

PepsiCo, Inc. and Subsidiaries
Summary of PepsiCo 2008 Results
(unaudited)

Summary of PepsiCo 2008 Results				
	Reported Growth (%)		Core* Growth (%)	
	Fourth Quarter	Full-Year	Fourth Quarter	Full-Year
Volume (Servings)	1	3	1	3
Net Revenue	3	10	3	10
Operating Profit	(30)	(3)	9	8
Division Operating Profit	(19)	Flat	3	6
Net Income	(43)	(9)	6	5
Earnings Per Share (EPS)	(41)	(6)	11	9
EPS (\$ per share)	\$0.46	\$3.21	\$0.88	\$3.68

*Core results are financial measures that are not in accordance with Generally Accepted Accounting Principles (GAAP) and exclude the mark-to-market net impact on commodity hedges recorded in 2008 and 2007, the impact of restructuring and impairment charges recorded in 2008 and 2007 (including, for 2008, charges associated with our Productivity for Growth initiatives), our share of PBG's restructuring and impairment charges recorded in 2008 and certain non-cash tax benefits recorded in 2007. See schedules A-9 through A-13 for a discussion of these items and reconciliations to the most directly comparable financial measures in accordance with GAAP.

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

	Quarter Ended		Year Ended	
	12/27/08	12/29/07	12/27/08	12/29/07
	(unaudited)		(unaudited)	
Net Revenue	\$12,729	\$12,346	\$43,251	\$39,474
Costs and Expenses				
Cost of sales	6,171	5,784	20,351	18,038
Selling, general and administrative expenses	5,324	4,811	15,901	14,208
Amortization of intangible assets	21	21	64	58
Operating Profit	1,213	1,730	6,935	7,170
Bottling Equity (Expense)/Income	(65)	95	374	560
Interest Expense, Net	(136)	(28)	(288)	(99)
Income before Income Taxes	1,012	1,797	7,021	7,631
Provision for Income Taxes	293	535	1,879	1,973
Net Income	<u>\$ 719</u>	<u>\$ 1,262</u>	<u>\$ 5,142</u>	<u>\$ 5,658</u>
Diluted				
Net Income Per Common Share	\$0.46	\$0.77	\$3.21	\$3.41
Average Shares Outstanding	1,578	1,645	1,602	1,658

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

	Quarter Ended		Year Ended	
	12/27/08	12/29/07	12/27/08	12/29/07
<u>Net Revenue</u>	(unaudited)		(unaudited)	
Frito-Lay North America	\$ 3,770	\$ 3,510	\$ 12,507	\$ 11,586
Quaker Foods North America.....	610	596	1,902	1,860
Latin America Foods	1,857	1,831	5,895	4,872
PepsiCo Americas Foods.....	6,237	5,937	20,304	18,318
PepsiCo Americas Beverages.....	2,774	3,089	10,937	11,090
United Kingdom & Europe.....	2,014	1,837	6,435	5,492
Middle East, Africa & Asia	1,704	1,483	5,575	4,574
PepsiCo International	3,718	3,320	12,010	10,066
Total Net Revenue.....	<u>\$12,729</u>	<u>\$12,346</u>	<u>\$43,251</u>	<u>\$39,474</u>
 <u>Operating Profit</u>				
Frito-Lay North America	\$ 806	\$ 811	\$ 2,959	\$2,845
Quaker Foods North America.....	160	169	582	568
Latin America Foods	251	213	897	714
PepsiCo Americas Foods.....	1,217	1,193	4,438	4,127
PepsiCo Americas Beverages.....	179	544	2,026	2,487
United Kingdom & Europe.....	168	230	811	774
Middle East, Africa & Asia	68	37	667	535
PepsiCo International	236	267	1,478	1,309
Division Operating Profit.....	1,632	2,004	7,942	7,923
Corporate - Net Impact of Mark-to-Market on Commodity Hedges	(227)	18	(346)	19
Corporate - Other	(192)	(292)	(661)	(772)
Corporate Unallocated.....	(419)	(274)	(1,007)	(753)
Total Operating Profit	<u>\$1,213</u>	<u>\$1,730</u>	<u>\$6,935</u>	<u>\$7,170</u>

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

	Year Ended	
	12/27/08	12/29/07
Operating Activities	(unaudited)	
Net income.....	\$ 5,142	\$ 5,658
Depreciation and amortization.....	1,543	1,426
Stock-based compensation expense	238	260
Restructuring and impairment charges	543	102
Excess tax benefits from share-based payment arrangements.....	(107)	(208)
Cash payments for restructuring charges	(180)	(22)
Pension and retiree medical plan contributions	(219)	(310)
Pension and retiree medical plan expenses	459	535
Bottling equity income, net of dividends	(202)	(441)
Deferred income taxes and other tax charges and credits	573	118
Change in accounts and notes receivable	(549)	(405)
Change in inventories.....	(345)	(204)
Change in prepaid expenses and other current assets	(68)	(16)
Change in accounts payable and other current liabilities.....	718	522
Change in income taxes payable	(180)	128
Other, net.....	(367)	(209)
Net Cash Provided by Operating Activities	<u>6,999</u>	<u>6,934</u>
Investing Activities		
Capital spending.....	(2,446)	(2,430)
Sales of property, plant and equipment.....	98	47
Proceeds from finance assets	-	27
Acquisitions and investments in noncontrolled affiliates, net	(1,919)	(1,320)
Cash restricted for pending acquisitions	(40)	-
Cash proceeds from sale of The Pepsi Bottling Group (PBG) and PepsiAmericas, Inc. (PAS) stock.....	358	315
Short-term investments, net	<u>1,282</u>	<u>(383)</u>
Net Cash Used for Investing Activities.....	<u>(2,667)</u>	<u>(3,744)</u>
Financing Activities		
Proceeds from issuances of long-term debt.....	3,719	2,168
Payments of long-term debt	(649)	(579)
Short-term borrowings, net.....	445	(395)
Cash dividends paid	(2,541)	(2,204)
Share repurchases - common	(4,720)	(4,300)
Share repurchases - preferred	(6)	(12)
Proceeds from exercises of stock options.....	620	1,108
Excess tax benefits from share-based payment arrangements.....	107	208
Net Cash Used for Financing Activities	<u>(3,025)</u>	<u>(4,006)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents.....	(153)	75
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>1,154</u>	<u>(741)</u>
Cash and Cash Equivalents - Beginning of year	910	1,651
Cash and Cash Equivalents - End of year	<u>\$ 2,064</u>	<u>\$ 910</u>

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

	<u>12/27/08</u>	<u>12/29/07</u>
Assets	(unaudited)	
Current Assets		
Cash and cash equivalents.....	\$ 2,064	\$ 910
Short-term investments.....	213	1,571
Accounts and notes receivable, net.....	4,683	4,389
Inventories		
Raw materials.....	1,228	1,056
Work-in-process.....	169	157
Finished goods.....	<u>1,125</u>	<u>1,077</u>
	2,522	2,290
Prepaid expenses and other current assets.....	<u>1,324</u>	<u>991</u>
Total Current Assets.....	<u>10,806</u>	<u>10,151</u>
Property, plant and equipment, net.....	11,663	11,228
Amortizable intangible assets, net.....	732	796
Goodwill.....	5,124	5,169
Other nonamortizable intangible assets.....	<u>1,128</u>	<u>1,248</u>
Nonamortizable Intangible Assets.....	6,252	6,417
Investments in noncontrolled affiliates.....	3,883	4,354
Other assets.....	<u>2,658</u>	<u>1,682</u>
Total Assets	<u><u>\$35,994</u></u>	<u><u>\$34,628</u></u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term obligations.....	\$ 369	\$ -
Accounts payable and other current liabilities.....	8,273	7,602
Income taxes payable.....	<u>145</u>	<u>151</u>
Total Current Liabilities.....	8,787	7,753
Long-term debt obligations.....	7,858	4,203
Other liabilities.....	7,017	4,792
Deferred income taxes.....	<u>226</u>	<u>646</u>
Total Liabilities.....	23,888	17,394
Commitments and Contingencies		
Preferred stock, no par value.....	41	41
Repurchased preferred stock.....	(138)	(132)
Common Shareholders' Equity		
Common stock.....	30	30
Capital in excess of par value.....	351	450
Retained earnings.....	30,638	28,184
Accumulated other comprehensive loss.....	(4,694)	(952)
Repurchased common stock.....	<u>(14,122)</u>	<u>(10,387)</u>
Total Common Shareholders' Equity.....	<u>12,203</u>	<u>17,325</u>
Total Liabilities and Shareholders' Equity	<u><u>\$35,994</u></u>	<u><u>\$34,628</u></u>

PepsiCo, Inc. and Subsidiaries
Supplemental Share and Stock-Based Compensation Data
(in millions, except dollar amounts, and unaudited)

	Quarter ended		Year ended	
	12/27/08	12/29/07	12/27/08	12/29/07
Beginning Net Shares Outstanding	1,557	1,610	1,605	1,639
Options Exercised/Restricted Stock Units Converted ..	3	10	16	30
Shares Repurchased	(7)	(15)	(68)	(64)
Ending Net Shares Outstanding	<u>1,553</u>	<u>1,605</u>	<u>1,553</u>	<u>1,605</u>
Weighted Average Basic.....	1,554	1,608	1,573	1,621
Dilutive securities:				
Options	19	31	23	31
Restricted Stock Units.....	4	5	4	4
ESOP Convertible Preferred Stock/Other.....	1	1	2	2
Weighted Average Diluted	<u>1,578</u>	<u>1,645</u>	<u>1,602</u>	<u>1,658</u>
Average Share Price for the period.....	\$59.25	\$73.84	\$66.16	\$68.23
<i>(Decline)/Growth Versus Prior Year</i>	(20)%	16%	(3)%	12%
Options Outstanding	104	109	109	121
Options in the Money	81	109	101	118
Dilutive Shares from Options	19	31	23	31
<i>Dilutive Shares from Options as a % of Options in the Money</i>	22%	29%	23%	26%
Average Exercise Price of Options in the Money	\$45.86	\$47.43	\$48.45	\$46.35
Restricted Stock Units Outstanding	6	7	7	8
Dilutive Shares from Restricted Stock Units	4	5	4	4
Average Intrinsic Value of Restricted Stock Units Outstanding*	\$63.18	\$58.63	\$63.14	\$58.51

* Weighted-average intrinsic value at grant date

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

	Quarter Ended		Year Ended	
	12/27/08	12/29/07	12/27/08	12/29/07
Net Revenue	\$12,729	\$12,346	\$43,251	\$39,474
Costs and Expenses				
Cost of sales	6,084	5,784	20,264	18,038
Selling, general and administrative expenses	4,641	4,727	15,099	14,125
Amortization of intangible assets	21	21	64	58
Operating Profit	1,983	1,814	7,824	7,253
Bottling Equity Income	73	95	512	560
Interest Expense, Net.....	(136)	(28)	(288)	(99)
Income before Income Taxes	1,920	1,881	8,048	7,714
Provision for Income Taxes	532	575	2,161	2,127
Net Income.....	<u>\$ 1,388</u>	<u>\$ 1,306</u>	<u>\$ 5,887</u>	<u>\$ 5,587</u>
Diluted				
Net Income Per Common Share.....	\$0.88	\$0.79	\$3.68	\$3.37
Average Shares Outstanding.....	1,578	1,645	1,602	1,658

*Core results are non-GAAP financial measures that exclude the mark-to-market net impact on commodity hedges recorded in 2008 and 2007, the impact of restructuring and impairment charges recorded in 2008 and 2007 (including, for 2008, charges associated with our Productivity for Growth initiatives), our share of PBG's restructuring and impairment charges recorded in 2008 and certain non-cash tax benefits recorded in 2007. See schedules A-9 through A-13 for a discussion of these items and reconciliations to the most directly comparable financial measures in accordance with GAAP.

PepsiCo, Inc. and Subsidiaries
Supplemental Financial Information
(in millions and unaudited)
COMPARISON OF CORE RESULTS*

	Quarter Ended		Year Ended	
	12/27/08	12/29/07	12/27/08	12/29/07
Net Revenue				
Frito-Lay North America	\$ 3,770	\$ 3,510	\$ 12,507	\$ 11,586
Quaker Foods North America.....	610	596	1,902	1,860
Latin America Foods	1,857	1,831	5,895	4,872
PepsiCo Americas Foods.....	6,237	5,937	20,304	18,318
PepsiCo Americas Beverages.....	2,774	3,089	10,937	11,090
United Kingdom & Europe.....	2,014	1,837	6,435	5,492
Middle East, Africa & Asia	1,704	1,483	5,575	4,574
PepsiCo International	3,718	3,320	12,010	10,066
Total Net Revenue.....	\$12,729	\$12,346	\$43,251	\$39,474
Operating Profit				
Frito-Lay North America	\$ 914	\$ 839	\$ 3,067	\$2,873
Quaker Foods North America.....	191	169	613	568
Latin America Foods	291	252	937	753
PepsiCo Americas Foods.....	1,396	1,260	4,617	4,194
PepsiCo Americas Beverages.....	468	556	2,315	2,499
United Kingdom & Europe.....	218	239	861	783
Middle East, Africa & Asia	83	51	682	549
PepsiCo International	301	290	1,543	1,332
Division Operating Profit.....	2,165	2,106	8,475	8,025
Corporate Unallocated	(182)	(292)	(651)	(772)
Total Operating Profit	\$1,983	\$1,814	\$7,824	\$7,253

*Core results are non-GAAP financial measures that exclude the mark-to-market net impact on commodity hedges recorded in 2008 and 2007, the impact of restructuring and impairment charges recorded in 2008 and 2007 (including, for 2008, charges associated with our Productivity for Growth initiatives), and our share of PBG's restructuring and impairment charges recorded in 2008. See schedules A-9 through A-13 for a discussion of these items and reconciliations to the most directly comparable financial measures in accordance with GAAP.

Reconciliation of GAAP and Non-GAAP Information (unaudited)

Core results and division operating profit are non-GAAP financial measures for the reasons listed below. However, we believe investors should consider these measures as they are more indicative of our ongoing performance and with how management evaluates our operational results and trends.

In the fourth quarter and full year ended 2008, we recognized \$227 million and \$346 million, respectively, of mark-to-market net losses on commodity hedges in corporate unallocated expenses. In the fourth quarter and full year ended 2007, we recognized \$18 million and \$19 million, respectively, of mark-to-market net gains on commodity hedges in corporate unallocated expenses. We centrally manage commodity derivatives on behalf of our divisions. Certain of these commodity derivatives do not qualify for hedge accounting treatment and are marked to market with the resulting gains and losses recognized in corporate unallocated expenses. These gains and losses are subsequently reflected in division results when the divisions take delivery of the underlying commodity.

As a result of our Productivity for Growth program, in the fourth quarter of 2008 we recorded restructuring and impairment charges of \$543 million. The program includes actions in all segments of the business, including the closure of six plants, that we believe will increase cost competitiveness across the supply chain, upgrade and streamline our product portfolio and simplify the organization for more effective and timely decision-making.

In addition, in the fourth quarter of 2008, PBG implemented a restructuring initiative across all of its geographic segments. PBG also recognized an asset impairment charge related to its business in Mexico. Consequently, a non-cash charge of \$138 million was included in bottling equity income as part of recording our share of PBG's financial results.

In the fourth quarter of 2007, we recorded restructuring and impairment charges of \$102 million in connection with plant closings and production line rationalizations. Additionally, in the third and fourth quarter of 2007, we recognized \$115 million and \$14 million, respectively, of non-cash tax benefits related to the favorable resolution of certain foreign tax matters.

We believe investors should consider the following non-GAAP financial measures with respect to our quarterly and full year results:

- Our 2008 and 2007 division operating profit and our 2008 division operating profit growth;
- Our 2008 and 2007 division operating profit and total operating profit excluding the impact of restructuring and impairment charges (including, for 2008, charges associated with our Productivity for Growth initiatives); 2008 and 2007 total operating profit excluding the mark-to-market net impact on commodity hedges; and our 2008 division operating growth and total operating profit growth excluding the impact of each of these items;
- Our 2008 and 2007 effective tax rate excluding the impact of the restructuring and impairment charges (including, for 2008, charges associated with our Productivity for Growth initiatives) and mark-to-market net impact on our commodity hedges; our 2008 effective tax rate without our share of PBG's restructuring and impairment charges; and our 2007 effective tax rate without the impact of the tax benefits; and
- Our 2008 net income and diluted EPS excluding the impact of charges associated with our Productivity for Growth initiatives, mark-to-market net losses on commodity hedges, and our share of PBG's restructuring and impairment charges; our 2007 net income and diluted EPS excluding the impact of restructuring and impairment charges, mark-to-market net gains on commodity hedges and tax benefits; and our 2008 net income and diluted EPS growth excluding the impact of each of these items.

Reconciliation of GAAP and Non-GAAP Information (cont.)
(unaudited)

We are not able to reconcile our constant currency guidance to reported dilutive EPS because we are unable to predict our 2009 projected full-year reported diluted EPS including the impact of foreign exchange or the mark-to-market gains or losses on commodity hedges due to the unpredictability of future changes in foreign exchange rates and commodity prices. Therefore, we are unable to provide a reconciliation of our 2009 projected full-year reported EPS including the impact of foreign exchange and the mark-to-market net losses or gains on commodity hedges recognized in corporate unallocated expenses.

References in the following reconciliations to “Impact of Restructuring and Impairment Charges” include, for 2008, charges associated with our Productivity for Growth initiatives.

Reconciliation of GAAP and Non-GAAP Information (cont.)
(\$ in millions, unaudited)

Operating Profit Growth Reconciliation

	Quarter Ended 12/27/08	Year Ended 12/27/08
Division Operating Profit Growth.....	(19)%	–%
Impact of Corporate Unallocated	(11)	(3.5)
Reported Total Operating Profit Growth	<u>(30)%</u>	<u>(3)%*</u>

* Does not sum due to rounding.

	Quarter Ended 12/27/08	Year Ended 12/27/08
Reported Total Operating Profit Growth	(30)%	(3)%
Impact of Mark-to-Market Net Losses on Commodity Hedges....	14	5
Impact of Restructuring and Impairment Charges	26	6
Total Operating Profit Growth Excluding above Items.....	<u>9%*</u>	<u>8%</u>

* Does not sum due to rounding.

Net Income Growth Reconciliation

	Quarter Ended 12/27/08	Year Ended 12/27/08
Net Income Growth	(43)%	(9)%
Impact of Mark-to-Market Net Losses on Commodity Hedges....	12	4
Impact of Restructuring and Impairment Charges.....	28	6
Impact of PBG's Restructuring and Impairment Charges.....	9	2
Impact of Tax Benefits	1	2
Net Income Growth Excluding above Items.....	<u>6%*</u>	<u>5%</u>

* Does not sum due to rounding.

Effective Tax Rate Reconciliation (Quarter Ended 12/27/08)

	Pre-tax Income	Income Taxes	Effective Tax Rate
Reported Effective Tax Rate	\$1,012	\$ 293	28.9%
Impact of Mark-to-Market Net Losses.....	227	80	
Impact of Restructuring and Impairment Charges	543	135	
Impact of PepsiCo Share of PBG's Restructuring and Impairment Charges	138	24	
Effective Tax Rate Excluding above Items	<u>\$1,920</u>	<u>\$532</u>	27.7%

Effective Tax Rate Reconciliation (Year Ended 12/27/08)

	Pre-tax Income	Income Taxes	Effective Tax Rate
Reported Effective Tax Rate	\$7,021	\$1,879	26.8%
Impact of Mark-to-Market Net Losses.....	346	123	
Impact of Restructuring and Impairment Charges	543	135	
Impact of PepsiCo Share of PBG's Restructuring and Impairment Charges	138	24	
Effective Tax Rate Excluding above Items	<u>\$8,048</u>	<u>\$2,161</u>	26.9%

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

Diluted EPS Reconciliation

	Quarter Ended <u>12/27/08</u>	Quarter Ended <u>12/29/07</u>	Growth
Reported Diluted EPS	\$0.46	\$0.77	(41)%
Impact of Mark-to-Market Net Losses/(Gains) on Commodity Hedges.	0.09	(0.01)	
Impact of Restructuring and Impairment Charges	0.26	0.04	
Impact of PBG's Restructuring and Impairment Charges.....	0.07	—	
Impact of Tax Benefits	—	(0.01)	
Diluted EPS Excluding above Items	<u>\$0.88</u>	<u>\$0.79</u>	11%

Diluted EPS Reconciliation

	Year Ended <u>12/27/08</u>	Year Ended <u>12/29/07</u>	Growth
Reported Diluted EPS	\$3.21	\$3.41	(6)%
Impact of Mark-to-Market Net Losses/(Gains) on Commodity Hedges.	0.14	(0.01)	
Impact of Restructuring and Impairment Charges	0.25	0.04	
Impact of PBG's Restructuring and Impairment Charges.....	0.07	—	
Impact of Tax Benefits	—	(0.08)	
Diluted EPS Excluding above Items	<u>\$3.68*</u>	<u>\$3.37*</u>	9%

* Does not sum due to rounding

Reconciliation of GAAP and Non-GAAP Information (cont.)
Reported Operating Profit Growth and Operating Profit Growth Excluding Restructuring and Impairment Charges
(unaudited)

	Quarter Ended 12/27/08	Year Ended 12/27/08
<u>Frito-Lay North America</u>		
Reported Operating Profit Growth.....	(0.5)%	4%
Impact of Restructuring and Impairment Charges	10	3
Operating Profit Growth Excluding above Items	9%*	7%
<u>Quaker Foods North America</u>		
Reported Operating Profit Growth.....	(5)%	2.5%
Impact of Restructuring and Impairment Charges	18	5
Operating Profit Growth Excluding above Items	13%	8%*
<u>Latin America Foods</u>		
Reported Operating Profit Growth.....	17%	26%
Impact of Restructuring and Impairment Charges	(2)	(1)
Operating Profit Growth Excluding above Items	15%	24%*
<u>PepsiCo Americas Foods</u>		
Reported Operating Profit Growth.....	2%	8%
Impact of Restructuring and Impairment Charges	9	3
Operating Profit Growth Excluding above Items	11%	10%*
<u>PepsiCo Americas Beverages</u>		
Reported Operating Profit Growth.....	(67)%	(19)%
Impact of Restructuring and Impairment Charges	51	11
Operating Profit Growth Excluding above Items	(16)%	(7)%*
<u>United Kingdom & Europe</u>		
Reported Operating Profit Growth.....	(27)%	5%
Impact of Restructuring and Impairment Charges	18	5
Operating Profit Growth Excluding above Items	(9)%	10%
<u>Middle East, Africa & Asia</u>		
Reported Operating Profit Growth.....	84%	25%
Impact of Restructuring and Impairment Charges	(20)	—
Operating Profit Growth Excluding above Items	63%*	24%*
<u>PepsiCo International</u>		
Reported Operating Profit Growth.....	(12)%	13%
Impact of Restructuring and Impairment Charges	16	3
Operating Profit Growth Excluding above Items	4%	16%
<u>Total Divisions</u>		
Reported Operating Profit Growth.....	(19)%	—%
Impact of Restructuring and Impairment Charges	21	5
Operating Profit Growth Excluding above Items	3%*	6%*

* Does not sum due to rounding