

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 | |
|--|----------------|---------------|
| | 3/24/07 | 3/25/06 |
| 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 | 313 | 90 |
| Total Current Liabilities | <u>7,522</u> | <u>6,860</u> |
| Long-term Debt Obligations | 1,807 | 2,550 |
| Other Liabilities | 4,805 | 4,624 |
| Deferred Income Taxes | 348 | 528 |
| Total Liabilities | <u>14,482</u> | <u>14,562</u> |
| 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 | (2,238) | (2,246) |
| | <u>23,717</u> | <u>23,205</u> |
| Less: repurchased common stock, at cost: | | |
| 3/07 – 151 shares and 12/06 – 144 shares | (8,288) | (7,758) |
| 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 | |
|--|-----------------|-----------------|
| | 3/24/07 | 3/25/06 |
| 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 |
| | 8 | 64 |
| Comprehensive Income | \$ 1,104 | \$ 1,011 |

See accompanying Notes to the Condensed Consolidated Financial Statements.

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