

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

	Quarter Ended		Year Ended	
	12/29/07	12/30/06	12/29/07	12/30/06
	(unaudited)		(unaudited)	
Net Revenue	\$12,346	\$10,570	\$39,474	\$35,137
Costs and Expenses				
Cost of sales	5,784	4,830	18,038	15,762
Selling, general and administrative expenses	4,811	4,097	14,208	12,711
Amortization of intangible assets	21	54	58	162
Operating Profit	1,730	1,589	7,170	6,502
Bottling Equity Income	95	113	560	553
Interest Expense	(71)	(67)	(224)	(239)
Interest Income	43	63	125	173
Income before Income Taxes	1,797	1,698	7,631	6,989
Provision/(Benefit) for Income Taxes	535	(128)	1,973	1,347
Net Income	<u>\$ 1,262</u>	<u>\$ 1,826</u>	<u>\$ 5,658</u>	<u>\$ 5,642</u>
Diluted				
Net Income Per Common Share	\$0.77	\$1.09	\$3.41	\$3.34
Average Shares Outstanding	1,645	1,681	1,658	1,687

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

	Quarter Ended		Year Ended	
	12/29/07	12/30/06	12/29/07	12/30/06
<u>Net Revenue</u>	(unaudited)		(unaudited)	
Frito-Lay North America	\$ 3,510	\$ 3,242	\$11,586	\$10,844
PepsiCo Beverages North America	2,819	2,461	10,230	9,565
PepsiCo International	5,421	4,316	15,798	12,959
Quaker Foods North America.....	596	551	1,860	1,769
Total Net Revenue.....	<u>\$12,346</u>	<u>\$10,570</u>	<u>\$39,474</u>	<u>\$35,137</u>
 <u>Operating Profit</u>				
Frito-Lay North America	\$ 811	\$ 718	\$2,845	\$2,615
PepsiCo Beverages North America	464	398	2,188	2,055
PepsiCo International	560	556	2,322	2,016
Quaker Foods North America.....	169	165	568	554
Division Operating Profit.....	2,004	1,837	7,923	7,240
Corporate.....	(274)	(248)	(753)	(738)
Total Operating Profit	<u>\$1,730</u>	<u>\$1,589</u>	<u>\$7,170</u>	<u>\$6,502</u>

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

	Year Ended	
	12/29/07	12/30/06
Operating Activities	(unaudited)	
Net income.....	\$ 5,658	\$ 5,642
Depreciation and amortization.....	1,426	1,406
Stock-based compensation expense	260	270
Excess tax benefits from share-based payment arrangements.....	(208)	(134)
Pension and retiree medical plan contributions	(310)	(131)
Pension and retiree medical plan expenses	535	544
Bottling equity income, net of dividends	(441)	(442)
Deferred income taxes and other tax charges and credits	118	(510)
Change in accounts and notes receivable	(405)	(330)
Change in inventories.....	(204)	(186)
Change in prepaid expenses and other current assets	(16)	(37)
Change in accounts payable and other current liabilities.....	500	223
Change in income taxes payable	128	(295)
Other, net.....	(107)	64
Net Cash Provided by Operating Activities	<u>6,934</u>	<u>6,084</u>
Investing Activities		
Capital spending.....	(2,430)	(2,068)
Sales of property, plant and equipment.....	47	49
Proceeds from (Investment in) finance assets	27	(25)
Acquisitions and investments in noncontrolled affiliates	(1,320)	(522)
Cash proceeds from sale of The Pepsi Bottling Group (PBG) stock	315	318
Divestitures	-	37
Short-term investments, net	(383)	2,017
Net Cash Used for Investing Activities.....	<u>(3,744)</u>	<u>(194)</u>
Financing Activities		
Proceeds from issuances of long-term debt.....	2,168	51
Payments of long-term debt	(579)	(157)
Short-term borrowings, net	(395)	(2,341)
Cash dividends paid	(2,204)	(1,854)
Share repurchases - common	(4,300)	(3,000)
Share repurchases - preferred	(12)	(10)
Proceeds from exercises of stock options.....	1,108	1,194
Excess tax benefits from share-based payment arrangements.....	208	134
Net Cash Used for Financing Activities	<u>(4,006)</u>	<u>(5,983)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents.....	75	28
Net Decrease in Cash and Cash Equivalents.....	<u>(741)</u>	<u>(65)</u>
Cash and Cash Equivalents - Beginning of year	1,651	1,716
Cash and Cash Equivalents - End of year.....	<u>\$ 910</u>	<u>\$ 1,651</u>

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

	12/29/07 (unaudited)	12/30/06
Assets		
Current Assets		
Cash and cash equivalents.....	\$ 910	\$ 1,651
Short-term investments.....	1,571	1,171
Accounts and notes receivable, net.....	4,389	3,725
Inventories		
Raw materials.....	1,056	860
Work-in-process.....	157	140
Finished goods.....	1,077	926
	2,290	1,926
Prepaid expenses and other current assets.....	991	657
Total Current Assets	10,151	9,130
Property, plant and equipment, net.....	11,228	9,687
Amortizable intangible assets, net.....	796	637
Goodwill.....	5,169	4,594
Other nonamortizable intangible assets.....	1,248	1,212
Nonamortizable Intangible Assets	6,417	5,806
Investments in noncontrolled affiliates.....	4,354	3,690
Other assets.....	1,682	980
Total Assets	\$34,628	\$29,930
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term obligations.....	\$ -	\$ 274
Accounts payable and other current liabilities.....	7,602	6,496
Income taxes payable.....	151	90
Total Current Liabilities	7,753	6,860
Long-term debt obligations.....	4,203	2,550
Other liabilities.....	4,613	4,624
Deferred income taxes.....	714	528
Total Liabilities	17,283	14,562
Commitments and Contingencies		
Preferred stock, no par value.....	41	41
Repurchased preferred stock.....	(132)	(120)
Common Shareholders' Equity		
Common stock.....	30	30
Capital in excess of par value.....	450	584
Retained earnings.....	28,184	24,837
Accumulated other comprehensive loss.....	(841)	(2,246)
	27,823	23,205
Less: Repurchased common stock.....	(10,387)	(7,758)
Total Common Shareholders' Equity	17,436	15,447
Total Liabilities and Shareholders' Equity	\$34,628	\$29,930

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

	Quarter ended		Year ended	
	12/29/07	12/30/06	12/29/07	12/30/06
Beginning Net Shares Outstanding	1,610	1,647	1,639	1,656
Options Exercised/Restricted Stock Units Converted ..	10	4	30	31
Shares Repurchased	(15)	(12)	(64)	(48)
Ending Net Shares Outstanding	<u>1,605</u>	<u>1,639</u>	<u>1,605</u>	<u>1,639</u>
Weighted Average Basic.....	1,608	1,642	1,621	1,649
Dilutive securities:				
Options	31	32	31	32
Restricted Stock Units.....	5	5	4	4
ESOP Convertible Preferred Stock/Other.....	1	2	2	2
Weighted Average Diluted	<u>1,645</u>	<u>1,681</u>	<u>1,658</u>	<u>1,687</u>
Average Share Price for the period.....	\$73.84	\$63.39	\$68.23	\$61.08
<i>Growth Versus Prior Year</i>	16%	10%	12%	10%
Options Outstanding	109	128	121	137
Options in the Money	109	127	118	137
Dilutive Shares from Options	31	32	31	32
<i>Dilutive Shares from Options as a % of Options in the Money</i>	29%	25%	26%	24%
Average Exercise Price of Options in the Money	\$47.43	\$44.19	\$46.35	\$43.93
Restricted Stock Units Outstanding	7	8	8	8
Dilutive Shares from Restricted Stock Units	5	5	4	4
Average Intrinsic Value of Restricted Stock Units Outstanding*	\$58.63	\$53.38	\$58.51	\$53.09

* Weighted-average intrinsic value at grant date

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

	Quarter Ended		Year Ended	
	12/29/07	12/30/06	12/29/07	12/30/06
Net Revenue	\$12,346	\$10,570	\$39,474	\$35,137
Costs and Expenses				
Cost of sales	5,784	4,830	18,038	15,762
Selling, general and administrative expenses	4,709	4,030	14,106	12,644
Amortization of intangible assets	21	54	58	162
Operating Profit	1,832	1,656	7,272	6,569
Bottling Equity Income	95	92	560	532
Interest Expense	(71)	(67)	(224)	(239)
Interest Income	43	63	125	173
Income before Income Taxes	1,899	1,744	7,733	7,035
Provision for Income Taxes	581	495	2,134	1,970
Net Income	<u>\$ 1,318</u>	<u>\$ 1,249</u>	<u>\$ 5,599</u>	<u>\$ 5,065</u>
Diluted				
Net Income Per Common Share	\$0.80	\$0.74	\$3.38	\$3.00
Average Shares Outstanding	1,645	1,681	1,658	1,687

*Excludes the impact of restructuring and impairment charges recorded in 2007 and 2006, certain non-cash tax benefits recorded in 2007 and 2006 and our share of PBG's tax benefits recorded in 2006. See schedules A-8 through A-10 for a discussion of these items and reconciliations to the most directly comparable financial measures in accordance with Generally Accepted Accounting Principles (GAAP).

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

	Quarter Ended		Year Ended	
	12/29/07	12/30/06	12/29/07	12/30/06
<u>Net Revenue</u>				
Frito-Lay North America	\$ 3,510	\$ 3,242	\$11,586	\$10,844
PepsiCo Beverages North America	2,819	2,461	10,230	9,565
PepsiCo International	5,421	4,316	15,798	12,959
Quaker Foods North America.....	596	551	1,860	1,769
Total Net Revenue.....	<u>\$12,346</u>	<u>\$10,570</u>	<u>\$39,474</u>	<u>\$35,137</u>
<u>Operating Profit</u>				
Frito-Lay North America	\$ 839	\$ 785	\$2,873	\$2,682
PepsiCo Beverages North America	475	398	2,199	2,055
PepsiCo International	623	556	2,385	2,016
Quaker Foods North America.....	169	165	568	554
Division Operating Profit.....	2,106	1,904	8,025	7,307
Corporate.....	(274)	(248)	(753)	(738)
Total Operating Profit	<u>\$1,832</u>	<u>\$1,656</u>	<u>\$7,272</u>	<u>\$6,569</u>

*Excludes the impact of restructuring and impairment charges recorded in 2007 and 2006. See schedules A-8 through A-10 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)

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. Additionally, in the fourth quarter of 2007, we recorded restructuring and impairment charges in connection with previously announced plant closings and production line rationalizations, as well as costs associated with the recent divisional reorganization.

In the fourth quarter of 2006, we recorded non-cash tax benefits of \$602 million, substantially all of which related to the Internal Revenue Service's (IRS's) examination of our consolidated income tax returns for the years 1998 through 2002. In the fourth quarter of 2006, PBG also recorded non-cash tax benefits in connection with the IRS's examination of certain of their consolidated income tax returns. We recorded our share of these tax benefits in bottling equity income in the fourth quarter of 2006. In addition, in the fourth quarter of 2006, we recorded restructuring and impairment charges in conjunction with consolidating the manufacturing network at Frito-Lay by closing two plants in the U.S., and rationalizing other assets, to increase manufacturing productivity and supply chain efficiencies.

The financial measures listed below are not measures defined by GAAP. 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. Specifically, investors should consider the following with respect to our quarterly and full year results:

- Our 2007 and 2006 division operating profit;
- Our 2007 and 2006 division operating profit and total operating profit without the impact of restructuring and impairment charges; and our 2007 division operating profit growth and total operating profit growth without the impact of the aforementioned items;
- Our 2007 effective tax rate without the impact of the tax benefits and restructuring and impairment charges; and our 2006 effective tax rate without the impact of the tax benefits, our share of PBG's tax benefits and restructuring and impairment charges; and
- Our 2007 diluted EPS without the impact of the tax benefits and restructuring and impairment charges; our 2006 diluted EPS without the impact of the tax benefits, our share of PBG's tax benefits and restructuring and impairment charges; and our 2007 diluted EPS growth without the impact of the aforementioned items.

Additionally, management operating cash flow and management operating cash flow growth are the primary measures management uses to monitor cash flow performance. They are not measures defined by GAAP. 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.

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

Operating Profit Growth Reconciliation

	Quarter Ended <u>12/29/07</u>	Year Ended <u>12/29/07</u>
Total Operating Profit Growth	9%	10%
Impact of Corporate Unallocated	-	(1)
Division Operating Profit Growth.....	9	9
Impact of Restructuring and Impairment Charges.....	1.5	-
Division Operating Profit Growth Excluding Above Items.....	<u>11%*</u>	<u>10%*</u>

* Does not sum due to rounding.

Effective Tax Rate Reconciliation (Quarter Ended 12/30/06)

	Pre-tax Income	Income Taxes	Effective Tax Rate
Reported Effective Tax Rate	\$1,698	(\$128)	(7.5%)
Restructuring and Impairment Charges.....	67	24	
Tax Benefits	-	602	
PepsiCo Share of PBG Tax Benefits	(21)	(3)	
Effective Tax Rate Excluding Above Items	<u>\$1,744</u>	<u>\$495</u>	28.4%

Effective Tax Rate Reconciliation (Quarter Ended 12/29/07)

	Pre-tax Income	Income Taxes	Effective Tax Rate
Reported Effective Tax Rate	\$1,797	\$535	29.8%
Restructuring and Impairment Charges.....	102	32	
Tax Benefits	-	14	
Effective Tax Rate Excluding Above Items	<u>\$1,899</u>	<u>\$581</u>	30.6%

Effective Tax Rate Reconciliation (Year Ended 12/29/07)

	Pre-tax Income	Income Taxes	Effective Tax Rate
Reported Effective Tax Rate	\$7,631	\$1,973	25.9%
Restructuring and Impairment Charges.....	102	32	
Tax Benefits	-	129	
Effective Tax Rate Excluding Above Items	<u>\$7,733</u>	<u>\$2,134</u>	27.6%

Management Cash Flow Reconciliation

	Year Ended		
	<u>12/29/07</u>	<u>12/30/06</u>	Growth
Net Cash Provided by Operating Activities	\$6,934	\$6,084	14%
Capital spending.....	(2,430)	(2,068)	
Sales of property, plant and equipment	47	49	
Management Operating Cash Flow	<u>\$4,551</u>	<u>\$4,065</u>	12%

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

	Quarter Ended 12/29/07			Year Ended 12/29/07		
	Volume	Net Revenue	Operating Profit	Volume	Net Revenue	Operating Profit
<u>Frito-Lay North America</u>						
Reported growth.....	3	8	13	3	7	9
Impact on growth of:						
2007 restructuring and impairment	-	-	4	-	-	1
2006 restructuring and impairment	-	-	(9)	-	-	(3)
Growth excluding above items	3	8	7	3	7	7
<u>PepsiCo Beverages North America</u>						
Reported growth.....	1	15	17	-	7	6
Impact on growth of:						
2007 restructuring and impairment	-	-	3	-	-	0.5
Growth excluding above items	1	15	19	-	7	7
<u>PepsiCo International</u>						
Reported growth.....	8/9*	26	1	9/8*	22	15
Impact on growth of:						
2007 restructuring and impairment	-	-	11	-	-	3
Growth excluding above items	8/9*	26	12	9/8*	22	18
<u>Total Divisions</u>						
Reported growth.....	5.5/5*	17	9	6/4*	12	9
Impact on growth of:						
2007 restructuring and impairment	-	-	5.5	-	-	1
2006 restructuring and impairment	-	-	(4)	-	-	(1)
Growth excluding above items	5.5/5*	17	11	6/4*	12	10

*snacks/beverages

Note: Schedule does not sum in all instances due to rounding.