

# PepsiCo International

“ 2007 was a year of exciting progress for PepsiCo International, marked by strong financial results and important gains in the marketplace. Once again PI was the largest contributor to PepsiCo’s revenue and profit growth in 2007.

I am particularly proud of our 2007 performance because we built a strong foundation for future growth.

We completed acquisitions in 2007 that are expected to add over \$1 billion to our 2008 revenues. Importantly, they also advance the strategic transformation of our international portfolio. We also made major investments to transform our information systems and capability to be better equipped to support and enable further growth.



To convey the breadth of our progress, let me share a few 2007 highlights:

- We dramatically strengthened our non-carbonated beverage portfolio by expanding our successful Unilever tea partnership and launching an international joint venture for Starbucks ready-to-drink coffee products.
- In the United Kingdom, our Baked Walkers crisps, with 70% less fat than original Walkers, was declared “New Product of the Year” by *Marketing Week* magazine; while an important turnaround in beverage volume led to mid-single-digit volume growth.
- We continued our portfolio transformation in Europe with the launch of Baked Lay’s crisps and integration of Duyvis nuts. We also enjoyed strong growth in non-carbonated drinks, complemented by the acquisition, with PepsiAmericas, of Ukraine’s leading juice company.
- In Russia, annual beverage volume reached more than 200 million cases, while we strengthened our leadership in savory snacks and broke ground on our second snack plant.
- In the Middle East, zero-calorie Pepsi Max posted strong growth, and Mountain Dew surged ahead in markets like Nigeria and Pakistan; the Lay’s brand helped drive continued share gains in Turkey, while the Doritos brand drove healthy growth in Egypt.
- In Asia, new marketing drove double-digit growth in non-sugar colas in virtually all markets; and new locally tailored flavors sparked strong growth in savory snacks, particularly in China and Thailand.

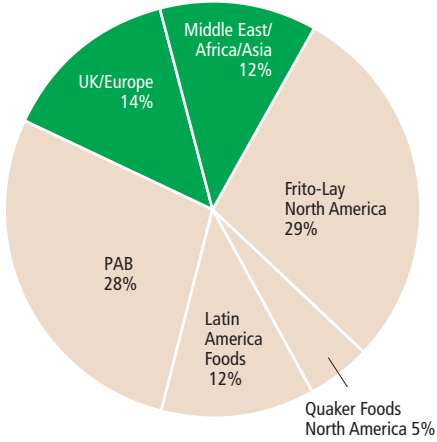


## PERFORMANCE



## PepsiCo Net Revenue: \$39,474

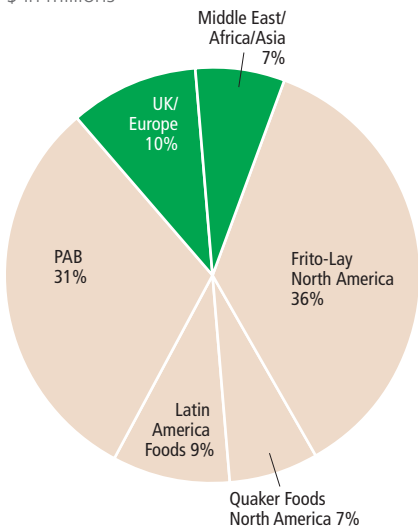
PepsiCo, Inc. and Subsidiaries  
\$ in millions



PI comprises 26% of PepsiCo Net Revenue

## PepsiCo Division Operating Profit: \$7,923

PepsiCo, Inc. and Subsidiaries  
\$ in millions



PI comprises 17% of PepsiCo Division Operating Profit

For all our progress, we still have enormous room to grow.

Under PepsiCo's new organization, PI today offers a diverse portfolio of scale businesses with critical mass and solid profit margins, spanning the United Kingdom, Europe, the Middle East, Asia, Australia and Africa. This is a vast area comprising 86% of the Earth's population and 45 of the 50 fastest-growing economies — not only China, India and Russia, but many smaller, fast-growing markets like Vietnam, Pakistan, Turkey and Eastern Europe.

Our business is well-balanced between developed and developing nations. And our expanding product portfolio, offering benefits ranging from simple refreshment to basic nutrition, positions us well to serve a wide range of consumer needs.

I'm confident we'll fulfill PI's mission, thanks to our outstanding team of PI associates and many valued partners, who work together every day, focused on common goals and embracing the core values of PepsiCo.

We are deeply committed to Performance with Purpose and operating in sustainable ways that benefit our shareholders, employees, business partners and the communities we serve.



Looking ahead, I see vast opportunity for PepsiCo International. I also am excited by our opportunities for progress in the corporate functions I now lead: Information Technology and Global Purchasing. And I feel especially privileged to have a major role in developing the next generation of PepsiCo leaders. Nothing is more important to our continued success.

*Michael D. White*

**Michael D. White**  
Vice Chairman, PepsiCo  
CEO, PepsiCo International

