

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

	12 Weeks Ended		24 Weeks Ended	
	6/14/08	6/16/07	6/14/08	6/16/07
Net Revenue	\$10,945	\$9,607	\$19,278	\$16,957
Costs and Expenses				
Cost of sales	5,078	4,342	8,912	7,627
Selling, general and administrative expenses	3,664	3,295	6,598	5,930
Amortization of intangible assets	18	11	30	22
Operating Profit	2,185	1,959	3,738	3,378
Bottling Equity Income	168	173	238	247
Interest Expense	(74)	(54)	(132)	(96)
Interest Income	38	39	39	61
Income before Income Taxes	2,317	2,117	3,883	3,590
Provision for Income Taxes	618	560	1,036	937
Net Income	<u>\$ 1,699</u>	<u>\$1,557</u>	<u>\$ 2,847</u>	<u>\$ 2,653</u>
Diluted				
Net Income Per Common Share	\$1.05	\$0.94	\$1.76	\$1.59
Average Shares Outstanding	1,612	1,665	1,622	1,669

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

	12 Weeks Ended		24 Weeks Ended	
	6/14/08	6/16/07	6/14/08	6/16/07
<u>Net Revenue</u>				
Frito-Lay North America	\$ 2,950	\$2,723	\$ 5,680	\$ 5,276
Quaker Foods North America.....	406	390	901	853
Latin America Foods	1,523	1,079	2,494	1,789
PepsiCo Americas Foods.....	4,879	4,192	9,075	7,918
PepsiCo Americas Beverages.....	2,880	2,855	5,240	5,075
United Kingdom & Europe.....	1,727	1,396	2,638	2,136
Middle East, Africa & Asia	1,459	1,164	2,325	1,828
PepsiCo International	3,186	2,560	4,963	3,964
Total Net Revenue.....	<u>\$10,945</u>	<u>\$9,607</u>	<u>\$19,278</u>	<u>\$16,957</u>
<u>Operating Profit</u>				
Frito-Lay North America	\$ 735	\$ 682	\$1,368	\$1,292
Quaker Foods North America.....	122	117	288	273
Latin America Foods	254	183	421	316
PepsiCo Americas Foods.....	1,111	982	2,077	1,881
PepsiCo Americas Beverages.....	681	729	1,185	1,202
United Kingdom & Europe.....	262	220	364	306
Middle East, Africa & Asia	233	201	372	306
PepsiCo International	495	421	736	612
Division Operating Profit.....	2,287	2,132	3,998	3,695
Corporate.....	(102)	(173)	(260)	(317)
Total Operating Profit	<u>\$2,185</u>	<u>\$1,959</u>	<u>\$3,738</u>	<u>\$3,378</u>

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

	24 Weeks Ended	
	6/14/08	6/16/07
Operating Activities		
Net income	\$ 2,847	\$ 2,653
Depreciation and amortization	678	608
Stock-based compensation expense	112	123
Excess tax benefits from share-based payment arrangements	(65)	(86)
Pension and retiree medical plan contributions	(86)	(116)
Pension and retiree medical plan expenses	211	240
Bottling equity income, net of dividends.....	(196)	(207)
Deferred income taxes and other tax charges and credits	222	64
Change in accounts and notes receivable.....	(1,102)	(852)
Change in inventories	(602)	(526)
Change in prepaid expenses and other current assets.....	(219)	(69)
Change in accounts payable and other current liabilities	125	(28)
Change in income taxes payable.....	427	369
Other, net	(159)	(155)
Net Cash Provided by Operating Activities	2,193	2,018
Investing Activities		
Capital spending.....	(896)	(743)
Sales of property, plant and equipment.....	65	15
Acquisitions and investments in noncontrolled affiliates	(262)	(853)
Cash proceeds from sale of The Pepsi Bottling Group (PBG) and PepsiAmericas, Inc. (PAS) stock	200	192
Short-term investments, net	1,255	326
Net Cash Provided by/(Used for) Investing Activities	362	(1,063)
Financing Activities		
Proceeds from issuances of long-term debt.....	1,733	1,005
Payments of long-term debt	(437)	(534)
Short-term borrowings, net.....	705	266
Cash dividends paid	(1,209)	(989)
Share repurchases – common	(2,904)	(1,964)
Share repurchases – preferred.....	(3)	(4)
Proceeds from exercises of stock options.....	339	485
Excess tax benefits from share-based payment arrangements	65	86
Net Cash Used for Financing Activities	(1,711)	(1,649)
Effect of Exchange Rate Changes on Cash and Cash Equivalents.....	14	41
Net Increase/(Decrease) in Cash and Cash Equivalents	858	(653)
Cash and Cash Equivalents – Beginning of year.....	910	1,651
Cash and Cash Equivalents – End of period	\$ 1,768	\$ 998

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

	6/14/08 (unaudited)	12/29/07
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,768	\$ 910
Short-term investments	305	1,571
Accounts and notes receivable, net	5,617	4,389
Inventories		
Raw materials	1,275	1,056
Work-in-process	331	157
Finished goods	1,329	1,077
	2,935	2,290
Prepaid expenses and other current assets	1,026	991
Total Current Assets	11,651	10,151
Property, plant and equipment, net	11,600	11,228
Amortizable intangible assets, net	847	796
Goodwill	5,511	5,169
Other nonamortizable intangible assets	1,375	1,248
Nonamortizable Intangible Assets	6,886	6,417
Investments in noncontrolled affiliates	4,519	4,354
Other assets	1,276	1,682
Total Assets	\$36,779	\$34,628
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and other current liabilities	\$ 7,986	\$ 7,602
Income taxes payable	353	151
Total Current Liabilities	8,339	7,753
Long-term debt obligations	6,053	4,203
Other liabilities	4,982	4,792
Deferred income taxes	752	646
Total Liabilities	20,126	17,394
Commitments and Contingencies		
Preferred stock, no par value	41	41
Repurchased preferred stock	(135)	(132)
Common Shareholders' Equity		
Common stock	30	30
Capital in excess of par value	345	450
Retained earnings	29,669	28,184
Accumulated other comprehensive loss	(473)	(952)
	29,571	27,712
Less: Repurchased common stock	(12,824)	(10,387)
Total Common Shareholders' Equity	16,747	17,325
Total Liabilities and Shareholders' Equity	\$ 36,779	\$ 34,628

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

	12 Weeks Ended		24 Weeks Ended	
	6/14/08	6/16/07	6/14/08	6/16/07
Beginning Net Shares Outstanding	1,591	1,632	1,605	1,639
Options Exercised/Restricted Stock Units Converted	3	6	10	14
Shares Repurchased	(22)	(17)	(43)	(32)
Ending Net Shares Outstanding	1,572	1,621	1,572	1,621
Weighted Average Basic	1,582	1,628	1,591	1,632
Dilutive Securities:				
Options	25	31	27	31
Restricted Stock Units	4	4	3	4
ESOP Convertible Preferred Stock/Other	1	2	1	2
Weighted Average Diluted	1,612	1,665	1,622	1,669
Average Share Price for the Period	\$69.07	\$66.32	\$70.27	\$65.15
<i>Growth Versus Prior Year</i>	4%	13%	8%	11%
Options Outstanding	111	125	113	129
Options in the Money	111	125	113	123
Dilutive Shares from Options	25	31	27	31
<i>Dilutive Shares from Options as a % of Options in the Money</i>	23%	25%	24%	25%
Average Exercise Price of Options in the Money	\$49.98	\$46.49	\$49.94	\$45.47
Restricted Stock Units Outstanding	7	8	7	8
Dilutive Shares from Restricted Stock Units	4	4	3	4
Average Intrinsic Value of Restricted Stock Units Outstanding*	\$63.04	\$58.46	\$63.04	\$58.44

* Weighted-average intrinsic value at grant date

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

In the 12 and 24 weeks ended June 14, 2008, we recognized \$61 million and \$57 million, respectively, of mark-to-market net gains on commodity hedges in corporate unallocated expenses. In the 12 and 24 weeks ended June 16, 2007, we recognized \$13 million and \$30 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. We are not able to predict our 2008 projected diluted EPS growth including the impact of the mark-to-market gains or losses on commodity hedges due to the unpredictability of future changes in commodity prices, and we therefore are unable to provide a reconciliation of our 2008 projected diluted EPS including such impact.

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 results:

- Our 2008 and 2007 division operating profit;
- Our 2008 division operating profit growth;
- Our 2008 Latin America Foods (LAF) revenue growth and operating profit growth without the impact of M&A activity and foreign currency; and
- Our 2008 diluted EPS and EPS growth excluding the impact of mark-to-market net gains on commodity hedges recognized in corporate unallocated expenses.

Operating Profit Growth Reconciliation

	12 Weeks Ended 6/14/08	24 Weeks Ended 6/14/08
Division Operating Profit Growth.....	7%	8%
Impact of Corporate Unallocated	4	2.5
Total Operating Profit Growth	12%*	11%*

* Does not sum due to rounding.

LAF Revenue Growth and Operating Profit Growth Reconciliation

	12 Weeks Ended 6/14/08
Revenue Growth	41%
Impact of M&A Activity	(23)
Impact of Foreign Currency	(8)
Revenue Growth Excluding above Items.....	10%
Operating Profit Growth	38%
Impact of M&A Activity	(10)
Impact of Foreign Currency	(7)
Operating Profit Growth Excluding above Items.....	21%

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

Diluted EPS Reconciliation

	12 Weeks Ended <u>6/14/08</u>	12 Weeks Ended <u>6/16/07</u>	<u>Growth</u>
Reported Diluted EPS	\$ 1.05	\$0.94	13%
Mark-to-Market Net Gains on Commodity Hedges.....	<u>(0.02)</u>	<u>—</u>	
Diluted EPS Excluding above Item	<u>\$ 1.03</u>	<u>\$0.93*</u>	11%

* Does not sum due to rounding.

	24 Weeks Ended <u>6/14/08</u>	24 Weeks Ended <u>6/16/07</u>	<u>Growth</u>
Reported Diluted EPS	\$ 1.76	\$ 1.59	10%
Mark-to-Market Net Gains on Commodity Hedges.....	<u>(0.02)</u>	<u>(0.01)</u>	
Diluted EPS Excluding above Item	<u>\$ 1.73*</u>	<u>\$ 1.58</u>	10%

* Does not sum due to rounding.