

PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(in millions except per share amounts, unaudited)

	12 Weeks Ended	
	3/24/07	3/25/06
Net Revenue	\$ 7,350	\$ 6,719
Cost of sales	3,285	2,962
Selling, general and administrative expenses	2,635	2,469
Amortization of intangible assets	11	31
Operating Profit	1,419	1,257
Bottling equity income	74	75
Interest expense	(42)	(62)
Interest income	22	45
Income before income taxes	1,473	1,315
Provision for income taxes	377	368
Net Income	\$ 1,096	\$ 947
Net Income Per Common Share		
Basic	\$ 0.67	\$ 0.57
Diluted	\$ 0.65	\$ 0.56
Cash Dividends Declared Per Common Share	\$ 0.30	\$ 0.26

See accompanying Notes to the Condensed Consolidated Financial Statements.

PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions, unaudited)

	12 Weeks Ended	
	3/24/07	3/25/06
Operating Activities		
Net income	\$ 1,096	\$ 947
Depreciation and amortization	276	286
Stock-based compensation expense	63	67
Excess tax benefits from share-based payment arrangements	(47)	(34)
Pension and retiree medical plan contributions	(34)	(28)
Pension and retiree medical plan expenses	118	120
Bottling equity income, net of dividends	(57)	(61)
Deferred income taxes and other tax charges and credits	11	20
Change in accounts and notes receivable	(377)	(347)
Change in inventories	(134)	(179)
Change in prepaid expenses and other current assets	(75)	(39)
Change in accounts payable and other current liabilities	(413)	(441)
Change in income taxes payable	269	(140)
Other, net	(70)	2
Net Cash Provided by Operating Activities	626	173
Investing Activities		
Capital spending	(267)	(289)
Sales of property, plant and equipment	4	6
Acquisitions and investments in noncontrolled affiliates	(431)	(275)
Cash proceeds from sale of The Pepsi Bottling Group (PBG) stock	94	85
Short-term investments, by original maturity		
More than three months – purchases	(13)	-
More than three months – maturities	13	20
Three months or less, net	402	780
Net Cash (Used for)/Provided by Investing Activities	(198)	327

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PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
(in millions, unaudited)

	12 Weeks Ended	
	<u>3/24/07</u>	<u>3/25/06</u>
Financing Activities		
Payments of long-term debt	\$ (26)	\$ (22)
Short-term borrowings, by original maturity		
More than three months – proceeds	1	10
More than three months – payments	(8)	(204)
Three months or less, net	21	(497)
Cash dividends paid	(498)	(432)
Share repurchases – common	(882)	(660)
Share repurchases – preferred	(2)	(2)
Proceeds from exercises of stock options	236	436
Excess tax benefits from share-based payment arrangements	47	34
Net Cash Used for Financing Activities	(1,111)	(1,337)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1)	5
Net Decrease in Cash and Cash Equivalents	(684)	(832)
Cash and Cash Equivalents – Beginning of year	1,651	1,716
Cash and Cash Equivalents – End of period	<u>\$ 967</u>	<u>\$ 884</u>

See accompanying Notes to the Condensed Consolidated Financial Statements.

PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(in millions)

	(Unaudited) <u>3/24/07</u>	<u>12/30/06</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 967	\$ 1,651
Short-term investments	770	1,171
Accounts and notes receivable, less allowance: 3/07 - \$74, 12/06 - \$64	4,123	3,725
Inventories		
Raw materials	893	860
Work-in-process	168	140
Finished goods	<u>1,013</u>	<u>926</u>
	2,074	1,926
Prepaid expenses and other current assets	<u>757</u>	<u>657</u>
Total Current Assets	8,691	9,130
Property, Plant and Equipment	19,200	19,058
Accumulated Depreciation	<u>(9,469)</u>	<u>(9,371)</u>
	9,731	9,687
Amortizable Intangible Assets, net	627	637
Goodwill	4,596	4,594
Other Nonamortizable Intangible Assets	<u>1,213</u>	<u>1,212</u>
Nonamortizable Intangible Assets	5,809	5,806
Investments in Noncontrolled Affiliates	3,676	3,690
Other Assets	<u>1,296</u>	<u>980</u>
Total Assets	<u>\$ 29,830</u>	<u>\$ 29,930</u>

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PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET (continued)
(in millions except per share amounts)

	(Unaudited) <u>3/24/07</u>	<u>12/30/06</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term obligations	\$ 1,002	\$ 274
Accounts payable and other current liabilities	6,207	6,496
Income taxes payable	<u>313</u>	<u>90</u>
Total Current Liabilities	7,522	6,860
Long-term Debt Obligations	1,807	2,550
Other Liabilities	4,805	4,624
Deferred Income Taxes	<u>348</u>	<u>528</u>
Total Liabilities	14,482	14,562
Commitments and Contingencies		
Preferred Stock, no par value	41	41
Repurchased Preferred Stock	(122)	(120)
Common Shareholders' Equity		
Common stock, par value 1 2/3 cents per share:		
Authorized 3,600 shares, issued 3/07 and 12/06 - 1,782 shares	30	30
Capital in excess of par value	479	584
Retained earnings	25,446	24,837
Accumulated other comprehensive loss	<u>(2,238)</u>	<u>(2,246)</u>
	23,717	23,205
Less: repurchased common stock, at cost:		
3/07 – 151 shares and 12/06 – 144 shares	<u>(8,288)</u>	<u>(7,758)</u>
Total Common Shareholders' Equity	<u>15,429</u>	<u>15,447</u>
Total Liabilities and Shareholders' Equity	<u>\$ 29,830</u>	<u>\$ 29,930</u>

See accompanying Notes to the Condensed Consolidated Financial Statements.

PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME
(in millions, unaudited)

	12 Weeks Ended	
	<u>3/24/07</u>	<u>3/25/06</u>
Net Income	\$ 1,096	\$ 947
Other Comprehensive Income		
Currency translation adjustment	(32)	65
Reclassification of pension and retiree medical losses to net income, net of tax	32	-
Cash flow hedges, net of tax:		
Net derivative gains	3	4
Reclassification of losses/(gains) to net income	3	(6)
Unrealized gains/(losses) on securities, net of tax	2	(3)
Other	-	4
	<u>8</u>	<u>64</u>
Comprehensive Income	<u>\$ 1,104</u>	<u>\$ 1,011</u>

See accompanying Notes to the Condensed Consolidated Financial Statements.

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