

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

	12 Weeks Ended		24 Weeks Ended	
	6/16/07	6/17/06	6/16/07	6/17/06
Net Revenue	\$ 9,607	\$ 8,714	\$ 16,957	\$ 15,433
Cost of sales	4,342	3,862	7,627	6,824
Selling, general and administrative expenses	3,295	3,016	5,930	5,485
Amortization of intangible assets	11	36	22	67
Operating Profit	1,959	1,800	3,378	3,057
Bottling equity income	173	161	247	236
Interest expense	(54)	(59)	(96)	(121)
Interest income	39	26	61	71
Income before income taxes	2,117	1,928	3,590	3,243
Provision for income taxes	560	553	937	921
Net Income	\$ 1,557	\$ 1,375	\$ 2,653	\$ 2,322
Net Income Per Common Share				
Basic	\$ 0.96	\$ 0.83	\$ 1.62	\$ 1.40
Diluted	\$ 0.94	\$ 0.81	\$ 1.59	\$ 1.37
Cash Dividends Declared Per Common Share ...	\$ 0.375	\$ 0.30	\$ 0.675	\$ 0.56

See accompanying Notes to the Condensed Consolidated Financial Statements.

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

	24 Weeks Ended	
	<u>6/16/07</u>	<u>6/17/06</u>
Operating Activities		
Net income	\$ 2,653	\$ 2,322
Depreciation and amortization	608	610
Stock-based compensation expense	123	128
Excess tax benefits from share-based payment arrangements	(86)	(64)
Pension and retiree medical plan contributions	(116)	(60)
Pension and retiree medical plan expenses	240	246
Bottling equity income, net of dividends	(207)	(195)
Deferred income taxes and other tax charges and credits	64	14
Change in accounts and notes receivable	(852)	(753)
Change in inventories	(526)	(396)
Change in prepaid expenses and other current assets	(69)	(29)
Change in accounts payable and other current liabilities	(28)	-
Change in income taxes payable	369	(6)
Other, net	(155)	(37)
Net Cash Provided by Operating Activities	<u>2,018</u>	<u>1,780</u>
Investing Activities		
Capital spending	(743)	(708)
Sales of property, plant and equipment	15	15
Acquisitions and investments in noncontrolled affiliates	(853)	(434)
Cash proceeds from sale of The Pepsi Bottling Group (PBG) stock	192	180
Short-term investments, by original maturity		
More than three months – purchases	(52)	(9)
More than three months – maturities	35	20
Three months or less, net	343	897
Net Cash Used for Investing Activities	<u>(1,063)</u>	<u>(39)</u>

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

	24 Weeks Ended	
	<u>6/16/07</u>	<u>6/17/06</u>
Financing Activities		
Proceeds from issuances of long-term debt	\$ 1,005	\$ 109
Payments of long-term debt	(534)	(135)
Short-term borrowings, by original maturity		
More than three months – proceeds	9	14
More than three months – payments	(13)	(229)
Three months or less, net	270	(1,285)
Cash dividends paid	(989)	(863)
Share repurchases – common	(1,964)	(1,469)
Share repurchases – preferred	(4)	(5)
Proceeds from exercises of stock options	485	697
Excess tax benefits from share-based payment arrangements	86	64
Net Cash Used for Financing Activities	(1,649)	(3,102)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	41	7
Net Decrease in Cash and Cash Equivalents	(653)	(1,354)
Cash and Cash Equivalents – Beginning of year	1,651	1,716
Cash and Cash Equivalents – End of period	<u>\$ 998</u>	<u>\$ 362</u>

See accompanying Notes to the Condensed Consolidated Financial Statements.

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

	(Unaudited) <u>6/16/07</u>	<u>12/30/06</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 998	\$ 1,651
Short-term investments	864	1,171
Accounts and notes receivable, less allowance: 6/07 - \$76, 12/06 - \$64	4,669	3,725
Inventories		
Raw materials	1,101	860
Work-in-process	302	140
Finished goods	<u>1,107</u>	<u>926</u>
	2,510	1,926
Prepaid expenses and other current assets	<u>747</u>	<u>657</u>
Total Current Assets	9,788	9,130
Property, Plant and Equipment	19,943	19,058
Accumulated Depreciation	<u>(9,866)</u>	<u>(9,371)</u>
	10,077	9,687
Amortizable Intangible Assets, net	671	637
Goodwill	4,789	4,594
Other Nonamortizable Intangible Assets	<u>1,234</u>	<u>1,212</u>
Nonamortizable Intangible Assets	6,023	5,806
Investments in Noncontrolled Affiliates	3,653	3,690
Other Assets	<u>1,713</u>	<u>980</u>
Total Assets	<u>\$ 31,925</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>6/16/07</u>	<u>12/30/06</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term obligations	\$ 364	\$ 274
Accounts payable and other current liabilities	6,870	6,496
Income taxes payable	<u>355</u>	<u>90</u>
Total Current Liabilities	7,589	6,860
Long-term Debt Obligations	3,261	2,550
Other Liabilities	4,876	4,624
Deferred Income Taxes	<u>326</u>	<u>528</u>
Total Liabilities	16,052	14,562
Commitments and Contingencies		
Preferred Stock, no par value	41	41
Repurchased Preferred Stock	(124)	(120)
Common Shareholders' Equity		
Common stock, par value 1 2/3 cents per share:		
Authorized 3,600 shares, issued 6/07 and 12/06 - 1,782 shares	30	30
Capital in excess of par value	470	584
Retained earnings	26,391	24,837
Accumulated other comprehensive loss	<u>(1,888)</u>	<u>(2,246)</u>
	25,003	23,205
Less: repurchased common stock, at cost:		
6/07 – 161 shares, 12/06 – 144 shares	<u>(9,047)</u>	<u>(7,758)</u>
Total Common Shareholders' Equity	<u>15,956</u>	<u>15,447</u>
Total Liabilities and Shareholders' Equity	<u>\$ 31,925</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		24 Weeks Ended	
	<u>6/16/07</u>	<u>6/17/06</u>	<u>6/16/07</u>	<u>6/17/06</u>
Net Income	\$ 1,557	\$ 1,375	\$ 2,653	\$ 2,322
Other Comprehensive Income				
Currency translation adjustment	339	107	306	172
Reclassification of pension and retiree medical losses to net income, net of tax	23	-	55	-
Cash flow hedges, net of tax:				
Net derivative losses	(30)	(16)	(27)	(12)
Reclassification of losses/(gains) to net income	3	(1)	6	(7)
Unrealized gains/(losses) on securities, net of tax	12	(3)	14	(6)
Other	4	-	4	4
	<u>351</u>	<u>87</u>	<u>358</u>	<u>151</u>
Comprehensive Income	<u>\$ 1,908</u>	<u>\$ 1,462</u>	<u>\$ 3,011</u>	<u>\$ 2,473</u>

See accompanying Notes to the Condensed Consolidated Financial Statements.

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