

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 |
| 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 | \$ 1,699 | \$ 1,557 | \$ 2,847 | \$ 2,653 |
| Net Income Per Common Share | | | | |
| Basic | \$ 1.07 | \$ 0.96 | \$ 1.79 | \$ 1.62 |
| Diluted | \$ 1.05 | \$ 0.94 | \$ 1.76 | \$ 1.59 |
| Cash Dividends Declared Per Common Share | \$ 0.425 | \$ 0.375 | \$ 0.80 | \$ 0.675 |

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 | |
|---|-----------------|----------------|
| | 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 | <u>2,193</u> | <u>2,018</u> |
| 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, by original maturity | | |
| More than three months – purchases | (38) | (52) |
| More than three months – maturities | 4 | 35 |
| Three months or less, net | <u>1,289</u> | <u>343</u> |
| Net Cash Provided by/(Used for) Investing Activities | <u>362</u> | <u>(1,063)</u> |
| Financing Activities | | |
| Proceeds from issuances of long-term debt | 1,733 | 1,005 |
| Payments of long-term debt | (437) | (534) |
| Short-term borrowings, by original maturity | | |
| More than three months – proceeds | 64 | 9 |
| More than three months – payments | (117) | (13) |
| Three months or less, net | 758 | 270 |
| 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 | <u>(1,711)</u> | <u>(1,649)</u> |
| 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 | <u>\$ 1,768</u> | <u>\$ 998</u> |

See accompanying Notes to the Condensed Consolidated Financial Statements.

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

| | (Unaudited) <u>6/14/08</u> | <u>12/29/07</u> |
|--|-------------------------------|------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,768 | \$ 910 |
| Short-term investments | 305 | 1,571 |
| Accounts and notes receivable, less allowance: 6/08 – \$71, 12/07 – \$69 | 5,617 | 4,389 |
| Inventories | | |
| Raw materials | 1,275 | 1,056 |
| Work-in-process | 331 | 157 |
| Finished goods | <u>1,329</u> | <u>1,077</u> |
| | 2,935 | 2,290 |
| Prepaid expenses and other current assets | <u>1,026</u> | <u>991</u> |
| Total Current Assets | 11,651 | 10,151 |
| Property, Plant and Equipment | 22,762 | 21,896 |
| Accumulated Depreciation | <u>(11,162)</u> | <u>(10,668)</u> |
| | 11,600 | 11,228 |
| Amortizable Intangible Assets, net | 847 | 796 |
| Goodwill | 5,511 | 5,169 |
| Other Nonamortizable Intangible Assets | <u>1,375</u> | <u>1,248</u> |
| Nonamortizable Intangible Assets | 6,886 | 6,417 |
| Investments in Noncontrolled Affiliates | 4,519 | 4,354 |
| Other Assets | <u>1,276</u> | <u>1,682</u> |
| Total Assets | <u>\$ 36,779</u> | <u>\$ 34,628</u> |

Continued on next page.

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

| | (Unaudited) 6/14/08 | 12/29/07 |
|---|------------------------|-----------|
| 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, par value 1 2/3 cents per share: | | |
| Authorized 3,600 shares, issued 6/08 and 12/07 – 1,782 shares | 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, at cost: | | |
| 6/08 – 211 shares, 12/07 – 177 shares | (12,824) | (10,387) |
| Total Common Shareholders' Equity | 16,747 | 17,325 |
| Total Liabilities and Shareholders' Equity | \$ 36,779 | \$ 34,628 |

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 | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 6/14/08 | 6/16/07 | 6/14/08 | 6/16/07 |
| Net Income | \$ 1,699 | \$ 1,557 | \$ 2,847 | \$ 2,653 |
| Other Comprehensive Income | | | | |
| Currency translation adjustment | 206 | 339 | 360 | 306 |
| Reclassification of pension and retiree medical losses to net income, net of tax | 17 | 23 | 88 | 55 |
| Cash flow hedges, net of tax: | | | | |
| Net derivative gains/(losses) | 19 | (30) | 31 | (27) |
| Reclassification of losses to net income | 3 | 3 | 9 | 6 |
| Unrealized (losses)/gains on securities, net of tax | (3) | 12 | (5) | 14 |
| Other | (4) | 4 | (4) | 4 |
| | <u>238</u> | <u>351</u> | <u>479</u> | <u>358</u> |
| Comprehensive Income | <u>\$ 1,937</u> | <u>\$ 1,908</u> | <u>\$ 3,326</u> | <u>\$ 3,011</u> |

See accompanying Notes to the Condensed Consolidated Financial Statements.

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| XBRL taxonomy linkbase | pep-20080614_pre.xml |  |
| XBRL taxonomy linkbase | pep-20080614_cal.xml |  |
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