

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

	12 Weeks Ended		36 Weeks Ended	
	9/6/08	9/8/07	9/6/08	9/8/07
Net Revenue	\$11,244	\$10,171	\$30,522	\$27,128
Costs and Expenses				
Cost of sales	5,268	4,627	14,180	12,254
Selling, general and administrative expenses	3,979	3,467	10,577	9,397
Amortization of intangible assets	13	15	43	37
Operating Profit	1,984	2,062	5,722	5,440
Bottling Equity Income	201	218	439	465
Interest Expense	(73)	(57)	(205)	(153)
Interest Income	14	21	53	82
Income before Income Taxes	2,126	2,244	6,009	5,834
Provision for Income Taxes	550	501	1,586	1,438
Net Income	<u>\$ 1,576</u>	<u>\$ 1,743</u>	<u>\$ 4,423</u>	<u>\$ 4,396</u>
Diluted				
Net Income Per Common Share	\$ 0.99	\$1.06	\$2.74	\$2.64
Average Shares Outstanding	1,593	1,651	1,612	1,663

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

	12 Weeks Ended		36 Weeks Ended	
	9/6/08	9/8/07	9/6/08	9/8/07
Net Revenue				
Frito-Lay North America	\$ 3,057	\$ 2,800	\$ 8,737	\$ 8,076
Quaker Foods North America.....	391	411	1,292	1,264
Latin America Foods	1,544	1,252	4,038	3,041
PepsiCo Americas Foods.....	4,992	4,463	14,067	12,381
PepsiCo Americas Beverages.....	2,923	2,926	8,163	8,001
United Kingdom & Europe.....	1,783	1,519	4,421	3,655
Middle East, Africa & Asia	1,546	1,263	3,871	3,091
PepsiCo International	3,329	2,782	8,292	6,746
Total Net Revenue.....	\$11,244	\$10,171	\$30,522	\$27,128
Operating Profit				
Frito-Lay North America	\$ 785	\$ 742	\$2,153	\$2,034
Quaker Foods North America.....	134	126	422	399
Latin America Foods	225	185	646	501
PepsiCo Americas Foods.....	1,144	1,053	3,221	2,934
PepsiCo Americas Beverages.....	662	741	1,847	1,943
United Kingdom & Europe.....	279	238	643	544
Middle East, Africa & Asia	227	192	599	498
PepsiCo International	506	430	1,242	1,042
Division Operating Profit.....	2,312	2,224	6,310	5,919
Corporate - Impact of Mark-to-Market on Commodity Hedges	(176)	(29)	(119)	-
Corporate - Other	(152)	(133)	(469)	(479)
Corporate Unallocated	(328)	(162)	(588)	(479)
Total Operating Profit	\$1,984	\$2,062	\$5,722	\$5,440

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

	36 Weeks Ended	
	9/6/08	9/8/07
Operating Activities		
Net income	\$ 4,423	\$ 4,396
Depreciation and amortization	1,055	948
Stock-based compensation expense	169	182
Excess tax benefits from share-based payment arrangements	(83)	(118)
Pension and retiree medical plan contributions	(132)	(155)
Pension and retiree medical plan expenses	318	362
Bottling equity income, net of dividends.....	(372)	(398)
Deferred income taxes and other tax charges and credits	275	(3)
Change in accounts and notes receivable.....	(1,166)	(844)
Change in inventories	(362)	(244)
Change in prepaid expenses and other current assets.....	(49)	51
Change in accounts payable and other current liabilities	188	324
Change in income taxes payable.....	566	830
Other, net	(172)	(161)
Net Cash Provided by Operating Activities	4,658	5,170
Investing Activities		
Capital spending.....	(1,399)	(1,260)
Sales of property, plant and equipment.....	85	23
Proceeds from finance assets	-	3
Acquisitions and investments in noncontrolled affiliates	(1,707)	(988)
Cash restricted for pending acquisitions	(297)	-
Cash proceeds from sale of The Pepsi Bottling Group (PBG) and PepsiAmericas, Inc. (PAS) stock	342	296
Short-term investments, net	1,200	(23)
Net Cash Used for Investing Activities.....	(1,776)	(1,949)
Financing Activities		
Proceeds from issuances of long-term debt.....	1,733	1,005
Payments of long-term debt	(488)	(542)
Short-term borrowings, net.....	2,002	(402)
Cash dividends paid	(1,879)	(1,598)
Share repurchases – common	(4,197)	(3,123)
Share repurchases – preferred.....	(4)	(8)
Proceeds from exercises of stock options.....	495	666
Excess tax benefits from share-based payment arrangements	83	118
Net Cash Used for Financing Activities	(2,255)	(3,884)
Effect of Exchange Rate Changes on Cash and Cash Equivalents.....	(20)	47
Net Increase/(Decrease) in Cash and Cash Equivalents	607	(616)
Cash and Cash Equivalents – Beginning of year.....	910	1,651
Cash and Cash Equivalents – End of period	\$ 1,517	\$ 1,035

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

	9/6/08	12/29/07
Assets	(unaudited)	
Current Assets		
Cash and cash equivalents	\$ 1,517	\$ 910
Short-term investments	342	1,571
Accounts and notes receivable, net	5,752	4,389
Inventories		
Raw materials	1,314	1,056
Work-in-process	269	157
Finished goods	1,221	1,077
	2,804	2,290
Prepaid expenses and other current assets	939	991
Total Current Assets	11,354	10,151
Property, plant and equipment, net	11,992	11,228
Amortizable intangible assets, net	815	796
Goodwill	5,370	5,169
Other nonamortizable intangible assets	1,301	1,248
Nonamortizable Intangible Assets	6,671	6,417
Investments in noncontrolled affiliates	4,611	4,354
Other assets	3,015	1,682
Total Assets	\$38,458	\$34,628
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term obligations	\$ 1,203	\$ -
Accounts payable and other current liabilities	8,011	7,602
Income taxes payable	507	151
Total Current Liabilities	9,721	7,753
Long-term debt obligations	6,537	4,203
Other liabilities	5,432	4,792
Deferred income taxes	716	646
Total Liabilities	22,406	17,394
Commitments and Contingencies		
Preferred stock, no par value	41	41
Repurchased preferred stock	(136)	(132)
Common Shareholders' Equity		
Common stock	30	30
Capital in excess of par value	342	450
Retained earnings	30,581	28,184
Accumulated other comprehensive loss	(945)	(952)
	30,008	27,712
Less: Repurchased common stock	(13,861)	(10,387)
Total Common Shareholders' Equity	16,147	17,325
Total Liabilities and Shareholders' Equity	\$38,458	\$34,628

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

	12 Weeks Ended		36 Weeks Ended	
	9/6/08	9/8/07	9/6/08	9/8/07
Beginning Net Shares Outstanding	1,572	1,621	1,605	1,639
Options Exercised/Restricted Stock Units Converted	4	6	14	19
Shares Repurchased	(19)	(17)	(62)	(48)
Ending Net Shares Outstanding	1,557	1,610	1,557	1,610
Weighted Average Basic	1,564	1,615	1,582	1,627
Dilutive Securities:				
Options	24	30	25	30
Restricted Stock Units	4	4	4	4
ESOP Convertible Preferred Stock/Other	1	2	1	2
Weighted Average Diluted	1,593	1,651	1,612	1,663
Average Share Price for the Period	\$67.14	\$66.93	\$69.23	\$65.73
<i>Growth Versus Prior Year</i>	-%	7%	5%	9%
Options Outstanding	108	119	111	126
Options in the Money	96	119	107	122
Dilutive Shares from Options	24	30	25	30
<i>Dilutive Shares from Options as a % of Options in the Money</i>	25%	25%	24%	25%
Average Exercise Price of Options in the Money	\$47.89	\$46.84	\$49.26	\$45.92
Restricted Stock Units Outstanding	6	7	7	8
Dilutive Shares from Restricted Stock Units	4	4	4	4
Average Intrinsic Value of Restricted Stock Units Outstanding*	\$63.27	\$58.50	\$63.12	\$58.46

* Weighted-average intrinsic value at grant date

Reconciliation of GAAP and Non-GAAP Information (unaudited)

In the 12 and 36 weeks ended September 6, 2008, we recognized \$176 million and \$119 million, respectively, of mark-to-market net losses on commodity hedges in corporate unallocated expenses. In the 12 weeks ended September 8, 2007, we recognized \$29 million of mark-to-market net losses 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 approved in the fourth quarter of 2008, we expect to incur a pre-tax charge of approximately \$550 million - \$600 million comprised of severance and other employee-related costs, asset impairments and other costs. We are not able to provide guidance on the expected full-year 2008 cash provided by operating activities or our expected full-year 2008 capital spending, including expenditures associated with the Productivity for Growth initiative, due to the uncertain timing of cash expenditures associated with this program. Therefore, we are unable to provide a reconciliation of our expected full-year 2008 cash provided by operating activities or our expected full-year 2008 capital spending, including cash expenditures associated with this program.

In the third quarter of 2007, we recognized \$115 million of non-cash tax benefits related to the favorable resolution of certain foreign tax matters.

We are not able to predict our 2008 projected full-year diluted EPS including the impact of the mark-to-market gains or losses on commodity hedges due to the unpredictability of future changes in commodity prices. Therefore, we are unable to provide a reconciliation of our 2008 projected full-year diluted EPS including the impact of mark-to-market net losses or gains on commodity hedges recognized in corporate unallocated expenses.

The financial measures listed below are not measures defined by generally accepted accounting principles (GAAP). However, we believe investors should consider these measures as they are more indicative of our ongoing performance and how management evaluates our operational results and trends. Specifically, investors should consider the following with respect to our third quarter results:

- Our 2008 and 2007 division operating profit, and our 2008 division operating profit growth;
- Our 2008 operating profit growth excluding the impact of mark-to-market net losses on commodity hedges recorded in corporate unallocated expenses;
- Our 2007 effective tax rate without the impact of the tax benefits;
- Our 2008 net income growth excluding the impact of mark-to-market net losses on commodity hedges recognized in corporate unallocated expenses and the impact of the tax benefits; and
- Our 2008 diluted EPS excluding the impact of mark-to-market net losses on commodity hedges recognized in corporate unallocated expenses, our 2007 diluted EPS excluding the impact of mark-to-market net losses on commodity hedges recognized in corporate unallocated expenses and the impact of the tax benefits, and our 2008 diluted EPS growth without the impact of the aforementioned items.

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

Operating Profit Growth Reconciliation

	12 Weeks Ended <u>9/6/08</u>	36 Weeks Ended <u>9/6/08</u>
Division Operating Profit Growth.....	4%	7%
Impact of Corporate Unallocated	(8)	(1)
Total Operating Profit Growth	<u>(4)%</u>	<u>5%*</u>

* Does not sum due to rounding.

	12 Weeks Ended <u>9/6/08</u>	36 Weeks Ended <u>9/6/08</u>
Total Operating Profit Growth	(4)%	5%
Impact of Mark-to-Market Net Losses on Commodity Hedges....	7	2
Total Operating Profit Growth Excluding above Item.....	<u>3%</u>	<u>7%</u>

Net Income Growth Reconciliation

	12 Weeks Ended <u>9/6/08</u>	36 Weeks Ended <u>9/6/08</u>
Net Income Growth	(10)%	1%
Impact of Mark-to-Market Net Losses on Commodity Hedges....	5	2
Impact of Tax Benefits	7	3
Net Income Growth Excluding above Items.....	<u>2.5%*</u>	<u>5%*</u>

* Does not sum due to rounding.

Effective Tax Rate Reconciliation

	12 Weeks Ended <u>9/8/07</u>
Reported Effective Tax Rate	22.3%
Impact of Tax Benefits	5.1
Effective Tax Rate Excluding above Item	<u>27.4%</u>

Diluted EPS Reconciliation

	12 Weeks Ended <u>9/6/08</u>	12 Weeks Ended <u>9/8/07</u>	Growth
Reported Diluted EPS	\$0.99	\$1.06	(6)%
Mark-to-Market Net Losses on Commodity Hedges.....	0.07	0.01	
Tax Benefits	—	(0.07)	
Diluted EPS Excluding above Items	<u>\$1.06</u>	<u>\$1.00</u>	6%

Diluted EPS Reconciliation

	36 Weeks Ended <u>9/6/08</u>	36 Weeks Ended <u>9/8/07</u>	Growth
Reported Diluted EPS	\$ 2.74	\$2.64	4%
Mark-to-Market Net Losses on Commodity Hedges.....	0.05	—	
Tax Benefits	—	(0.07)	
Diluted EPS Excluding above Items	<u>\$ 2.79</u>	<u>\$2.57</u>	8%