ 7	**$ 458**	$ 448	$ 428
QFNA				**54**	52	48
LAF	**10**	6	5	**238**	213	189
PAB	**65**	56	18	**865**	749	345
Europe	**39**	35	22	**522**	355	236
AMEA	**12**	13	11	**350**	294	239
Total division	**133**	117	63	**2,487**	2,111	1,485
Corporate				**117**	99	87
	$ 133	$ 117	$ 63	**$ 2,604**	$ 2,210	$ 1,572

	Net Revenue			Long-Lived Assets[(a)]		
	2011	2010	2009	**2011**	2010	2009
U.S.	**$ 33,053**	$ 30,618	$ 22,446	**$ 28,999**	$ 28,631	$ 12,496
Russia [(b)]	**4,954**	1,890	1,006	**8,236**	2,744	2,094
Mexico	**4,782**	4,531	3,210	**1,027**	1,671	1,044
Canada	**3,364**	3,081	1,996	**3,097**	3,133	688
United Kingdom	**2,075**	1,888	1,826	**1,011**	1,019	1,358
All other countries	**18,276**	15,830	12,748	**12,050**	11,697	8,632
	$ 66,504	$ 57,838	$ 43,232	**$ 54,420**	$ 48,895	$ 26,312

(a) Long-lived assets represent property, plant and equipment, nonamortizable intangible assets, amortizable intangible assets and investments in noncontrolled affiliates. These assets are reported in the country where they are primarily used.

(b) Changes in 2011 relate primarily to our acquisition of WBD.

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Note 2 Our Significant Accounting Policies

Revenue Recognition

We recognize revenue upon shipment or delivery to our customers based on written sales terms that do not allow for a right of return. However, our policy for DSD and certain chilled products is to remove and replace damaged and out-of-date products from store shelves to ensure that our consumers receive the product quality and freshness that they expect. Similarly, our policy for certain warehouse-distributed products is to replace damaged and out-of-date products. Based on our experience with this practice, we have reserved for anticipated damaged and out-of-date products. For additional unaudited information on our revenue recognition and related policies, including our policy on bad debts, see Our Critical Accounting Policies in Management s Discussion and Analysis of Financial Condition and Results of Operations. We are exposed to concentration of credit risk by our customers, including Wal-Mart. In 2011, Wal-Mart (including Sam s) represented approximately 11% of our total net revenue, including concentrate sales to our independent bottlers which are used in finished goods sold by them to Wal-Mart. We have not experienced credit issues with these customers.

Sales Incentives and Other Marketplace Spending

We offer sales incentives and discounts through various programs to our customers and consumers. Sales incentives and discounts are accounted for as a reduction of revenue and totaled $34.6 billion in 2011, $29.1 billion in 2010 and $12.9 billion in 2009. While most of these incentive arrangements have terms of no more than one year, certain arrangements, such as fountain pouring rights, may extend beyond one year. Costs incurred to obtain these arrangements are recognized over the shorter of the economic or contractual life, as a reduction of revenue, and the remaining balances of $288 million as of December 31, 2011 and $296 million as of December 25, 2010, are included in current assets and other assets on our balance sheet. For additional unaudited information on our sales incentives, see Our Critical Accounting Policies in Management s Discussion and Analysis of Financial Condition and Results of Operations.

Other marketplace spending, which includes the costs of advertising and other marketing activities, totaled $3.5 billion in 2011, $3.4 billion in 2010 and $2.8 billion in 2009 and is reported as selling, general and administrative expenses. Included in these amounts were advertising expenses of $1.9 billion in 2011 and 2010 and $1.7 billion in 2009. Deferred advertising costs are not expensed until the year first used and consist of:

- media and personal service prepayments;
- promotional materials in inventory; and
- production costs of future media advertising.

Deferred advertising costs of $163 million and $158 million at year-end 2011 and 2010, respectively, are classified as prepaid expenses on our balance sheet.

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Distribution Costs

Distribution costs, including the costs of shipping and handling activities, are reported as selling, general and administrative expenses. Shipping and handling expenses were $9.2 billion in 2011, $7.7 billion in 2010 and $5.6 billion in 2009.

Cash Equivalents

Cash equivalents are investments with original maturities of three months or less.

Software Costs

We capitalize certain computer software and software development costs incurred in connection with developing or obtaining computer software for internal use when both the preliminary project stage is completed and it is probable that the software will be used as intended. Capitalized software costs include only (i) external direct costs of materials and services utilized in developing or obtaining computer software, (ii) compensation and related benefits for employees who are directly associated with the software project and (iii) interest costs incurred while developing internal-use computer software. Capitalized software costs are included in property, plant and equipment on our balance sheet and amortized on a straight-line basis when placed into service over the estimated useful lives of the software, which approximate five to ten years. Software amortization totaled $156 million in 2011, $137 million in 2010 and $119 million in 2009. Net capitalized software and development costs were $1.3 billion as of December 31, 2011 and $1.1 billion as of December 25, 2010.

Commitments and Contingencies

We are subject to various claims and contingencies related to lawsuits, certain taxes and environmental matters, as well as commitments under contractual and other commercial obligations. We recognize liabilities for contingencies and commitments when a loss is probable and estimable. For additional information on our commitments, see Note 9.

Research and Development

We engage in a variety of research and development activities and continue to invest to accelerate growth in these activities and to drive innovation globally. These activities principally involve the development of new products, improvement in the quality of existing products, improvement and modernization of production processes, and the development and implementation of new technologies to enhance the quality and value of both current and proposed product lines. Consumer research is excluded from research and development costs and included in other marketing costs. Research and development costs were $525 million in 2011, $488 million in 2010 and $414 million in 2009 and are reported within selling, general and administrative expenses.

Other Significant Accounting Policies

Our other significant accounting policies are disclosed as follows:

Property, Plant and Equipment and Intangible Assets Note 4, and for additional unaudited information on goodwill and other intangible assets, see Our Critical Accounting Policies in Management s Discussion and Analysis of Financial Condition and Results of Operations.

Income Taxes Note 5, and for additional unaudited information, see Our Critical Accounting Policies in Management s Discussion and Analysis of Financial Condition and Results of Operations.

Stock-Based Compensation Note 6.

Pension, Retiree Medical and Savings Plans Note 7, and for additional unaudited information, see Our Critical Accounting Policies in Management s Discussion and Analysis of Financial Condition and Results of Operations.

Financial Instruments Note 10, and for additional unaudited information, see Our Business Risks in Management s Discussion and Analysis of Financial Condition and Results of Operations.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) amended its accounting guidance on the consolidation of variable interest entities (VIE). Among other things, the new guidance requires a qualitative rather than a quantitative assessment to determine the primary beneficiary of a VIE based on whether the entity (1) has the power to direct matters that most significantly impact the activities of the VIE and (2) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. In addition, the amended guidance requires an ongoing reconsideration of the primary beneficiary. The provisions of this guidance were effective as of the beginning of our 2010 fiscal year, and the adoption did not have a material impact on our financial statements.

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. We continue to evaluate the longer-term impacts of this legislation.

In June 2011, the 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

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to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. In December 2011, the FASB approved a deferral of the effective date of certain requirements related to the presentation and disclosure of reclassification adjustments from other comprehensive income to net income. The provisions of the retained guidance are effective as of the beginning of our 2012 fiscal year. We do not expect the adoption of this guidance to have a material impact on our financial statements.

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 are effective for our 2012 goodwill impairment test. We are currently evaluating the impact of the new guidance on our financial statements.

In September 2011, the FASB amended its guidance regarding the disclosure requirements for employers participating in multiemployer pension and other postretirement benefit plans (multiemployer plans) to improve transparency and increase awareness of the commitments and risks involved with participation in multiemployer plans. The new accounting guidance requires employers participating in multiemployer plans to provide additional quantitative and qualitative disclosures to provide users with more detailed information regarding an employer s involvement in multiemployer plans. The provisions of this new guidance were effective as of the beginning of our 2011 fiscal year. We have reviewed our level of participation in multiemployer plans and determined that the impact of adopting this new guidance did not have a material impact on our financial statements.

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.

Note 3 Restructuring, Impairment and Integration Charges

In 2011, we incurred restructuring charges of $383 million ($286 million after-tax or $0.18 per share) in conjunction with our multi-year Productivity Plan. All of these charges were recorded in selling, general and administrative expenses. 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 charges in 2011 is as follows:

	Severance and Other Employee Costs	Other Costs	Total
FLNA	$ 74	$ 2	$ 76
QFNA	18		18
LAF	46	2	48
PAB	75	6	81
Europe	65	12	77
AMEA	9		9
Corporate	40	34	74
	$ 327	$ 56	$ 383

A summary of our Productivity Plan activity in 2011 is as follows:

	Severance and Other Employee Costs	Other Costs	Total
2011 restructuring charges	$ 327	$ 56	$ 383
Cash payments	(1)	(29)	(30)
Non-cash charges	(25)		(25)
Liability as of December 31, 2011	$ 301	$ 27	$ 328

In 2011, we incurred merger and integration charges of $329 million ($271 million after-tax or $0.17 per share) related to our acquisitions of PBG, PAS and WBD, including $112 million recorded in the PAB segment, $123 million recorded in the Europe segment, $78 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 the above charges were made by the end of 2011.

In 2010, we incurred merger and integration charges of $799 million related to our acquisitions of PBG and PAS, as well as advisory fees in connection with our acquisition of WBD. $467 million of these charges were recorded in the PAB segment, $111 million recorded in the Europe segment, $191 million recorded in corporate unallocated expenses and $30 million recorded in interest expense. All of these charges, other than the interest expense portion, were recorded in selling, general and administrative expenses. The merger and integration charges related to our acquisitions of PBG and PAS were incurred to help create a more fully integrated supply chain and go-to-market business model, to improve the effectiveness and efficiency of the distribution of our brands and to enhance

our revenue growth. These charges also include closing costs, one-time financing costs and advisory fees related to our acquisitions of PBG and PAS. In addition, we recorded $9 million of merger related charges, representing our share of the respective merger costs of PBG and PAS, in bottling equity income. Substantially all cash payments related to the above charges were made by the end of 2011. In total, these charges had an after-tax impact of $648 million or $0.40 per share.

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

	Severance and Other Employee Costs	Asset Impairment	Other Costs	Total
2010 merger and integration charges	$ 396	$ 132	$ 280	$ 808
Cash payments	(114)		(271)	(385)
Non-cash charges	(103)	(132)	16	(219)
Liability as of December 25, 2010	179		25	204
2011 merger and integration charges	146	34	149	329
Cash payments	(191)		(186)	(377)
Non-cash charges	(88)	(34)	19	(103)
Liability as of December 31, 2011	$ 46	$	$ 7	$ 53

In 2009, we incurred $50 million of charges related to the merger of PBG and PAS, of which substantially all was paid in 2009. In 2009, we also incurred charges of $36 million ($29 million after-tax or $0.02 per share) in conjunction with our Productivity for Growth program that began in 2008. The program included actions in all divisions of the business, including the closure of six plants, to increase cost competitiveness across the supply chain, upgrade and streamline our product portfolio, and simplify the organization for more effective and timely decision-making. These charges were recorded in selling, general and administrative expenses. This program was completed in the second quarter of 2009 and substantially all cash payments related to these charges were made by the end of 2010.

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A summary of our Productivity for Growth charges in 2009 is as follows:

	Severance and Other Employee Costs	Other Costs	Total
FLNA	$	$ 1	$ 1
QFNA		2	2
LAF	3		3
PAB	6	10	16
Europe	2		2
AMEA	6	6	12
	$ 17	$ 19	$ 36

A summary of our Productivity for Growth activity is as follows:

	Severance and Other Employee Costs	Asset Impairment	Other Costs	Total
Liability as of December 27, 2008	$ 134	$	$ 64	$ 198
2009 restructuring and impairment charges	17	12	7	36
Cash payments	(128)		(68)	(196)
Currency translation	(14)	(12)	25	(1)
Liability as of December 26, 2009	9		28	37
Cash payments	(6)		(25)	(31)
Non-cash charges	(2)		(1)	(3)
Currency translation			(1)	(1)
Liability as of December 25, 2010	$ 1	$	$ 1	$ 2

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Note 4 Property, Plant and Equipment and Intangible Assets

	Average Useful Life	2011	2010	2009
Property, plant and equipment, net				
Land and improvements	10 34 yrs.	**$ 1,951**	$ 1,976	
Buildings and improvements	15 44	**7,565**	7,054	
Machinery and equipment, including fleet and software	5 15	**23,798**	22,091	
Construction in progress		**1,826**	1,920	
		35,140	33,041	
Accumulated depreciation		**(15,442)**	(13,983)	
		$ 19,698	$ 19,058	
Depreciation expense		**$ 2,476**	$ 2,124	$ 1,500
Amortizable intangible assets, net				
Acquired franchise rights	56 60	**$ 916**	$ 949	
Reacquired franchise rights	1 14	**110**	110	
Brands	5 40	**1,417**	1,463	
Other identifiable intangibles	10 24	**777**	747	
		3,220	3,269	
Accumulated amortization		**(1,332)**	(1,244)	
		$ 1,888	$ 2,025	
Amortization expense		**$ 133**	$ 117	$ 63

Property, plant and equipment is recorded at historical cost. Depreciation and amortization are recognized on a straight-line basis over an asset s estimated useful life. Land is not depreciated and construction in progress is not depreciated until ready for service. Amortization of intangible assets for each of the next five years, based on existing intangible assets as of December 31, 2011 and using average 2011 foreign exchange rates, is expected to be $122 million in 2012, $113 million in 2013, $98 million in 2014, $89 million in 2015 and $81 million in 2016.

Depreciable and amortizable assets are only evaluated for impairment upon a significant change in the operating or macroeconomic environment. In these circumstances, if an evaluation of the undiscounted cash flows indicates impairment, the asset is written down to its estimated fair value, which is based on discounted future cash flows. Useful lives are periodically evaluated to determine whether events or circumstances have occurred which indicate the need for revision. For additional unaudited information on our policies for amortizable brands, see Our Critical Accounting Policies in Management s Discussion and Analysis of Financial Condition and Results of Operations.

Nonamortizable Intangible Assets

Perpetual brands and goodwill are assessed for impairment at least annually. If the carrying amount of a perpetual brand exceeds its fair value, as determined by its discounted cash flows, an impairment loss is recognized in an amount equal to that excess. We did not recognize any impairment charges for goodwill in the years

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presented. In connection with the merger and integration of WBD in 2011, we recorded a $14 million impairment charge for discontinued brands. We did not recognize any impairment charges for other nonamortizable intangible assets in 2010. The change in the book value of nonamortizable intangible assets is as follows:

	Balance, Beginning 2010	Acquisitions	Translation and Other	Balance, End of 2010	Acquisitions/ (Divestitures)	Translation and Other	**Balance, End of 2011**
FLNA							
Goodwill	$ 306	$	$ 7	$ 313	$	$ (2)	**$ 311**
Brands	30		1	31		(1)	**30**
	336		8	344		(3)	**341**
QFNA							
Goodwill	175			175			**175**
LAF							
Goodwill	479		18	497	331	(35)	**793**
Brands	136		7	143	20	(6)	**157**
	615		25	640	351	(41)	**950**
PAB (a)							
Goodwill	2,431	7,476	39	9,946	(27)	13	**9,932**
Reacquired franchise rights		7,229	54	7,283	77	(18)	**7,342**
Acquired franchise rights		660	905(b)	1,565	(1)	(2)	**1,562**
Brands	112	66	4	182	(20)	6	**168**
Other		10		10	(9)	(1)	
	2,543	15,441	1,002	18,986	20	(2)	**19,004**
Europe (a) (c)							
Goodwill	2,625	583	(168)	3,040	2,131	(271)	**4,900**
Reacquired franchise rights		810	(17)	793		(61)	**732**
Acquired franchise rights		232	(5)	227		(9)	**218**
Brands	1,378	88	(86)	1,380	3,114	(316)	**4,178**
	4,003	1,713	(276)	5,440	5,245	(657)	**10,028**
AMEA							
Goodwill	518	116	56	690		(1)	**689**
Brands	126	26	17	169		1	**170**
	644	142	73	859			**859**
Total goodwill	6,534	8,175	(48)	14,661	2,435	(296)	**16,800**

Total reacquired franchise rights		8,039	37	8,076	77	(79)	**8,074**
Total acquired franchise rights		892	900	1,792	(1)	(11)	**1,780**
Total brands	1,782	180	(57)	1,905	3,114	(316)	**4,703**
Total other		10		10	(9)	(1)	
	$ 8,316	$ 17,296	$ 832	$ 26,444	$ 5,616	$ (703)	**$ 31,357**

(a) Net increases in 2010 relate primarily to our acquisitions of PBG and PAS.

(b) Includes $900 million related to our upfront payment to DPSG to manufacture and distribute Dr Pepper and certain other DPSG products.

(c) Net increases in 2011 relate primarily to our acquisition of WBD.

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Note 5 Income Taxes

		2011	2010	2009
Income before income taxes				
U.S.		**$ 3,964**	$ 4,008	$ 4,209
Foreign		**4,870**	4,224	3,870
		$ 8,834	$ 8,232	$ 8,079
Provision for income taxes				
Current:	U.S. Federal	**$ 611**	$ 932	$ 1,238
	Foreign	**882**	728	473
	State	**124**	137	124
		1,617	1,797	1,835
Deferred:	U.S. Federal	**789**	78	223
	Foreign	**(88)**	18	21
	State	**54**	1	21
		755	97	265
		$ 2,372	$ 1,894	$ 2,100
Tax rate reconciliation				
U.S. Federal statutory tax rate		**35.0%**	35.0%	35.0%
State income tax, net of U.S. Federal tax benefit		**1.3**	1.1	1.2
Lower taxes on foreign results		**(8.7)**	(9.4)	(7.9)
Acquisitions of PBG and PAS			(3.1)	
Other, net		**(0.8)**	(0.6)	(2.3)
Annual tax rate		**26.8%**	23.0%	26.0%
Deferred tax liabilities				
Investments in noncontrolled affiliates		**$ 41**	$ 74	
Debt guarantee of wholly owned subsidiary		**828**	828	
Property, plant and equipment		**2,466**	1,984	
Intangible assets other than nondeductible goodwill		**4,297**	3,726	
Other		**184**	647	
Gross deferred tax liabilities		**7,816**	7,259	
Deferred tax assets				
Net carryforwards		**1,373**	1,264	
Stock-based compensation		**429**	455	
Retiree medical benefits		**504**	579	

Other employee-related benefits	**695**	527
Pension benefits	**545**	291
Deductible state tax and interest benefits	**339**	320
Long-term debt obligations acquired	**223**	291
Other	**822**	904
Gross deferred tax assets	**4,930**	4,631
Valuation allowances	**(1,264)**	(875)
Deferred tax assets, net	**3,666**	3,756
Net deferred tax liabilities	**$ 4,150**	$ 3,503

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	2011	2010	2009
Deferred taxes included within:			
Assets:			
Prepaid expenses and other current assets	**$ 845**	$ 554	
Liabilities:			
Deferred income taxes	**$ 4,995**	$ 4,057	
Analysis of valuation allowances			
Balance, beginning of year	**$ 875**	$ 586	$ 657
Provision/(Benefit)	**464**	75	(78)
Other (deductions)/additions	**(75)**	214	7
Balance, end of year	**$ 1,264**	$ 875	$ 586

For additional unaudited information on our income tax policies, including our reserves for income taxes, see Our Critical Accounting Policies in Management s Discussion and Analysis of Financial Condition and Results of Operations.

Reserves

A number of years may elapse before a particular matter, for which we have established a reserve, is audited and finally resolved. The number of years with open tax audits varies depending on the tax jurisdiction. Our major taxing jurisdictions and the related open tax audits are as follows:

U.S. during 2011, our tax court trial related to classification of financial instruments was completed for the 1998-2002 audit cycle. We are currently awaiting a decision by the judge. We continue to dispute with the IRS Appeals Division three matters related to the 2003-2005 audit cycle. During 2011, all but three issues, which are currently under review by the IRS Appeals Division, were resolved for tax years 2006-2007. We are currently under audit for tax years 2008-2009;

Mexico audits have been completed for all taxable years through 2005. We are currently under audit for 2006;

United Kingdom audits have been completed for all taxable years through 2007;

Canada domestic audits have been substantially completed for all taxable years through 2007. International audits have been completed for all taxable years through 2005; and

Russia audits have been substantially completed for all taxable years through 2008.

While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe that our reserves reflect the probable outcome of known tax contingencies. We adjust these reserves, as well as the related interest, in light of changing facts and circumstances. Settlement of any particular issue would usually require the use of cash. Favorable resolution would be recognized as a reduction to our annual tax rate in the year of resolution. For further unaudited information on the impact of the resolution of open tax issues, see Other Consolidated Results.

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As of December 31, 2011, the total gross amount of reserves for income taxes, reported in other liabilities, was $2,167 million. Any prospective adjustments to these reserves will be recorded as an increase or decrease to our provision for income taxes and would impact our effective tax rate. In addition, we accrue interest related to reserves for income taxes in our provision for income taxes and any associated penalties are recorded in selling, general and administrative expenses. The gross amount of interest accrued, reported in other liabilities, was $660 million as of December 31, 2011, of which $90 million was recognized in 2011. The gross amount of interest accrued was $570 million as of December 25, 2010, of which $135 million was recognized in 2010.

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

	2011	2010
Balance, beginning of year	**$ 2,022**	$ 1,731
Additions for tax positions related to the current year	**233**	204
Additions for tax positions from prior years	**147**	517
Reductions for tax positions from prior years	**(46)**	(391)
Settlement payments	**(156)**	(30)
Statute of limitations expiration	**(15)**	(7)
Translation and other	**(18)**	(2)
Balance, end of year	**$ 2,167**	$ 2,022

Carryforwards and Allowances

Operating loss carryforwards totaling $10.0 billion at year-end 2011 are being carried forward in a number of foreign and state jurisdictions where we are permitted to use tax operating losses from prior periods to reduce future taxable income. These operating losses will expire as follows: $0.1 billion in 2012, $8.2 billion between 2013 and 2031 and $1.7 billion may be carried forward indefinitely. We establish valuation allowances for our deferred tax assets if, based on the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Undistributed International Earnings

As of December 31, 2011, we had approximately $34.1 billion of undistributed international earnings. We intend to continue to reinvest earnings outside the U.S. for the foreseeable future and, therefore, have not recognized any U.S. tax expense on these earnings.

Note 6 Stock-Based Compensation

Our stock-based compensation program is designed to attract and retain employees while also aligning employees interests with the interests of our shareholders. Stock options and restricted stock units (RSU) are granted to employees under the shareholder-approved 2007 Long-Term Incentive Plan (LTIP), the only stock-based plan under which we currently grant stock options and

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RSUs. Stock-based compensation expense was $343 million in 2011, $352 million in 2010 and $227 million in 2009. In 2011, $326 million was recorded as stock-based compensation expense, $13 million was included in merger and integration charges and $4 million was included in restructuring charges. In 2010, $299 million was recorded as stock-based compensation expense and $53 million was included in merger and integration charges. $86 million of the $352 million recorded in 2010 was related to the unvested acquisition-related grants described below. Income tax benefits related to stock-based compensation expense and recognized in earnings were $101 million in 2011, $89 million in 2010 and $67 million in 2009. At year-end 2011, 136 million shares were available for future stock-based compensation grants.

In connection with our acquisition of PBG in 2010, we issued 13.4 million stock options and 2.7 million RSUs at weighted-average grant prices of $42.89 and $62.30, respectively, to replace previously held PBG equity awards. In connection with our acquisition of PAS in 2010, we issued 0.4 million stock options at a weighted-average grant price of $31.72 to replace previously held PAS equity awards. Our equity issuances included 8.3 million stock options and 0.6 million RSUs which were vested at the acquisition date and were included in the purchase price. The remaining 5.5 million stock options and 2.1 million RSUs issued were unvested at the issuance date and are being amortized over their remaining vesting period, up to 3 years from the issuance date.

As a result of our annual benefits review in 2010, the Company approved certain changes to our benefits programs to remain market competitive relative to other leading global companies. These changes included ending the Company s broad-based SharePower stock option program. Consequently, beginning in 2011, no new awards were granted under the SharePower program. Outstanding SharePower awards from 2010 and earlier continue to vest and are exercisable according to the terms and conditions of the program. See Note 7 for additional information regarding other related changes.

Method of Accounting and Our Assumptions

We account for our employee stock options under the fair value method of accounting using a Black-Scholes valuation model to measure stock option expense at the date of grant. All stock option grants have an exercise price equal to the fair market value of our common stock on the date of grant and generally have a 10-year term. We do not backdate, reprice or grant stock-based compensation awards retroactively. Repricing of awards would require shareholder approval under the LTIP.

The fair value of stock option grants is amortized to expense over the vesting period, generally three years. Executives who are awarded long-term incentives based on their performance are generally offered the choice of stock options or RSUs. Executives who elect RSUs receive one RSU for every four stock options that would have otherwise been granted. Senior officers do not have a choice and, through 2011, are granted 50% stock options and 50% performance-based RSUs.

Beginning in 2012, senior officers will be granted 60% market stock units and 40% long-term cash awards, each of which will be subject to pre-established performance targets. Vesting of RSU awards for senior officers is contingent upon the achievement of pre-established performance targets approved by the Compensation Committee of the Board of Directors. RSU expense is based on the fair value of PepsiCo stock on the date of grant and is amortized over the vesting period, generally three years. Each RSU is settled in a share of our stock after the vesting period.

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

	2011	2010	2009
Expected life	**6 yrs.**	5 yrs.	6 yrs.
Risk-free interest rate	**2.5%**	2.3%	2.8%
Expected volatility	**16%**	17%	17%
Expected dividend yield	**2.9%**	2.8%	3.0%

The expected life is the period over which our employee groups are expected to hold their options. It is based on our historical experience with similar grants. The risk-free interest rate is based on the expected U.S. Treasury rate over the expected life. Volatility reflects movements in our stock price over the most recent historical period equivalent to the expected life. Dividend yield is estimated over the expected life based on our stated dividend policy and forecasts of net income, share repurchases and stock price.

A summary of our stock-based compensation activity for the year ended December 31, 2011 is presented below:

Our Stock Option Activity

	Options[(a)]	Average Price[(b)]	Average Life (years)[(c)]	Aggregate Intrinsic Value[(d)]
Outstanding at December 25, 2010	106,203	$ 54.03		
Granted	7,150	$ 64.31		
Exercised	(19,980)	$ 47.74		
Forfeited/expired	(2,298)	$ 65.73		
Outstanding at December 31, 2011	91,075	$ 55.92	5.07	$ 932,748
Exercisable at December 31, 2011	58,708	$ 53.86	4.94	$ 725,781

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

(b) Weighted-average exercise price.

(c) Weighted-average contractual life remaining.

(d) In thousands.

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Our RSU Activity

	RSUs[(a)]	Average Intrinsic Value[(b)]	Average Life (years)[(c)]	Aggregate Intrinsic Value[(d)]
Outstanding at December 25, 2010	10,662	$ 63.27		
Granted	5,333	$ 63.87		
Converted	(2,610)	$ 65.81		
Forfeited/expired	(1,045)	$ 63.71		
Outstanding at December 31, 2011	12,340	$ 62.96	1.57	$ 818,776

(a) RSUs are in thousands and include RSUs previously granted under a PBG plan. No additional RSUs or shares may be granted under the PBG plan.

(b) Weighted-average intrinsic value at grant date.

(c) Weighted-average contractual life remaining.

(d) In thousands.

Other Stock-Based Compensation Data

	2011	2010	2009
Stock Options			
Weighted-average fair value of options granted	**$ 7.79**	$ 13.93	$ 7.02
Total intrinsic value of options exercised[(a)]	**$ 385,678**	$ 502,354	$ 194,545
RSUs			
Total number of RSUs granted[(a)]	**5,333**	8,326	2,653
Weighted-average intrinsic value of RSUs granted	**$ 63.87**	$ 65.01	$ 53.22
Total intrinsic value of RSUs converted[(a)]	**$ 173,433**	$ 202,717	$ 124,193

(a) In thousands.

As of December 31, 2011, there was $436 million of total unrecognized compensation cost related to nonvested share-based compensation grants. This unrecognized compensation is expected to be recognized over a weighted-average period of two years.

Note 7 Pension, Retiree Medical and Savings Plans

Our pension plans cover certain full-time employees in the U.S. and certain international employees. Benefits are determined based on either years of service or a combination of years of service and earnings. Certain U.S. and Canada retirees are also eligible for medical and life insurance benefits (retiree medical) if they meet age and service requirements. Generally, our share of retiree medical costs is capped at specified dollar amounts, which vary based upon years of service, with retirees contributing the remainder of the costs.

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Gains and losses resulting from actual experience differing from our assumptions, including the difference between the actual return on plan assets and the expected return on plan assets, and from changes in our assumptions are determined at each measurement date. If this net accumulated gain or loss exceeds 10% of the greater of the market-related value of plan assets or plan liabilities, a portion of the net gain or loss is included in expense for the following year based upon the average remaining service period of active plan participants, which is approximately 10 years for pension expense and approximately 8 years for retiree medical expense. The cost or benefit of plan changes that increase or decrease benefits for prior employee service (prior service cost/(credit)) is included in earnings on a straight-line basis over the average remaining service period of active plan participants.

In connection with our acquisitions of PBG and PAS, we assumed sponsorship of pension and retiree medical plans that provide benefits to certain U.S. and international employees. Subsequently, during the third quarter of 2010, we merged the pension plan assets of the legacy PBG and PAS U.S. pension plans with those of PepsiCo into one master trust.

During 2010, the Compensation Committee of PepsiCo s Board of Directors approved certain changes to the U.S. pension and retiree medical plans, effective January 1, 2011. Pension plan design changes included implementing a new employer contribution to the 401(k) savings plan for all future salaried new hires of the Company, as salaried new hires are no longer eligible to participate in the defined benefit pension plan, as well as implementing a new defined benefit pension formula for certain hourly new hires of the Company. Pension plan design changes also included implementing a new employer contribution to the 401(k) savings plan for certain legacy PBG and PAS salaried employees (as such employees are also not eligible to participate in the defined benefit pension plan), as well as implementing a new defined benefit pension formula for certain legacy PBG and PAS hourly employees. The retiree medical plan design change included phasing out Company subsidies of retiree medical benefits.

As a result of these changes, we remeasured our pension and retiree medical expenses and liabilities in the third quarter of 2010, which resulted in a one-time pre-tax curtailment gain of $62 million included in retiree medical expenses.

The provisions of both the PPACA and the Health Care and Education Reconciliation Act are reflected in our retiree medical expenses and liabilities and were not material to our financial statements.

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Selected financial information for our pension and retiree medical plans is as follows:

	Pension				Retiree Medical	
	U.S.		International			
	2011	2010	**2011**	2010	**2011**	2010
Change in projected benefit liability						
Liability at beginning of year	**$ 9,851**	$ 6,606	**$ 2,142**	$ 1,709	**$ 1,770**	$ 1,359
Acquisitions/(divestitures)	**11**	2,161	**(63)**	90		396
Service cost	**350**	299	**95**	81	**51**	54
Interest cost	**547**	506	**117**	106	**88**	93
Plan amendments	**21**	28	**(16)**		**3**	(132)
Participant contributions			**3**	3		
Experience loss/(gain)	**1,484**	583	**224**	213	**(239)**	95
Benefit payments	**(414)**	(375)	**(69)**	(69)	**(110)**	(100)
Settlement/curtailment gain	**(20)**	(2)	**(15)**	(3)		
Special termination benefits	**71**	45	**1**	3	**1**	3
Foreign currency adjustment			**(41)**	(18)	**(1)**	2
Other			**3**	27		
Liability at end of year	**$ 11,901**	$ 9,851	**$ 2,381**	$ 2,142	**$ 1,563**	$ 1,770
Change in fair value of plan assets						
Fair value at beginning of year	**$ 8,870**	$ 5,420	**$ 1,896**	$ 1,561	**$ 190**	$ 13
Acquisitions/(divestitures)	**11**	1,633	**(1)**	52		
Actual return on plan assets	**542**	943	**79**	164		7
Employer contributions/funding	**63**	1,249	**176**	215	**110**	270
Participant contributions			**3**	3		
Benefit payments	**(414)**	(375)	**(69)**	(69)	**(110)**	(100)
Settlement			**(30)**	(2)		
Foreign currency adjustment			**(23)**	(28)		
Fair value at end of year	**$ 9,072**	$ 8,870	**$ 2,031**	$ 1,896	**$ 190**	$ 190
Funded status	**$ (2,829)**	$ (981)	**$ (350)**	$ (246)	**$ (1,373)**	$ (1,580)

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	Pension				Retiree Medical	
	U.S.		International			
	2011	2010	**2011**	2010	**2011**	2010
Amounts recognized						
Other assets	**$**	$ 47	**$ 55**	$ 66	**$**	$
Other current liabilities	**(91)**	(54)	**(1)**	(10)	**(124)**	(145)
Other liabilities	**(2,738)**	(974)	**(404)**	(302)	**(1,249)**	(1,435)
Net amount recognized	**$ (2,829)**	$ (981)	**$ (350)**	$ (246)	**$ (1,373)**	$ (1,580)
Amounts included in accumulated other comprehensive loss (pre-tax)						
Net loss	**$ 4,217**	$ 2,726	**$ 977**	$ 767	**$ 32**	$ 270
Prior service cost/(credit)	**122**	117	**(2)**	17	**(118)**	(150)
Total	**$ 4,339**	$ 2,843	**$ 975**	$ 784	**$ (86)**	$ 120
Components of the increase/(decrease) in net loss						
Change in discount rate	**$ 1,710**	$ 556	**$ 302**	$ 213	**$ 115**	$ 101
Employee-related assumption changes	**(140)**	4	**(51)**	(4)	**(125)**	8
Liability-related experience different from assumptions	**(85)**	43	**(27)**	5	**(210)**	(22)
Actual asset return different from expected return	**162**	(300)	**57**	(41)	**14**	(6)
Amortization of losses	**(147)**	(119)	**(55)**	(24)	**(12)**	(9)
Other, including foreign currency adjustments	**(9)**	(21)	**(16)**	(7)	**(20)**	8
Total	**$ 1,491**	$ 163	**$ 210**	$ 142	**$ (238)**	$ 80
Liability at end of year for service to date	**$ 11,205**	$ 9,163	**$ 1,921**	$ 1,743		

The components of benefit expense are as follows:

	Pension						Retiree Medical		
	U.S.			International					
	2011	2010	2009	**2011**	2010	2009	**2011**	2010	2009
Components of benefit expense									
Service cost	**$ 350**	$ 299	$ 238	**$ 95**	$ 81	$ 54	**$ 51**	$ 54	$ 44
Interest cost	**547**	506	373	**117**	106	82	**88**	93	82
Expected return on plan assets	**(704)**	(643)	(462)	**(136)**	(123)	(105)	**(14)**	(1)	
Amortization of prior service cost/(credit)	**14**	12	12	**2**	2	2	**(28)**	(22)	(17)
Amortization of net loss	**145**	119	110	**40**	24	9	**12**	9	11
	352	293	271	**118**	90	42	**109**	133	120
Settlement/curtailment (gain)/loss	**(8)**	(2)	(13)	**30**	1	3		(62)	
Special termination benefits	**71**	45		**1**	3		**1**	3	

Total	**$ 415**	$ 336	$ 258	**$ 149**	$ 94	$ 45	**$ 110**	$ 74	$ 120

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The estimated amounts to be amortized from accumulated other comprehensive loss into benefit expense in 2012 for our pension and retiree medical plans are as follows:

	Pension		Retiree Medical
	U.S.	International	
Net loss	$ 259	$ 52	$
Prior service cost/(credit)	17	1	(26)
Total	$ 276	$ 53	$ (26)

The following table provides the weighted-average assumptions used to determine projected benefit liability and benefit expense for our pension and retiree medical plans:

	Pension						Retiree Medical		
	U.S.			International					
	2011	2010	2009	**2011**	2010	2009	**2011**	2010	2009
Weighted-average assumptions									
Liability discount rate	**4.6%**	5.7%	6.1%	**4.8%**	5.5%	5.9%	**4.4%**	5.2%	6.1%
Expense discount rate	**5.7%**	6.0%	6.2%	**5.5%**	6.0%	6.3%	**5.2%**	5.8%	6.2%
Expected return on plan assets	**7.8%**	7.8%	7.8%	**6.7%**	7.1%	7.1%	**7.8%**	7.8%	
Liability rate of salary increases	**3.7%**	4.1%	4.4%	**4.1%**	4.1%	4.1%			
Expense rate of salary increases	**4.1%**	4.4%	4.4%	**4.1%**	4.1%	4.2%			

The following table provides selected information about plans with liability for service to date and total benefit liability in excess of plan assets:

	Pension				Retiree Medical	
	U.S.		International			
	2011	2010	**2011**	2010	**2011**	2010
Selected information for plans with liability for service to date in excess of plan assets						
Liability for service to date	**$ (11,205)**	$ (525)	**$ (471)**	$ (610)		
Fair value of plan assets	**$ 9,072**	$	**$ 344**	$ 474		
Selected information for plans with projected benefit liability in excess of plan assets						
Benefit liability	**$ (11,901)**	$ (5,806)	**$ (2,191)**	$ (1,949)	**$ (1,563)**	$ (1,770)
Fair value of plan assets	**$ 9,072**	$ 4,778	**$ 1,786**	$ 1,638	**$ 190**	$ 190

Of the total projected pension benefit liability at year-end 2011, $787 million relates to plans that we do not fund because the funding of such plans does not receive favorable tax treatment.

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Future Benefit Payments and Funding

Our estimated future benefit payments are as follows:

	2012	2013	2014	2015	2016	2017-21
Pension	$ 560	$ 560	$ 560	$ 600	$ 645	$ 4,050
Retiree medical[(a)]	$ 135	$ 135	$ 140	$ 145	$ 145	$ 730

(a) Expected future benefit payments for our retiree medical plans do not reflect any estimated subsidies expected to be received under the 2003 Medicare Act. Subsidies are expected to be approximately $13 million for each of the years from 2012 through 2016 and approximately $100 million in total for 2017 through 2021.

These future benefits to beneficiaries include payments from both funded and unfunded pension plans.

In 2012, we expect to make pension and retiree medical contributions of approximately $1.3 billion, with up to approximately $1 billion expected to be discretionary. Our net cash payments for retiree medical are estimated to be approximately $124 million in 2012.

Plan Assets

Pension

Our pension plan investment strategy includes the use of actively managed securities and is reviewed periodically in conjunction with plan liabilities, an evaluation of market conditions, tolerance for risk and cash requirements for benefit payments. Our investment objective is to ensure that funds are available to meet the plans benefit obligations when they become due. Our overall investment strategy is to prudently invest plan assets in a well-diversified portfolio of equity and high-quality debt securities to achieve our long-term return expectations. Our investment policy also permits the use of derivative instruments which are primarily used to reduce risk. Our expected long-term rate of return on U.S. plan assets is 7.8%. Our 2011 target investment allocation was 40% for U.S. equity, 20% for international equity and 40% for fixed income. For 2012, our target allocations are as follows: 40% for fixed income, 33% for U.S. equity, 22% for international equity and 5% for real estate. The change to the 2012 target asset allocations was made to increase diversification. Actual investment allocations may vary from our target investment allocations due to prevailing market conditions. We regularly review our actual investment allocations and periodically rebalance our investments to our target allocations.

The expected return on pension plan assets is based on our pension plan investment strategy, our expectations for long-term rates of return by asset class taking into account volatility and correlation among asset classes and our historical experience. We also review current levels of interest rates and inflation to assess the reasonableness of the long-term rates. We evaluate our expected return assumptions annually to ensure that they are reasonable. To calculate the expected return on pension plan assets, our market-related value of assets for fixed income is the actual fair value. For all other asset categories, we use a method that recognizes investment gains or losses (the difference between the expected and actual return based on the market-related value of assets) over a five-year period. This has the effect of reducing year-to-year volatility.

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Retiree Medical

In 2011 and 2010, we made non-discretionary contributions of $110 million and $100 million, respectively, to fund the payment of retiree medical claims. In 2010, we made a discretionary contribution of $170 million to fund future U.S. retiree medical plan benefits. This contribution was invested consistent with the allocation of existing assets in the U.S. pension plan.

Fair Value

The guidance on fair value measurements defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment.

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Plan assets measured at fair value as of fiscal year-end 2011 and 2010 are categorized consistently by level in both years, and are as follows:

	2011				2010
	Total	Level 1	Level 2	Level 3	Total
U.S. plan assets*					
Equity securities:					
U.S. common stock[(a)]	**$ 514**	$ 514	$	$	$ 304
U.S. commingled funds[(b)]	**3,003**		3,003		3,426
International common stock[(a)]	**1,089**	1,089			834
International commingled fund[(c)]	**776**		776		992
Preferred stock[(d)]	**19**		19		4
Fixed income securities:					
Government securities[(d)]	**1,032**		1,032		950
Corporate bonds[(d) (e)]	**2,653**		2,653		2,374
Mortgage-backed securities[(d)]	**24**		24		20
Other:					
Contracts with insurance companies[(f)]	**24**			24	28
Cash and cash equivalents	**78**	78			81
Sub-total U.S. plan assets	**9,212**	$ 1,681	$ 7,507	$ 24	9,013
Dividends and interest receivable	**50**				47
Total U.S. plan assets	**$ 9,262**				$ 9,060
International plan assets					
Equity securities:					
U.S. commingled funds[(b)]	**$ 246**	$	$ 246	$	$ 193
International commingled funds[(c)]	**729**		729		779
Fixed income securities:					
Government securities[(d)]	**171**		171		184
Corporate bonds[(d)]	**196**		196		152
Fixed income commingled funds[(g)]	**530**		530		393
Other:					
Contracts with insurance companies[(f)]	**30**			30	28
Currency commingled funds[(h)]	**52**		52		42
Other commingled fund[(i)]	**56**		56		
Cash and cash equivalents	**16**	16			120
Sub-total international plan assets	**2,026**	$ 16	$ 1,980	$ 30	1,891
Dividends and interest receivable	**5**				5
Total international plan assets	**$ 2,031**				$ 1,896

(a) Based on quoted market prices in active markets.

(b) Based on the fair value of the investments owned by these funds that track various U.S. large, mid-cap and small company indices. Includes one large-cap fund that represents 30% and 32%, respectively, of total U.S. plan assets for 2011 and 2010.

(c) Based on the fair value of the investments owned by these funds that track various non-U.S. equity indices.

(d) Based on quoted bid prices for comparable securities in the marketplace and broker/dealer quotes that are not observable.

(e) Corporate bonds of U.S.-based companies represent 24% and 22%, respectively, of total U.S. plan assets for 2011 and 2010.

(f) Based on the fair value of the contracts as determined by the insurance companies using inputs that are not observable.

(g) Based on the fair value of the investments owned by these funds that track various government and corporate bond indices.

(h) Based on the fair value of the investments owned by these funds. Includes managed hedge funds that invest primarily in derivatives to reduce currency exposure.

(i) Based on the fair value of the investments owned by this fund that tracks various indices.

* 2011 and 2010 amounts include $190 million of retiree medical plan assets that are restricted for purposes of providing health benefits for U.S. retirees and their beneficiaries.

Retiree Medical Cost Trend Rates

An average increase of 7% in the cost of covered retiree medical benefits is assumed for 2012. This average increase is then projected to decline gradually to 5% in 2020 and thereafter. These assumed health care cost trend rates have an impact on the retiree medical plan expense and liability. However, the cap on our share of retiree medical costs limits the impact. In addition, as of January 1, 2011, the Company started phasing out Company subsidies of retiree medical benefits. A 1-percentage-point change in the assumed health care trend rate would have the following effects:

	1% Increase	1% Decrease
2011 service and interest cost components	$ 4	$ (4)
2011 benefit liability	$ 39	$ (29)

Savings Plan

Certain U.S. employees are eligible to participate in 401(k) savings plans, which are voluntary defined contribution plans. The plans are designed to help employees accumulate additional savings for retirement, and we make Company matching contributions on a portion of eligible pay based on years of service.

In 2010, in connection with our acquisitions of PBG and PAS, we also made Company retirement contributions for certain employees on a portion of eligible pay based on years of service.

As of January 1, 2011, a new employer contribution to the 401(k) savings plan became effective for certain eligible legacy PBG and PAS salaried employees as well as all eligible salaried new hires of PepsiCo who are not eligible to participate in the defined benefit pension plan as a result of plan design changes approved during 2010. In 2011 and 2010, our total Company contributions were $144 million and $135 million, respectively.

As of February 2012, certain U.S. employees earning a benefit under one of our defined benefit pension plans will no longer be eligible for the Company matching contributions on their 401(k) contributions.

For additional unaudited information on our pension and retiree medical plans and related accounting policies and assumptions, see Our Critical Accounting Policies in Management s Discussion and Analysis of Financial Condition and Results of Operations.

Note 8 Related Party Transactions

On February 26, 2010, we completed our acquisitions of PBG and PAS, at which time we gained control over their operations and began to consolidate their results. See Notes 1 and 15. Prior to these acquisitions, PBG and PAS represented our most significant noncontrolled bottling affiliates. Sales to PBG in 2010 (prior to the acquisition date) represented less than 1% of our total net revenue in 2010 and 6% of our total net revenue in 2009.

PBG s and PAS s summarized income statements for 2009 are as follows:

	PBG	PAS
Net revenue	$ 13,219	$ 4,421
Gross profit	$ 5,840	$ 1,767
Operating income	$ 1,048	$ 381
Net income attributable to parent	$ 612	$ 181

Prior to the completion of our acquisitions of PBG and PAS on February 26, 2010, our significant related party transactions were primarily with PBG and PAS, as well as with other noncontrolled bottling affiliates. Related party transactions in 2011 are not material as we now consolidate PBG and PAS. All such transactions were settled on terms consistent with other trade receivables and payables. The transactions primarily consisted of (1) selling concentrate to these affiliates, which they use in the production of CSDs and non-carbonated beverages, (2) selling certain finished goods to these affiliates, (3) receiving royalties for the use of our trademarks for certain products and (4) paying these affiliates to act as our manufacturing and distribution agent for product associated with our national account fountain customers. Sales of concentrate and finished goods are reported net of bottler funding. For further unaudited information on these bottlers, see Our Customers in Management s Discussion and Analysis of Financial Condition and Results of Operations. These transactions with our bottling affiliates are reflected in our consolidated financial statements as follows:

	2010[(a)]	2009
Net revenue	$ 993	$ 3,922
Cost of sales	$ 116	$ 634
Selling, general and administrative expenses	$ 6	$ 24
Accounts and notes receivable	$ 27	
Accounts payable and other liabilities	$ 42	

(a) Includes transactions with PBG and PAS in 2010 prior to the date of acquisition. 2010 balance sheet information for PBG and PAS is not applicable as we consolidated their balance sheets at the date of acquisition.

We also coordinate, on an aggregate basis, the contract negotiations of sweeteners and other raw material requirements, including aluminum cans and plastic bottles and closures for certain of our independent bottlers. Once we have negotiated the contracts, the bottlers order and take delivery directly from the supplier and pay the suppliers directly. Consequently, these transactions are not reflected in our consolidated financial statements. As the contracting party, we could be liable to these suppliers in the event of any nonpayment by our bottlers, but we consider this exposure to be remote.

In addition, our joint ventures with Unilever (under the Lipton brand name) and Starbucks sell finished goods (ready-to-drink teas, coffees and water products) to our noncontrolled bottling affiliates. Consistent with accounting for equity method investments, our joint venture revenue is not included in our consolidated net revenue and therefore is not included in the above table.

In 2010, we repurchased $357 million (5.5 million shares) of PepsiCo stock from the Master Trust which holds assets of PepsiCo s U.S. qualified pension plans at market value.

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Note 9 Debt Obligations and Commitments

	2011	2010
Short-term debt obligations		
Current maturities of long-term debt	**$ 2,549**	$ 1,626
Commercial paper (0.1% and 0.2%)	**2,973**	2,632
Other borrowings (7.6% and 5.3%)	**683**	640
	$ 6,205	$ 4,898
Long-term debt obligations		
Notes due 2011 (4.4%)	**$**	$ 1,513
Notes due 2012 (3.0% and 3.1%)	**2,353**	2,437
Notes due 2013 (2.3% and 3.0%)	**2,841**	2,110
Notes due 2014 (4.6% and 5.3%)	**3,335**	2,888
Notes due 2015 (2.3% and 2.6%)	**1,632**	1,617
Notes due 2016 (3.9% and 5.5%)	**1,876**	875
Notes due 2017-2040 (4.8% and 4.9%)	**10,806**	9,953
Other, due 2012-2020 (9.9% and 9.8%)	**274**	232
	23,117	21,625
Less: current maturities of long-term debt obligations	**(2,549)**	(1,626)
Total	**$ 20,568**	$ 19,999

The interest rates in the above table reflect weighted-average rates at year-end.

In the second quarter of 2011, we issued:

$750 million of floating rate notes maturing in 2013, which bear interest at a rate equal to the three-month London Inter-Bank Offered Rate (LIBOR) plus 8 basis points; and

$1.0 billion of 2.500% senior notes maturing in 2016.

In the third quarter of 2011, we issued:

$500 million of 0.800% senior notes maturing in 2014; and

$750 million of 3.000% senior notes maturing in 2021.

The net proceeds from the issuances of all the above notes were used for general corporate purposes.

In the third quarter of 2011, we entered into a new four-year unsecured revolving credit agreement (Four-Year Credit Agreement) which expires in June 2015. Effective August 8, 2011, commitments under this agreement were increased to enable us to borrow up to $2.925 billion, subject to customary terms and conditions. We may request that commitments under this agreement be increased up to $3.5 billion. Additionally, we may, once a year, request renewal of the agreement for an additional one-year period.

Also, in the third quarter of 2011, we entered into a new 364-day unsecured revolving credit agreement (364-Day Credit Agreement) which expires in June 2012. Effective August 8, 2011, commitments under this agreement were increased to enable us to borrow up to $2.925 billion, subject to customary terms and conditions. We may request that commitments under this agreement be increased up to $3.5 billion. We may request renewal of this facility for an additional 364-day period or convert any amounts outstanding into a term loan for a period of up to one year, which would mature no later than June 2013.

The Four-Year Credit Agreement and the 364-Day Credit Agreement, together replaced our $2 billion unsecured revolving credit agreement, our $2.575 billion 364-day unsecured revolving credit agreement and our $1.080 billion amended PBG credit facility. Funds borrowed under the Four-Year Credit Agreement and the 364-Day Credit Agreement may be used for general corporate purposes, including but not limited to repayment of outstanding commercial paper issued by us and our subsidiaries, working capital, capital investments and/or acquisitions.

In the third quarter of 2011, we paid $784 million in a cash tender offer to repurchase $766 million (aggregate principal amount) of certain WBD debt obligations. As a result of this debt repurchase, we recorded a $16 million charge to interest expense (included in merger and integration charges) in the third quarter, primarily representing the premium paid in the tender offer.

In addition, as of December 31, 2011, $848 million of our debt related to borrowings from various lines of credit that are primarily maintained for our international divisions. These lines of credit are subject to normal banking terms and conditions and are fully committed at least to the extent of our borrowings.

Long-Term Contractual Commitments[(a)]

	Payments Due by Period				
	Total	2012	2013 2014	2015 2016	2017 and beyond
Long-term debt obligations[(b)]	$ 19,738	$	$ 6,084	$ 3,451	$ 10,203
Interest on debt obligations[(c)]	7,445	852	1,394	1,091	4,108
Operating leases	1,825	423	598	337	467
Purchasing commitments	2,434	1,113	957	302	62
Marketing commitments	2,519	240	589	535	1,155
	$ 33,961	$ 2,628	$ 9,622	$ 5,716	$ 15,995

(a) Reflects non-cancelable commitments as of December 31, 2011 based on year-end foreign exchange rates and excludes any reserves for uncertain tax positions as we are unable to reasonably predict the ultimate amount or timing of settlement.

(b) Excludes $2,549 million related to current maturities of long-term debt, $470 million related to the fair value step-up of debt acquired in connection with our acquisitions of PBG and PAS and $360 million related to the increase in carrying value of long-term debt representing the gains on our fair value interest rate swaps.

(c) Interest payments on floating-rate debt are estimated using interest rates effective as of December 31, 2011.

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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 sugar and other sweeteners, packaging materials, 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 Note 7 for additional information regarding our pension and retiree medical obligations.

Off-Balance-Sheet Arrangements

It is not our business practice to enter into off-balance-sheet arrangements, other than in the normal course of business. See Note 8 regarding contracts related to certain of our bottlers.

See Our Liquidity and Capital Resources in Management s Discussion and Analysis of Financial Condition and Results of Operations for further unaudited information on our borrowings.

Note 10 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 risks, and
- interest rates.

In the normal course of business, we manage these risks through a variety of strategies, including 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. 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 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.

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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. We classify both the earnings and cash flow impact from these derivatives consistent with the underlying hedged item. During the next 12 months, we expect to reclassify net losses of $59 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 $598 million as of December 31, 2011 and $590 million as of December 25, 2010. Ineffectiveness for our commodity hedges is not material.

Our open commodity derivative contracts that do not qualify for hedge accounting had a face value of $630 million as of December 31, 2011 and $266 million as of December 25, 2010.

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.

Our operations outside of the U.S. generate approximately 50% of our net revenue, with Russia, Mexico, Canada and the United Kingdom comprising approximately 23% of our net revenue. As a result, we are exposed to foreign currency risks. We also 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 $2.3 billion as of December 31, 2011 and $1.7 billion as of December 25, 2010. During the next 12 months, we expect to reclassify net gains of $20 million related to foreign currency contracts that qualify for hedge accounting from accumulated other comprehensive loss into net income. Additionally, ineffectiveness for our foreign currency hedges 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.

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 December 31, 2011 and December 25, 2010 were $8.33 billion and $9.23 billion, respectively. For those interest rate derivative instruments that qualify for cash flow hedge accounting, any ineffectiveness is recorded immediately. Ineffectiveness for our interest rate hedges is not material. We classify both the earnings and cash flow impact from these interest rate derivative instruments consistent with the underlying hedged item. During the next 12 months, we expect to reclassify net losses of $16 million related to these hedges from accumulated other comprehensive loss into net income.

As of December 31, 2011, approximately 38% of total debt, after the impact of the related interest rate derivative instruments, was exposed to variable rates, compared to 43% as of December 25, 2010.

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Fair Value Measurements

The fair values of our financial assets and liabilities as of December 31, 2011 and December 25, 2010 are categorized as follows:

	2011		2010	
	Assets[(a)]	**Liabilities[(a)]**	Assets[(a)]	Liabilities[(a)]
Available-for-sale securities[(b)]	**$ 59**	**$**	$ 636	$
Short-term investments index funds[(c)]	**$ 157**	**$**	$ 167	$
Prepaid forward contracts[(d)]	**$ 40**	**$**	$ 48	$
Deferred compensation[(e)]	**$**	**$ 519**	$	$ 559
Derivatives designated as fair value hedging instruments:				
Interest rate derivatives[(f)]	**$ 300**	**$**	$ 276	$ 7
Derivatives designated as cash flow hedging instruments:				
Forward exchange contracts[(g)]	**$ 25**	**$ 5**	$ 8	$ 23
Interest rate derivatives[(f)]		**69**	8	5
Commodity contracts other[(h)]	**3**	**77**	70	2
Commodity contracts futures[(i)]		**1**	1	23
	$ 28	**$ 152**	$ 87	$ 53
Derivatives not designated as hedging instruments:				
Forward exchange contracts[(g)]	**$ 17**	**$ 20**	$ 1	$ 7
Interest rate derivatives[(f)]	**107**	**141**	6	45
Commodity contracts other[(h)]	**10**	**51**	28	1
Commodity contracts futures[(i)]		**11**		1
	$ 134	**$ 223**	$ 35	$ 54
Total derivatives at fair value	**$ 462**	**$ 375**	$ 398	$ 114
Total	**$ 718**	**$ 894**	$ 1,249	$ 673

(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, which are classified as 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 December 31, 2011 and December 25, 2010, $44 million and $170 million, respectively, are categorized as Level 1 liabilities. The remaining balances are categorized as Level 2 liabilities.

(f) Based on LIBOR and recently reported transactions in the marketplace.

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

(h) Based on recently reported transactions in the marketplace, primarily swap arrangements.

(i) Based on average prices on futures exchanges. Categorized as a Level 1 asset or liability.

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

	Fair Value/Non-designated Hedges		Cash Flow Hedges			
	Losses/(Gains) Recognized in Income Statement[a]		(Gains)/Losses Recognized in Accumulated Other Comprehensive Loss		Losses/(Gains) Reclassified from Accumulated Other Comprehensive Loss into Income Statement[b]	
	2011	2010	**2011**	2010	**2011**	2010
Forward exchange contracts	**$ 14**	$ 6	**$ (9)**	$ 26	**$ 26**	$ 40
Interest rate derivatives	**(113)**	(104)	**84**	75	**15**	7
Commodity contracts	**25**	(30)	**51**	(32)	**(36)**	28
Total	**$ (74)**	$ (128)	**$ 126**	$ 69	**$ 5**	$ 75

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

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

The carrying amounts of our cash and cash equivalents and short-term investments approximate fair value due to the short-term maturity. Short-term investments consist principally of short-term time deposits and index funds used to manage a portion of market risk arising from our deferred compensation liability. The fair value of our debt obligations as of December 31, 2011 and December 25, 2010 was $29.8 billion and $25.9 billion, respectively, based upon prices of similar instruments in the marketplace.

Note 11 Net Income Attributable to PepsiCo per Common Share

Basic net income attributable to PepsiCo per common share is net income available for PepsiCo common shareholders divided by the weighted average of common shares outstanding during the period. Diluted net income attributable to PepsiCo per common share is calculated using the weighted average of common shares outstanding adjusted to include the effect that would occur if in-the-money employee stock options were exercised and RSUs and preferred shares were converted into common shares. Options to purchase 25.9 million shares in 2011, 24.4 million shares in 2010 and 39.0 million shares in 2009 were not included in the calculation of diluted earnings per common share because these options were out-of-the-money. Out-of-the-money options had average exercise prices of $66.99 in 2011, $67.26 in 2010 and $61.52 in 2009.

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

	2011		2010		2009	
	Income	**Shares[(a)]**	Income	Shares[(a)]	Income	Shares[(a)]
Net income attributable to PepsiCo	**$ 6,443**		$ 6,320		$ 5,946	
Preferred shares:						
Dividends	**(1)**		(1)		(1)	
Redemption premium	**(6)**		(5)		(5)	
Net income available for PepsiCo common shareholders	**$ 6,436**	**1,576**	$ 6,314	1,590	$ 5,940	1,558
Basic net income attributable to PepsiCo per common share	**$ 4.08**		$ 3.97		$ 3.81	
Net income available for PepsiCo common shareholders	**$ 6,436**	**1,576**	$ 6,314	1,590	$ 5,940	1,558
Dilutive securities:						
Stock options and RSUs		**20**		23		17
ESOP convertible preferred stock	**7**	**1**	6	1	6	2
Diluted	**$ 6,443**	**1,597**	$ 6,320	1,614	$ 5,946	1,577
Diluted net income attributable to PepsiCo per common share	**$ 4.03**		$ 3.91		$ 3.77	

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

Note 12 Preferred Stock

As of December 31, 2011 and December 25, 2010, there were 3 million shares of convertible preferred stock authorized. The preferred stock was issued for an ESOP established by Quaker and these shares are redeemable for common stock by the ESOP participants. The preferred stock accrues dividends at an annual rate of $5.46 per share. At year-end 2011 and 2010, there were 803,953 preferred shares issued and 206,653 and 227,653 shares outstanding, respectively. The outstanding preferred shares had a fair value of $68 million as of December 31, 2011 and $74 million as of December 25, 2010. Each share is convertible at the option of the holder into 4.9625 shares of common stock. The preferred shares may be called by us upon written notice at $78 per share plus accrued and unpaid dividends. Quaker made the final award to its ESOP plan in June 2001.

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	2011		2010		2009	
	Shares[(a)]	Amount	Shares[(a)]	Amount	Shares[(a)]	Amount
Preferred stock	**0.8**	**$ 41**	0.8	$ 41	0.8	$ 41
Repurchased preferred stock						
Balance, beginning of year	**0.6**	**$ 150**	0.6	$ 145	0.5	$ 138
Redemptions		**7**		5	0.1	7
Balance, end of year	**0.6**	**$ 157**	0.6	$ 150	0.6	$ 145

(a) In millions.

Note 13 Accumulated Other Comprehensive Loss Attributable to PepsiCo

Comprehensive income is a measure of income which includes both net income and other comprehensive income or loss. Other comprehensive income or loss results from items deferred from recognition into our income statement. Accumulated other comprehensive income or loss is separately presented on our balance sheet as part of common shareholders equity. Other comprehensive (loss)/income attributable to PepsiCo was $(2,599) million in 2011, $164 million in 2010 and $900 million in 2009. The accumulated balances for each component of other comprehensive loss attributable to PepsiCo were as follows:

	2011	2010	2009
Currency translation adjustment	**$ (2,688)**	$ (1,159)	$ (1,471)
Cash flow hedges, net of tax[(a)]	**(169)**	(100)	(42)
Unamortized pension and retiree medical, net of tax[(b)]	**(3,419)**	(2,442)	(2,328)
Unrealized gain on securities, net of tax	**62**	70	47
Other	**(15)**	1	
Accumulated other comprehensive loss attributable to PepsiCo	**$ (6,229)**	$ (3,630)	$ (3,794)

(a) Includes $23 million after-tax gain in 2009 for our share of our equity investees accumulated derivative activity.

(b) Net of taxes of $1,831 million in 2011, $1,322 million in 2010 and $1,211 million in 2009.

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Note 14 Supplemental Financial Information

	2011	2010	2009
Accounts receivable			
Trade receivables	**$ 6,036**	$ 5,514	
Other receivables	**1,033**	953	
	7,069	6,467	
Allowance, beginning of year	**144**	90	$ 70
Net amounts charged to expense	**30**	12	40
Deductions [a]	**(41)**	(37)	(21)
Other [b]	**24**	79	1
Allowance, end of year	**157**	144	$ 90
Net receivables	**$ 6,912**	$ 6,323	
Inventories [c]			
Raw materials	**$ 1,883**	$ 1,654	
Work-in-process	**207**	128	
Finished goods	**1,737**	1,590	
	$ 3,827	$ 3,372	

(a) Includes accounts written off.

(b) Includes adjustments related to acquisitions, currency translation effects and other adjustments.

(c) Inventories are valued at the lower of cost or market. Cost is determined using the average, first-in, first-out (FIFO) or last-in, first-out (LIFO) methods. Approximately 3% in 2011 and 8% in 2010 of the inventory cost was computed using the LIFO method. The differences between LIFO and FIFO methods of valuing these inventories were not material.

	2011	2010
Other assets		
Noncurrent notes and accounts receivable	**$ 159**	$ 165
Deferred marketplace spending	**186**	203
Pension plans	**65**	121

Other investments	**89**	653
Other	**522**	547
	$ 1,021	$ 1,689
Accounts payable and other current liabilities		
Accounts payable	**$ 4,083**	$ 3,865
Accrued marketplace spending	**1,915**	1,841
Accrued compensation and benefits	**1,771**	1,779
Dividends payable	**813**	766
Other current liabilities	**3,175**	2,672
	$ 11,757	$ 10,923

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	2011	2010	2009
Other supplemental information			
Rent expense	$ 589	$ 526	$ 412
Interest paid	$ 1,039	$ 1,043	$ 456
Income taxes paid, net of refunds	$ 2,218	$ 1,495	$ 1,498

Note 15 Acquisitions

PBG and PAS

On February 26, 2010, we acquired PBG and PAS to create a more fully integrated supply chain and go-to-market business model, improving the effectiveness and efficiency of the distribution of our brands and enhancing our revenue growth. The total purchase price was approximately $12.6 billion, which included $8.3 billion of cash and equity and the fair value of our previously held equity interests in PBG and PAS of $4.3 billion. The acquisitions were accounted for as business combinations, and, accordingly, the identifiable assets acquired and liabilities assumed were recorded at their estimated fair values at the date of acquisition. 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 25, 2010.

The following table presents unaudited consolidated pro forma financial information as if the closing of our acquisitions of PBG and PAS had occurred on December 27, 2009 for purposes of the financial information presented for the year ended December 25, 2010; and as if the closing of our acquisitions of PBG and PAS had occurred on December 28, 2008 for purposes of the financial information presented for the year ended December 26, 2009.

	2010	2009
Net Revenue	$ 59,582	$ 57,471
Net Income Attributable to PepsiCo	$ 5,856	$ 6,752
Net Income Attributable to PepsiCo per Common Share Diluted	$ 3.60	$ 4.09

The unaudited consolidated pro forma financial information was prepared in accordance with the acquisition method of accounting under existing standards, and the regulations of the U.S.

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Securities and Exchange Commission, and is not necessarily indicative of the results of operations that would have occurred if our acquisitions of PBG and PAS had been completed on the date indicated, nor is it indicative of the future operating results of PepsiCo.

The historical unaudited consolidated financial information has been adjusted to give effect to pro forma events that are (1) directly attributable to the acquisitions, (2) factually supportable, and (3) expected to have a continuing impact on the combined results of PepsiCo, PBG and PAS.

The unaudited pro forma results have been adjusted with respect to certain aspects of our acquisitions of PBG and PAS to reflect:

- the consummation of the acquisitions;
- consolidation of PBG and PAS which are now owned 100% by PepsiCo and the corresponding gain resulting from the remeasurement of our previously held equity interests in PBG and PAS;
- the elimination of related party transactions between PepsiCo and PBG, and PepsiCo and PAS;
- changes in assets and liabilities to record their acquisition date fair values and changes in certain expenses resulting therefrom; and
- additional indebtedness, including, but not limited to, debt issuance costs and interest expense, incurred in connection with the acquisitions.

The unaudited pro forma results do not reflect future events that either have occurred or may occur after the acquisitions, including, but not limited to, the anticipated realization of ongoing savings from operating synergies in subsequent periods. They also do not give effect to certain one-time charges we expect to incur in connection with the acquisitions, including, but not limited to, charges that are expected to achieve ongoing cost savings and synergies.

WBD

On February 3, 2011, we acquired the ordinary shares, including shares underlying ADSs 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.

The following table summarizes the fair value of identifiable assets acquired and liabilities assumed in the acquisition of WBD and the resulting goodwill as of the acquisition date:

Fair value of total consideration transferred	
Payment in cash, for the approximately 66% of outstanding ordinary shares of WBD on February 3, 2011, including shares underlying ADSs and GDSs (or $2,428, net of cash and cash equivalents acquired)	$ 3,827
Fair value of our previously held equity interest in WBD prior to the acquisition	644
Total	$ 4,471
Acquisition date fair value of identifiable assets acquired and liabilities assumed	
Inventories	$ 314
Property, plant and equipment	813
Amortizable intangible assets, primarily customer relationships	46
Nonamortizable intangible assets, primarily brands and tradename	3,114
Other current assets and liabilities[(a)]	1,244
Debt obligations	(1,114)
Other noncurrent assets and liabilities	(31)
Deferred income taxes	(665)
Total identifiable net assets	3,721
Fair value of noncontrolling interest in WBD	(1,349)
Goodwill	2,099
Total	$ 4,471

(a) Includes cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable and other current liabilities.

Goodwill is calculated as the excess of the aggregate of the fair value of the consideration transferred, any noncontrolling interest and any previously held equity interest in the acquiree over the fair value of the net assets recognized. The goodwill recorded as part of the acquisition of WBD primarily reflects the value of adding economies of scale from our existing manufacturing and procurement operations in Russia and synergies expected to arise from our combined brand portfolios in the nutrition and other categories, as well as any intangible assets that do not qualify for separate recognition. Goodwill is not amortizable or deductible for tax purposes. All of the goodwill is recorded in our Europe segment.

Under the guidance on accounting for business combinations, merger and integration costs are not included as components of consideration transferred but are accounted for as expenses in the period in which the costs are incurred. See Note 3 for details on the expenses incurred during 2011 and 2010.

On March 10, 2011, we commenced our 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.

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Management s Responsibility for Financial Reporting

To Our Shareholders:

At PepsiCo, our actions the actions of all our associates are governed by our Worldwide Code of Conduct. This Code is clearly aligned with our stated values a commitment to sustained growth, through empowered people, operating with responsibility and building trust. Both the Code and our core values enable us to operate with integrity both within the letter and the spirit of the law. Our Code of Conduct is reinforced consistently at all levels and in all countries. We have maintained strong governance policies and practices for many years.

The management of PepsiCo is responsible for the objectivity and integrity of our consolidated financial statements. The Audit Committee of the Board of Directors has engaged independent registered public accounting firm, KPMG LLP, to audit our consolidated financial statements, and they have expressed an unqualified opinion.

We are committed to providing timely, accurate and understandable information to investors. Our commitment encompasses the following:

Maintaining strong controls over financial reporting. Our system of internal control is based on the control criteria framework of the Committee of Sponsoring Organizations of the Treadway Commission published in their report titled *Internal Control Integrated Framework*. The system is designed to provide reasonable assurance that transactions are executed as authorized and accurately recorded; that assets are safeguarded; and that accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with accounting principles generally accepted in the U.S. We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the specified time periods. We monitor these internal controls through self-assessments and an ongoing program of internal audits. Our internal controls are reinforced through our Worldwide Code of Conduct, which sets forth our commitment to conduct business with integrity, and within both the letter and the spirit of the law.

Exerting rigorous oversight of the business. We continuously review our business results and strategies. This encompasses financial discipline in our strategic and daily business decisions. Our Executive Committee is actively involved from understanding strategies and alternatives to reviewing key initiatives and financial performance. The intent is to ensure we remain objective in our assessments, constructively challenge our approach to potential business opportunities and issues, and monitor results and controls.

Engaging strong and effective Corporate Governance from our Board of Directors. We have an active, capable and diligent Board that meets the required standards for independence, and we welcome the Board s oversight as a representative of our shareholders. Our Audit Committee is comprised of independent directors with the financial literacy, knowledge and experience to provide appropriate oversight. We review our critical accounting policies, financial reporting and internal control matters with them and encourage their direct communication with KPMG LLP, with our General Auditor, and with our General Counsel. We also have a Compliance Department, led by our Chief Compliance Officer, to coordinate our compliance policies and practices.

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Providing investors with financial results that are complete, transparent and understandable. The consolidated financial statements and financial information included in this report are the responsibility of management. This includes preparing the financial statements in accordance with accounting principles generally accepted in the U.S., which require estimates based on management s best judgment.

PepsiCo has a strong history of doing what s right. We realize that great companies are built on trust, strong ethical standards and principles. Our financial results are delivered from that culture of accountability, and we take responsibility for the quality and accuracy of our financial reporting.

February 27, 2012

/S/ MARIE T. GALLAGHER
Marie T. Gallagher
Senior Vice President and Controller

/S/ HUGH F. JOHNSTON
Hugh F. Johnston
Chief Financial Officer

/S/ INDRA K. NOOYI
Indra K. Nooyi
Chairman of the Board of Directors and

Chief Executive Officer

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

PepsiCo, Inc.:

We have audited the accompanying Consolidated Balance Sheets of PepsiCo, Inc. and subsidiaries (PepsiCo, Inc. or the Company) as of December 31, 2011 and December 25, 2010, and the related Consolidated Statements of Income, Cash Flows and Equity for each of the fiscal years in the three-year period ended December 31, 2011. We also have audited PepsiCo, Inc. s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). PepsiCo, Inc. s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PepsiCo, Inc. as of December 31, 2011 and December 25, 2010, and the results of its operations and its cash flows for each of the fiscal years in the three-year period ended December 31, 2011, in conformity with

U.S. generally accepted accounting principles. Also in our opinion, PepsiCo, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control Integrated Framework issued by COSO.

The scope of management s assessment of the effectiveness of internal control over financial reporting excluded the internal control over financial reporting of Wimm-Bill-Dann Foods OJSC and its subsidiaries (WBD), which the Company acquired in February 2011. WBD represented 9% of the Company s consolidated total assets and 4% of the Company s consolidated net revenues as of and for the year ended December 31, 2011. Our audit of internal control over financial reporting of PepsiCo, Inc. also excluded an evaluation of the internal control over financial reporting of WBD.

/s/ KPMG LLP

New York, New York

February 27, 2012

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Selected Financial Data

(in millions except per share amounts, unaudited)

	2011				2010			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenue	**$ 11,937**	**$ 16,827**	**$ 17,582**	**$ 20,158**	$ 9,368	$ 14,801	$ 15,514	$ 18,155
Gross profit	**$ 6,490**	**$ 8,864**	**$ 9,130**	**$ 10,427**	$ 4,905	$ 8,056	$ 8,506	$ 9,796
53rd week (a)				**$ (94)**				
Mark-to-market net impact (b)	**$ (31)**	**$ 9**	**$ 53**	**$ 71**	$ (46)	$ 4	$ (16)	$ (33)
Merger and integration charges (c)	**$ 55**	**$ 58**	**$ 61**	**$ 155**	$ 321	$ 155	$ 69	$ 263
Restructuring and impairment charges (d)				**$ 383**				
Gain on previously held equity interests (e)					$ (958)			
Inventory fair value adjustments (f)	**$ 34**	**$ 4**	**$ 3**	**$ 5**	$ 281	$ 76	$ 17	$ 24
Venezuela currency devaluation (g)					$ 120			
Asset write-off (h)					$ 145			
Foundation contribution (i)					$ 100			
Debt repurchase (j)								$ 178
Net income attributable to PepsiCo	**$ 1,143**	**$ 1,885**	**$ 2,000**	**$ 1,415**	$ 1,430	$ 1,603	$ 1,922	$ 1,365
Net income attributable to PepsiCo per common share basic	**$ 0.72**	**$ 1.19**	**$ 1.27**	**$ 0.90**	$ 0.90	$ 1.00	$ 1.21	$ 0.86
Net income attributable to PepsiCo per common share diluted	**$ 0.71**	**$ 1.17**	**$ 1.25**	**$ 0.89**	$ 0.89	$ 0.98	$ 1.19	$ 0.85
Cash dividends declared per common share	**$ 0.48**	**$ 0.515**	**$ 0.515**	**$ 0.515**	$ 0.45	$ 0.48	$ 0.48	$ 0.48
Stock price per share (k)								
High	**$ 67.46**	**$ 71.89**	**$ 70.75**	**$ 66.78**	$ 66.98	$ 67.61	$ 66.83	$ 68.11
Low	**$ 62.05**	**$ 63.50**	**$ 60.10**	**$ 58.50**	$ 58.75	$ 61.04	$ 60.32	$ 63.43
Close	**$ 63.24**	**$ 68.69**	**$ 63.30**	**$ 66.35**	$ 66.56	$ 63.56	$ 65.57	$ 65.69

(a) The 2011 fiscal year consisted of fifty-three weeks compared to fifty-two weeks in our normal fiscal year. The 53rd week increased 2011 net revenue by $623 million, gross profit by $358 million, pre-tax income by $94 million and net income attributable to PepsiCo by $64 million or $0.04 per share.

(b)

In 2011, we recognized $102 million ($71 million after-tax or $0.04 per share) of mark-to-market net losses on commodity hedges in corporate unallocated expenses. In 2010, we recognized $91 million ($58 million after-tax or $0.04 per share) of mark-to-market net gains on commodity hedges in corporate unallocated expenses.

(c) In 2011, we incurred merger and integration charges of $329 million related to our acquisitions of PBG, PAS and WBD. In total, these charges had an after-tax impact of $271 million or $0.17 per share. In 2010, we incurred merger and integration charges of $799 million related to our acquisitions of PBG and PAS, as well as advisory fees in connection with our acquisition of WBD. In addition, we recorded $9 million of merger-related charges, representing our share of the respective merger costs of PBG and PAS. In total, these charges had an after-tax impact of $648 million or $0.40 per share. See Note 3.

(d) Restructuring and impairment charges in 2011 were $383 million ($286 million after-tax or $0.18 per share). See Note 3.

(e) In 2010, in connection with our acquisitions of PBG and PAS, we recorded a gain on our previously held equity interests of $958 million ($0.60 per share), comprising $735 million which was non-taxable and recorded in bottling equity income and $223 million related to the reversal of deferred tax liabilities associated with these previously held equity interests. See Note 15.

(f) In 2011, we recorded $46 million ($28 million after-tax or $0.02 per share) of incremental costs related to fair value adjustments to the acquired inventory included in WBD s balance sheet at the acquisition date and hedging contracts included in PBG s and PAS s balance sheets at the acquisition date. In 2010, we recorded $398 million ($333 million after-tax or $0.21 per share) of incremental costs related to fair value adjustments to the acquired inventory and other related hedging contracts included in PBG s and PAS s balance sheets at the acquisition date.

(g) In 2010, we recorded a one-time $120 million net charge ($120 million after-tax or $0.07 per share) related to our change to hyperinflationary accounting for our Venezuelan businesses and the related devaluation of the bolivar.

(h) In 2010, we recorded a $145 million charge ($92 million after-tax or $0.06 per share) related to a change in scope of one release in our ongoing migration to SAP software.

(i) In 2010, we made a $100 million ($64 million after-tax or $0.04 per share) contribution to The PepsiCo Foundation Inc., in order to fund charitable and social programs over the next several years.

(j) In 2010, we paid $672 million in a cash tender offer to repurchase $500 million (aggregate principal amount) of our 7.90% senior unsecured notes maturing in 2018. As a result of this debt repurchase, we recorded a $178 million charge to interest expense ($114 million after-tax or $0.07 per share), primarily representing the premium paid in the tender offer.

(k) Represents the composite high and low sales price and quarterly closing prices for one share of PepsiCo common stock.

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Five-Year Summary

(unaudited)

		2011	2010	2009
Net revenue		**$ 66,504**	$ 57,838	$ 43,232
Net income attributable to PepsiCo		**$ 6,443**	$ 6,320	$ 5,946
Net income attributable to PepsiCo per common share	basic	**$ 4.08**	$ 3.97	$ 3.81
Net income attributable to PepsiCo per common share	diluted	**$ 4.03**	$ 3.91	$ 3.77
Cash dividends declared per common share		**$ 2.025**	$ 1.89	$ 1.775
Total assets		**$ 72,882**	$ 68,153	$ 39,848
Long-term debt		**$ 20,568**	$ 19,999	$ 7,400
Return on invested capital[(a)]		**14.3%**	17.0%	27.5%

		2008	2007
Net revenue		$ 43,251	$ 39,474
Net income attributable to PepsiCo		$ 5,142	$ 5,658
Net income attributable to PepsiCo per common share	basic	$ 3.26	$ 3.48
Net income attributable to PepsiCo per common share	diluted	$ 3.21	$ 3.41
Cash dividends declared per common share		$ 1.65	$ 1.425
Total assets		$ 35,994	$ 34,628
Long-term debt		$ 7,858	$ 4,203
Return on invested capital[(a)]		24.0%	29.9%

(a) Return on invested capital is defined as adjusted net income attributable to PepsiCo divided by the sum of average common shareholders equity and average total debt. Adjusted net income attributable to PepsiCo is defined as net income attributable to PepsiCo plus interest expense after-tax. Interest expense after-tax was $548 million in 2011, $578 million in 2010, $254 million in 2009, $210 million in 2008 and $143 million in 2007.

Includes restructuring and impairment charges of:

	2011	2009	2008	2007
Pre-tax	**$ 383**	$ 36	$ 543	$ 102
After-tax	**$ 286**	$ 29	$ 408	$ 70
Per share	**$ 0.18**	$ 0.02	$ 0.25	$ 0.04

Includes mark-to-market net losses/(gains) of:

	2011	2010	2009	2008	2007
Pre-tax	**$ 102**	$ (91)	$ (274)	$ 346	$ (19)
After-tax	**$ 71**	$ (58)	$ (173)	$ 223	$ (12)
Per share	**$ 0.04**	$ (0.04)	$ (0.11)	$ 0.14	$ (0.01)

The 2011 fiscal year consisted of fifty-three weeks compared to fifty-two weeks in our normal fiscal year. The 53rd week increased 2011 net revenue by $623 million and net income attributable to PepsiCo by $64 million or $0.04 per share.

In 2011, we incurred merger and integration charges of $329 million related to our acquisitions of PBG, PAS and WBD. In total, these costs had an after-tax impact of $271 million or $0.17 per share.

In 2011, we recorded $46 million ($28 million after-tax or $0.02 per share) of incremental costs related to fair value adjustments to the acquired inventory included in WBD s balance sheet at the acquisition date and hedging contracts included in PBG s and PAS s balance sheets at the acquisition date.

In 2010, we incurred merger and integration charges of $799 million related to our acquisitions of PBG and PAS, as well as advisory fees in connection with our acquisition of WBD. In addition, we recorded $9 million of merger-related charges, representing our share of the respective merger costs of PBG and PAS. In total, these costs had an after-tax impact of $648 million or $0.40 per share.

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In 2010, in connection with our acquisitions of PBG and PAS, we recorded a gain on our previously held equity interests of $958 million ($0.60 per share), comprising $735 million which was non-taxable and recorded in bottling equity income and $223 million related to the reversal of deferred tax liabilities associated with these previously held equity interests.

In 2010, we recorded $398 million ($333 million after-tax or $0.21 per share) of incremental costs related to fair value adjustments to the acquired inventory and other related hedging contracts included in PBG s and PAS s balance sheets at the acquisition date.

In 2010, we recorded a one-time $120 million net charge ($120 million after-tax or $0.07 per share) related to our change to hyperinflationary accounting for our Venezuelan businesses and the related devaluation of the bolivar.

In 2010, we recorded a $145 million charge ($92 million after-tax or $0.06 per share) related to a change in scope of one release in our ongoing migration to SAP software.

In 2010, we made a $100 million ($64 million after-tax or $0.04 per share) contribution to The PepsiCo Foundation Inc., in order to fund charitable and social programs over the next several years.

In 2010, we paid $672 million in a cash tender offer to repurchase $500 million (aggregate principal amount) of our 7.90% senior unsecured notes maturing in 2018. As a result of this debt repurchase, we recorded a $178 million charge to interest expense ($114 million after-tax or $0.07 per share), primarily representing the premium paid in the tender offer.

In 2009, we recognized $50 million of merger-related charges related to our acquisitions of PBG and PAS, as well as an additional $11 million of costs in bottling equity income representing our share of the respective merger costs of PBG and PAS. In total, these costs had an after-tax impact of $44 million or $0.03 per share.

In 2008, we recognized $138 million ($114 million after-tax or $0.07 per share) of our share of PBG s restructuring and impairment charges.

In 2007, we recognized $129 million ($0.08 per share) of non-cash tax benefits related to the favorable resolution of certain foreign tax matters.

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GLOSSARY

Acquisitions and divestitures: 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.

Bottler Case Sales (BCS): measure of physical beverage volume shipped to retailers and independent distributors from both PepsiCo and our independent bottlers.

Bottler funding: financial incentives we give to our independent bottlers to assist in the distribution and promotion of our beverage products.

Concentrate Shipments and Equivalents (CSE): measure of our physical beverage volume shipments to independent bottlers, retailers and independent distributors. This measure is reported on our fiscal year basis.

Constant currency: financial results assuming constant foreign currency exchange rates used for translation based on the rates in effect for the comparable prior-year period. In order to compute our constant currency results, we multiply or divide, as appropriate, our current year U.S. dollar results by the current year average foreign exchange rates and then multiply or divide, as appropriate, those amounts by the prior year average foreign exchange rates.

Consumers: people who eat and drink our products.

CSD: carbonated soft drinks.

Customers: authorized independent bottlers, distributors and retailers.

Derivatives: financial instruments, such as futures, swaps, Treasury locks, options and forward contracts that we use to manage our risk arising from changes in commodity prices, interest rates, foreign exchange rates and stock prices.

Direct-Store-Delivery (DSD): delivery system used by us and our independent bottlers to deliver snacks and beverages directly to retail stores where our products are merchandised.

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.

Hedge accounting: treatment for qualifying hedges that allows fluctuations in a hedging instrument s fair value to offset corresponding fluctuations in the hedged item in the same reporting period. Hedge accounting is allowed only in cases where the hedging relationship between the hedging instruments and hedged items is highly effective, and only prospectively from the date a hedging relationship is formally documented.

Independent bottlers: customers to whom we have granted exclusive contracts to sell and manufacture certain beverage products bearing our trademarks within a specific geographical area.

Management operating cash flow: net cash provided by operating activities less capital spending plus sales of property, plant and equipment. It is our primary measure used to monitor cash flow performance.

Mark-to-market net gain or loss or impact: the change in market value for commodity contracts that we purchase to mitigate the volatility in costs of energy and raw materials that we consume. The market value is determined based on average prices on national exchanges and recently reported transactions in the marketplace.

Marketplace spending: sales incentives offered through various programs to our customers and consumers (trade spending), as well as advertising and other marketing activities.

Servings: common metric reflecting our consolidated physical unit volume. Our divisions physical unit measures are converted into servings based on U.S. Food and Drug Administration guidelines for single-serving sizes of our products.

Transaction gains and losses: the impact on our consolidated financial statements of exchange rate changes arising from specific transactions.

Translation adjustment: the impact of converting our foreign affiliates financial statements into U.S. dollars for the purpose of consolidating our financial statements.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Included in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Our Business Risks.

Item 8. Financial Statements and Supplementary Data.

See Item 15. Exhibits and Financial Statement Schedules.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

(a) Disclosure 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 SEC 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.

(b) Management s Annual Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2011.

The scope of management s assessment of the effectiveness of our internal control over financial reporting included all of our consolidated operations except for the operations of Wimm-Bill-Dann Foods OJSC and its subsidiaries (WBD), which we acquired in February 2011. WBD s operations represented 9% of our consolidated total assets and 4% of our consolidated net revenues as of and for the year ended December 31, 2011.

Attestation Report of the Registered Public Accounting Firm. KPMG LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report on Form 10-K and, as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting.

(c) Changes in Internal Control over Financial Reporting. During our fourth fiscal quarter of 2011, 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. In connection with these implementations 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. Moreover, we are in the process of integrating WBD into our overall internal control over financial reporting processes.

Except as described above, there were no changes in our internal control over financial reporting during our fourth fiscal quarter of 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information about our directors and persons nominated to become directors is contained under the caption Election of Directors in our Proxy Statement for our 2012 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2011 (the 2012 Proxy Statement) and is incorporated herein by reference. Information about our executive officers is reported under the caption Executive Officers of the Registrant in Part I of this report.

Information on the beneficial ownership reporting for our directors and executive officers is contained under the caption Section 16(a) Beneficial Ownership Reporting Compliance in our 2012 Proxy Statement and is incorporated herein by reference.

We have a written code of conduct that applies to all of our employees, including our directors, Chairman of the Board and Chief Executive Officer, Chief Financial Officer and Controller. Our Worldwide Code of Conduct is distributed to all employees, is available on our website at http://www.pepsico.com and is included as Exhibit 14 to our 2010 Annual Report on Form 10-K. A copy of our Worldwide Code of Conduct may be obtained free of charge by writing to Investor Relations, PepsiCo, Inc., 700 Anderson Hill Road, Purchase, New York 10577. Any amendment to our Worldwide Code of Conduct and any waiver applicable to our executive officers or senior financial officers will be posted on our website within the time period required by the SEC and New York Stock Exchange.

Information about the procedures by which security holders may recommend nominees to our Board of Directors can be found in our 2012 Proxy Statement under the caption Corporate Governance at PepsiCo The Nominating and Corporate Governance Committee.

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Information concerning the composition of the Audit Committee and our Audit Committee financial experts is contained in our 2012 Proxy Statement under the captions Corporate Governance at PepsiCo Committees of the Board of Directors and Corporate Governance at PepsiCo The Audit Committee and is incorporated herein by reference.

Item 11. Executive Compensation.

Information about director and executive officer compensation, Compensation Committee interlocks and the Compensation Committee Report is contained in our 2012 Proxy Statement under the captions 2011 Director Compensation, Executive Compensation, and Corporate Governance at PepsiCo Compensation Committee Interlocks and Insider Participation, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information with respect to securities authorized for issuance under equity compensation plans can be found under the caption Securities Authorized for Issuance Under Equity Compensation Plans in our 2012 Proxy Statement and is incorporated herein by reference.

Information on the number of shares of PepsiCo Common Stock beneficially owned by each director and named executive officer and by all directors and executive officers as a group is contained under the caption Ownership of PepsiCo Common Stock by Directors and Executive Officers in our 2012 Proxy Statement and is incorporated herein by reference. As far as we know, no person beneficially owns more than 5% of the outstanding shares of PepsiCo Common or Convertible Preferred Stock.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information with respect to certain relationships and related transactions and director independence is contained under the captions Corporate Governance at PepsiCo Related Person Transactions and Corporate Governance at PepsiCo Director Independence in our 2012 Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

Information on our Audit Committee s pre-approval policy for audit services and information on our principal accountant fees and services is contained in our 2012 Proxy Statement under the caption Audit and Non-Audit Fees and is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)1. Financial Statements
The following consolidated financial statements of PepsiCo, Inc. and its affiliates are included herein by reference to the pages indicated on the index appearing in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations :

Consolidated Statement of Income Fiscal years ended December 31, 2011, December 25, 2010 and December 26, 2009.

Consolidated Statement of Cash Flows Fiscal years ended December 31, 2011, December 25, 2010 and December 26, 2009.

Consolidated Balance Sheet December 31, 2011 and December 25, 2010.

Consolidated Statement of Equity Fiscal years ended December 31, 2011, December 25, 2010 and December 26, 2009.

Notes to Consolidated Financial Statements, and

Report of Independent Registered Public Accounting Firm.

(a)2. Financial Statement Schedules
These schedules are omitted because they are not required or because the information is set forth in the financial statements or the notes thereto.

(a)3. Exhibits
See Index to Exhibits.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, PepsiCo has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 27, 2012

PepsiCo, Inc.

By: /s/ Indra K. Nooyi
Indra K. Nooyi
Chairman of the Board of Directors and

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of PepsiCo and in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
/s/ Indra K. Nooyi Indra K. Nooyi	Chairman of the Board of Directors and Chief Executive Officer	February 27, 2012
/s/ Hugh F. Johnston Hugh F. Johnston	Chief Financial Officer	February 27, 2012
/s/ Marie T. Gallagher Marie T. Gallagher	Senior Vice President and Controller (Principal Accounting Officer)	February 27, 2012
/s/ Shona L. Brown Shona L. Brown	Director	February 27, 2012
/s/ Ian M. Cook Ian M. Cook	Director	February 27, 2012
/s/ Dina Dublon Dina Dublon	Director	February 27, 2012
/s/ Victor J. Dzau Victor J. Dzau	Director	February 27, 2012

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/s/ Ray L. Hunt Ray L. Hunt	Director	February 27, 2012
/s/ Alberto Ibargüen Alberto Ibargüen	Director	February 27, 2012
/s/ Arthur C. Martinez Arthur C. Martinez	Director	February 27, 2012
/s/ Sharon Percy Rockefeller Sharon Percy Rockefeller	Director	February 27, 2012
/s/ James J. Schiro James J. Schiro	Director	February 27, 2012
/s/ Lloyd G. Trotter Lloyd G. Trotter	Director	February 27, 2012
/s/ Daniel Vasella Daniel Vasella	Director	February 27, 2012
/s/ Alberto Weisser Alberto Weisser	Director	February 27, 2012

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INDEX TO EXHIBITS

ITEM 15(a)(3)

The following is a list of the exhibits filed as part of this Form 10-K. The documents incorporated by reference are located in the SEC s Public Reference Room in Washington, D.C. in the SEC s file no. 1-1183.

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.
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.
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.
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.
3.2	By-laws of PepsiCo, Inc., as amended, effective as of July 14, 2011, 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 July 20, 2011.
4.1	PepsiCo, Inc. agrees to furnish to the SEC, upon request, a copy of any instrument defining the rights of holders of long-term debt of PepsiCo, Inc. and all of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed with the Securities and Exchange Commission.

4.2	Indenture dated May 21, 2007 between PepsiCo, Inc. and The Bank of New York, as trustee, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 25, 2007.
4.3	Form of 5.15% Senior Note due 2012, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 25, 2007.
4.4	Form of 4.65% Senior Note due 2013, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2007.
4.5	Form of 5.00% Senior Note due 2018, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 21, 2008.
4.6	Form of 7.90% Senior Note due 2018, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 24, 2008.
4.7	Form of 3.75% Senior Note due 2014, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 27, 2009.
4.8	Form of 3.10% Senior Note due 2015, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 13, 2010.
4.9	Form of 4.50% Senior Note due 2020, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 13, 2010.
4.10	Form of 5.50% Senior Note due 2040, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 13, 2010.
4.11	Form of 0.875% Senior Note due 2013, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2010.
4.12	Form of 3.125% Senior Note due 2020, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2010.
4.13	Form of 4.875% Senior Note due 2040, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2010.

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4.14	Board of Directors Resolutions Authorizing PepsiCo s Officers to Establish the Terms of the Floating Rate Note due 2011, 3.10% Senior Note due 2015, 4.50% Senior Note due 2020, 5.50% Senior Note due 2040, 0.875% Senior Note due 2013, 3.125% Senior Note due 2020 and 4.875% Senior Note due 2040, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo s Quarterly Report on Form 10-Q for the 24 weeks ended June 12, 2010.
4.15	Form of Floating Rate Note due 2013, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2011.
4.16	Form of 2.500% Senior Note due 2016, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2011.
4.17	Board of Directors Resolutions Authorizing PepsiCo s Officers to Establish the Terms of the Floating Rate Note due 2013, the 2.500% Senior Note due 2016, the 0.800% Senior Note due 2014 and the 3.000% Senior Note due 2021, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2011.
4.18	Form of 0.800% Senior Note due 2014, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 25, 2011.
4.19	Form of 3.000% Senior Note due 2021, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 25, 2011.
4.20	Indenture dated as of October 24, 2008 among PepsiCo, Bottling Group, LLC and The Bank of New York Mellon, as Trustee, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 24, 2008.
4.21	Form of PepsiCo Guarantee of 6.95% Senior Note due 2014 of Bottling Group, LLC, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 24, 2008.
4.22	First Supplemental Indenture, dated as of February 26, 2010, among Pepsi-Cola Metropolitan Bottling Company, Inc., The Pepsi Bottling Group, Inc., Bottling Group, LLC and The Bank of New York Mellon to the Indenture dated March 8, 1999 between The Pepsi Bottling Group, Inc., Bottling Group, LLC and The Chase Manhattan Bank, 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 March 1, 2010.

4.23	Indenture, dated as of March 8, 1999, by and among The Pepsi Bottling Group, Inc., as obligor, Bottling Group, LLC, as guarantor, and The Chase Manhattan Bank, as trustee, relating to $1,000,000,000 7% Series B Senior Note due 2029, which is incorporated herein by reference to Exhibit 10.14 to The Pepsi Bottling Group, Inc. s Registration Statement on Form S-1 (Registration No. 333-70291).
4.24	Second Supplemental Indenture, dated as of February 26, 2010, among Pepsi-Cola Metropolitan Bottling Company, Inc., PepsiAmericas, Inc. and The Bank New York Mellon Trust Company, N.A. to the Indenture dated as of January 15, 1993 between Whitman Corporation and The First National Bank of Chicago, as trustee, 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 March 1, 2010.
4.25	First Supplemental Indenture, dated as of May 20, 1999, including the Indenture dated as of January 15, 1993, between Whitman Corporation and The First National Bank of Chicago, as trustee, which is incorporated herein by reference to Exhibit 4.3 to Post-Effective Amendment No. 1 to PepsiAmericas, Inc. s Registration Statement on Form S-8 (Registration No. 333-64292) filed with the Securities and Exchange Commission on December 29, 2005.
4.26	Form of PepsiAmericas, Inc. 7.625% Note due 2015, which is incorporated herein by reference to Exhibit 4.6 to PepsiCo, Inc. s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.27	Form of PepsiAmericas, Inc. 7.29% Note due 2026, which is incorporated herein by reference to Exhibit 4.7 to PepsiCo, Inc. s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.28	Form of PepsiAmericas, Inc. 7.44% Note due 2026, which is incorporated herein by reference to Exhibit 4.8 to PepsiCo, Inc. s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.29	Form of PepsiAmericas, Inc. 4.50% Note due 2013, which is incorporated herein by reference to Exhibit 4.9 to PepsiCo, Inc. s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.30	First Supplemental Indenture, dated as of February 26, 2010, among Pepsi-Cola Metropolitan Bottling Company, Inc., PepsiAmericas, Inc. and Wells Fargo Bank, National Association to the Indenture dated as of August 15, 2003 between PepsiAmericas, Inc. and Wells Fargo Bank Minnesota, National Association, as trustee, 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 March 1, 2010.
4.31	Indenture dated as of August 15, 2003 between PepsiAmericas, Inc. and Wells Fargo Bank Minnesota, National Association, as trustee, which is incorporated herein by reference to Exhibit 4 to PepsiAmericas, Inc. s Registration Statement on Form S-3 (Registration No. 333-108164) filed with the Securities and Exchange Commission on August 22, 2003.

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4.32	Form of PepsiAmericas, Inc. 5.75% Note due 2012, which is incorporated herein by reference to Exhibit 4.1 to PepsiAmericas, Inc. s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 12, 2007.
4.33	Form of PepsiAmericas, Inc. 4.375% Note due 2014, which is incorporated herein by reference to Exhibit 4.1 to PepsiAmericas, Inc. s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 10, 2009.
4.34	Form of PepsiAmericas, Inc. 4.875% Note due 2015, which is incorporated herein by reference to Exhibit 4.15 to PepsiCo, Inc. s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.35	Form of PepsiAmericas, Inc. 5.00% Note due 2017, which is incorporated herein by reference to Exhibit 4.16 to PepsiCo, Inc. s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.36	Form of PepsiAmericas, Inc. 5.50% Note due 2035, which is incorporated herein by reference to Exhibit 4.17 to PepsiCo, Inc. s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.37	Indenture dated as of November 15, 2002 among Bottling Group, LLC, as obligor, PepsiCo, Inc., as guarantor, and JPMorgan Chase Bank, as trustee, relating to $1,000,000,000 4 5/8% Senior Note due November 15, 2012, which is incorporated herein by reference to Exhibit 4.8 to The Pepsi Bottling Group, Inc. s Annual Report on Form 10-K for the year ended December 28, 2002.
4.38	Indenture, dated as of June 10, 2003 by and between Bottling Group, LLC, as obligor, and JPMorgan Chase Bank, as trustee, relating to $250,000,000 4 1/8% Senior Note due June 15, 2015, which is incorporated herein by reference to Exhibit 4.1 to Bottling Group, LLC s registration statement on Form S-4 (Registration No. 333-106285).
4.39	Indenture, dated as of October 1, 2003, by and between Bottling Group, LLC, as obligor, and JPMorgan Chase Bank, as trustee, which is incorporated herein by reference to Exhibit 4.1 to Bottling Group, LLC s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 3, 2003.
4.40	Form of Bottling Group, LLC 5.00% Senior Note due November 15, 2013, which is incorporated herein by reference to Exhibit 4.1 to Bottling Group, LLC s Current Report on Form 8-K filed with the Securities and Exchange Commission on November 13, 2003.
4.41	Indenture, dated as of March 30, 2006, by and between Bottling Group, LLC, as obligor, and JPMorgan Chase Bank, N.A., as trustee, which is incorporated herein by reference to Exhibit 4.1 to The Pepsi Bottling Group, Inc. s Quarterly Report on Form 10-Q for the quarter ended March 25, 2006.

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4.42	Form of Bottling Group, LLC 5.50% Senior Note due April 1, 2016, which is incorporated herein by reference to Exhibit 4.2 to The Pepsi Bottling Group, Inc. s Quarterly Report on Form 10-Q for the quarter ended March 25, 2006.
4.43	Form of Bottling Group, LLC 6.95% Senior Note due March 15, 2014, which is incorporated herein by reference to Exhibit 4.2 to Bottling Group, LLC s Current Report on Form 8-K dated October 21, 2008.
4.44	Form of Bottling Group, LLC 5.125% Senior Note due January 15, 2019, which is incorporated herein by reference to Exhibit 4.1 to Bottling Group, LLC s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 20, 2009.
4.45	Form of PepsiCo Guarantee of Pepsi-Cola Metropolitan Bottling Company, Inc. s 7.00% due 2029, 7.625% Note due 2015, 7.29% Note due 2026, 7.44% Note due 2026, 4.50% Note due 2013, 5.75% Note due 2012, 4.375% Note due 2014, 4.875% Note due 2015, 5.00% Note due 2017, 5.50% Note due 2035 and Bottling Group, LLC s 5.00% Note due 2013, 4.125% Note due 2015, 5.50% Note due 2016 and 5.125% Note due 2019, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo s Current Report on Form 8-K dated October 5, 2010.
10.1	PepsiCo, Inc. 1994 Long-Term Incentive Plan, as amended and restated effective October 1, 1999, which is incorporated herein by reference to Exhibit 10.6 to PepsiCo s Annual Report on Form 10-K for the fiscal year ended December 25, 1999.*
10.2	PepsiCo Executive Income Deferral Program (Plan Document for the Pre-409A Program), amended and restated effective July 1, 1997, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo s Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*
10.3	PepsiCo SharePower Stock Option Plan, as amended and restated effective August 3, 2001, which is incorporated herein by reference to Exhibit 10.13 to PepsiCo s Annual Report on Form 10-K for the fiscal year ended December 28, 2002.*
10.4	PepsiCo, Inc. 1995 Stock Option Incentive Plan (as amended and restated effective August 2, 2001), which is incorporated herein by reference to Exhibit 10.14 to PepsiCo s Annual Report on Form 10-K for the fiscal year ended December 28, 2002.*
10.5	The Quaker Long-Term Incentive Plan of 1990, which is incorporated herein by reference to Exhibit 10.16 to PepsiCo s Annual Report on Form 10-K for the fiscal year ended December 28, 2002.*
10.6	The Quaker Long-Term Incentive Plan of 1999, which is incorporated herein by reference to Exhibit 10.17 to PepsiCo s Annual Report on Form 10-K for the fiscal year ended December 28, 2002.*

10.7	PepsiCo, Inc. 2003 Long-Term Incentive Plan, as amended and restated effective September 12, 2008, which is incorporated herein by reference to Exhibit 10.4 to PepsiCo s Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*
10.8	PepsiCo, Inc. Executive Incentive Compensation Plan, which is incorporated herein by reference to Exhibit B to PepsiCo s Proxy Statement for its 2009 Annual Meeting of Shareholders.*
10.9	Form of Regular Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.1 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2005.*
10.10	Form of Regular Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.2 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2005.*
10.11	Form of Special Long-Term Incentive Award Agreement (Restricted Stock Units Terms and Conditions), which is incorporated herein by reference to Exhibit 99.3 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2005.*
10.12	Form of Special Long-Term Incentive Award Agreement (Stock Option Agreement), which is incorporated herein by reference to Exhibit 99.4 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2005.*
10.13	Form of Non-Employee Director Restricted Stock Unit Agreement, which is incorporated herein by reference to Exhibit 99.5 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2005.*
10.14	Form of Non-Employee Director Stock Option Agreement, which is incorporated herein by reference to Exhibit 99.6 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2005.*
10.15	Form of PepsiCo, Inc. Director Indemnification Agreement, which is incorporated herein by reference to Exhibit 10.20 to PepsiCo s Annual Report on Form 10-K for the fiscal year ended December 25, 2004.*
10.16	Severance Plan for Executive Employees of PepsiCo, Inc. and Affiliates, which is incorporated herein by reference to Exhibit 10.5 to PepsiCo s Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*
10.17	Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.1 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 2, 2006.*

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10.18	Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.2 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 2, 2006.*
10.19	Form of Pro Rata Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.3 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 2, 2006.*
10.20	Form of Restricted Stock Unit Retention Award Agreement, which is incorporated herein by reference to Exhibit 99.5 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 2, 2006.*
10.21	Form of Stock Option Retention Award Agreement, which is incorporated herein by reference to Exhibit 99.4 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 2, 2006.*
10.22	PepsiCo Executive Income Deferral Program (Plan Document for the 409A Program), amended and restated effective as of January 1, 2005, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo s Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*
10.23	PepsiCo Director Deferral Program, amended and restated effective as of January 1, 2005 with revisions through March 10, 2011, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo s Quarterly Report on Form 10-Q for the fiscal quarter ended March 19, 2011.*
10.24	Amendments to the PepsiCo, Inc. 2003 Long-Term Incentive Plans, the PepsiCo, Inc. 1994 Long-Term Incentive Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the PepsiCo SharePower Stock Option Plan, the PepsiCo, Inc. 1987 Incentive Plan effective as of December 31, 2005, which are incorporated herein by reference to Exhibit 10.31 to PepsiCo s Annual Report on Form 10-K for the fiscal year ended December 31, 2005.*
10.25	Amendments to the PepsiCo, Inc. 2003 Long-Term Incentive Plan, the PepsiCo SharePower Stock Option Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the Quaker Long-Term Incentive Plan of 1999, the Quaker Long-Term Incentive Plan of 1990 and the PepsiCo, Inc. Director Stock Plan, effective as of November 17, 2006, which are incorporated herein by reference to Exhibit 10.31 to PepsiCo s Annual Report on Form 10-K for the fiscal year ended December 30, 2006.*
10.26	Form of Non-Employee Director Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo s Quarterly Report on Form 10-Q for the fiscal quarter ended September 9, 2006.*
10.27	Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2007.*

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10.28	Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.3 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2007.*
10.29	Amendment to the PepsiCo, Inc. 1994 Long-Term Incentive Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the PepsiCo SharePower Stock Option Plan and the PepsiCo, Inc. 1987 Incentive Plan, effective as of February 2, 2007, which is incorporated herein by reference to Exhibit 10.41 to PepsiCo s Annual Report on Form 10-K for the fiscal year ended December 30, 2006.*
10.30	Form of Pro Rata Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 8, 2007.*
10.31	Form of Stock Option Retention Award Agreement, which is incorporated herein by reference to Exhibit 10.3 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 8, 2007.*
10.32	Form of Restricted Stock Unit Retention Award Agreement, which is incorporated herein by reference to Exhibit 10.4 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 8, 2007.*
10.33	PepsiCo, Inc. 2007 Long-Term Incentive Plan, as amended and restated March 12, 2010, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 11, 2010.*
10.34	Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2008.*
10.35	Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2008.*
10.36	Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2009.*
10.37	Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2009.*
10.38	Form of Pro Rata Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.3 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2009.*

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10.39	Form of Stock Option Retention Award Agreement, which is incorporated herein by reference to Exhibit 10.4 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2009.*
10.40	Form of Restricted Stock Unit Retention Award Agreement which is incorporated herein by reference to Exhibit 10.5 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2009.*
10.41	PepsiCo Pension Equalization Plan (Plan Document for the 409A Plan), January 1, 2005 Restatement, As Amended Through December 31, 2008, which is incorporated herein by reference to Exhibit 10.46 to PepsiCo s Annual Report on Form 10-K for the fiscal year ended December 27, 2008.*
10.42	Form of Aircraft Time Sharing Agreement, which is incorporated herein by reference to Exhibit 10 to PepsiCo s Quarterly Report on Form 10-Q for the fiscal quarter ended March 21, 2009.*
10.43	PepsiCo Pension Equalization Plan (Plan Document for the Pre-Section 409A Program), January 1, 2005 Restatement, As Amended Through December 31, 2008, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo s Quarterly Report on Form 10-Q for the fiscal quarter ended June 13, 2009.*
10.44	PBG 2004 Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.1 to PepsiCo, Inc. s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.45	PBG 2002 Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.2 to PepsiCo, Inc. s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.46	PBG Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.3 to PepsiCo, Inc. s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.47	The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.4 to PepsiCo, Inc. s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.48	PBG Directors Stock Plan, which is incorporated herein by reference to Exhibit 99.5 to PepsiCo, Inc. s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.49	PBG Stock Incentive Plan, which is incorporated herein by reference to Exhibit 99.6 to PepsiCo, Inc. s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*

10.50	Amendments to PBG 2002 Long Term Incentive Plan, PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan and PBG Stock Incentive Plan (effective February 8, 2007), which are incorporated herein by reference to Exhibit 99.7 to PepsiCo, Inc. s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.51	Amendments to PBG 2004 Long Term Incentive Plan, PBG 2002 Long Term Incentive Plan, The Pepsi Bottling Group, Inc. Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, PBG Directors Stock Plan and PBG Stock Incentive Plan (effective February 19, 2010), which are incorporated herein by reference to Exhibit 99.8 to PepsiCo, Inc. s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.52	PepsiAmericas, Inc. 2000 Stock Incentive Plan (including Amendments No. 1, No. 2 and No. 3 thereto), which is incorporated herein by reference to Exhibit 99.9 to PepsiCo, Inc. s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.53	Amendment No. 4 to PepsiAmericas, Inc. 2000 Stock Incentive Plan (effective February 18, 2010), which is incorporated herein by reference to Exhibit 99.10 to PepsiCo, Inc. s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.54	Amendment to the PepsiCo Executive Income Deferral Program Document for the 409A Program, adopted February 18, 2010, which is incorporated herein by reference to Exhibit 10.11 to PepsiCo, Inc. s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.*
10.55	Amendment to the PepsiCo Pension Equalization Plan Document for the 409A Program, adopted February 18, 2010, which is incorporated herein by reference to Exhibit 10.12 to PepsiCo, Inc. s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.*
10.56	Specified Employee Amendments to Arrangements Subject to Section 409A of the Internal Revenue Code, adopted February 18, 2010 and March 29, 2010, which is incorporated herein by reference to Exhibit 10.13 to PepsiCo, Inc. s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.*
10.57	Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc. s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 16, 2010.*

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10.58	Amendment to the PepsiCo Executive Income Deferral Program Document for the 409A Program, adopted June 28, 2010, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc. s Quarterly Report on Form 10-Q for the quarterly period ended September 4, 2010.*
10.59	Amendment to the PepsiCo Pension Equalization Plan (Plan Document for the 409A Program and Plan Document for the Pre-409A Document), effective as of January 1, 2011, which is incorporated herein by reference to Exhibit 10.63 to PepsiCo, Inc. s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.60	Retention Agreement, dated as of October 2, 2009, between PepsiCo, Inc. and Eric J. Foss, which is incorporated herein by reference to Exhibit 10.64 to PepsiCo, Inc. s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.61	PBG Pension Equalization Plan (Plan Document for the 409A Program), as amended, which is incorporated herein by reference to Exhibit 10.65 to PepsiCo, Inc. s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.62	PBG Pension Equalization Plan (Plan Document for the Pre-409A Program), as amended, which is incorporated herein by reference to Exhibit 10.66 to PepsiCo, Inc. s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.63	PBG Executive Income Deferral Program (Plan Document for the 409A Program), as amended, which is incorporated herein by reference to Exhibit 10.67 to PepsiCo, Inc. s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.64	PBG Executive Income Deferral Program (Plan Document for the Pre-409A Program), as amended, which is incorporated herein by reference to Exhibit 10.68 to PepsiCo, Inc. s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.65	Letter Agreement, dated March 17, 2011, between PepsiCo, Inc. and Maura Abeln Smith.*
10.66	U.S. $2,875,000,000 Four-Year Credit Agreement, dated as of June 14, 2011, among PepsiCo, Inc., as Borrower, the lenders named therein, and Citibank, N.A., as Administrative Agent, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc. s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 15, 2011.
10.67	Amendment to the PBG Pension Equalization Plan (Plan Document for the 409A Program and Plan Document for the Pre-409A Program), effective as of January 1, 2011, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc. s Quarterly Report on Form 10-Q for the quarterly period ended September 3, 2011.*

10.68	The PepsiCo International Retirement Plan Defined Benefit Program, as amended and restated effective as of January 1, 2010.*
10.69	Amendment to The PepsiCo International Retirement Plan Defined Benefit Program, effective as of January 1, 2011.*
10.70	PepsiCo Automatic Retirement Contribution Equalization Plan, effective as of January 1, 2011.*
10.71	Amendment to the PepsiCo Pension Equalization Plan (both the Plan Document for the 409A Program and Plan Document for the Pre-409A Program) and the PBG Pension Equalization Plan (both the Plan Document for the 409A Program and Plan Document for the Pre-409A Program), generally, effective January 1, 2011 and merging the PBG Pension Equalization Plan into the PepsiCo Pension Equalization Plan as of the end of the day on December 31, 2011.*
10.72	Services Agreement, dated as of December 12, 2011 and effective as of January 1, 2012, between Richard Goodman and PepsiCo, Inc., which is incorporated herein by reference to Exhibit 10.1 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 13, 2011.*
10.73	Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 3, 2012.*
10.74	Retirement Agreement, dated as of February 7, 2012 between Massimo d Amore and PepsiCo, Inc., which is incorporated herein by reference to Exhibit 10.1 to PepsiCo s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 9, 2012.*
12	Computation of Ratio of Earnings to Fixed Charges.
14	Worldwide Code of Conduct, which is incorporated herein by reference to Exhibit 14 to PepsiCo, Inc. s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.
21	Subsidiaries of PepsiCo, Inc.
23	Consent of KPMG LLP.
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, Arthur C. Martinez, Sharon Percy Rockefeller, James J. Schiro, Lloyd G. Trotter, Daniel Vasella and Alberto Weisser.
31	Certification of our Chief Executive Officer and our Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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32	Certification of our Chief Executive Officer and our Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from PepsiCo, Inc. s Annual Report on Form 10-K for the fiscal year ended December 31, 2011 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statement of Income, (ii) the Consolidated Statement of Cash Flows, (iii) the Consolidated Balance Sheet, (iv) the Consolidated Statement of Equity and (v) Notes to the Consolidated Financial Statements.

* Management contracts and compensatory plans or arrangements required to be filed as exhibits pursuant to Item 15(a)(3) of this report.