No. 1-1183

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
ANNUAL REPORT
Pursuant to Section 13 of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 26, 1998

PepsiCo, Inc.
Incorporated in North Carolina
Purchase, New York 10577-1444
(914) 253-2000

13-1584302
(I.R.S. Employer Identification No.)

Securities registered pursuant to Section 12(b) of the
Securities Exchange Act of 1934:

Title of Each Class	Name of Each Exchange on Which Registered
Capital Stock, par value 1-2/3 cents per share	New York and Chicago Stock Exchanges

Securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934: None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The number of shares of PepsiCo Capital Stock outstanding as of March 12, 1999 was 1,475,878,212. The aggregate market value of PepsiCo Capital Stock held by nonaffiliates of PepsiCo as of March 12, 1999 was $56,821,311,162.

Documents of Which Portions Are Incorporated by Reference	Parts of Form 10-K into Which Portion of Documents Are Incorporated
Proxy Statement for PepsiCo's May 5,1999 Annual Meeting of Shareholders	I, III

PART I

Item 1. Business

PepsiCo, Inc. was incorporated in Delaware in 1919 and was reincorporated in North Carolina in 1986. PepsiCo is engaged in the soft drink, juice and snack food businesses. When used in this Report the terms "we", "us" and "our" shall mean PepsiCo and its divisions and subsidiaries.

In October 1997, we spun off to our shareholders all of our quick service restaurant businesses, consisting of Pizza Hut, Taco Bell and KFC, as an independent publicly-traded company. Also in 1997 we sold PFS, our restaurant distribution operation, and our non-core restaurant businesses.

On November 12, 1998, our Board of Directors authorized conversion of a majority stake in our company-owned bottling operations to public ownership through an initial public offering, subject to market conditions and regulatory approvals. The new company, named The Pepsi Bottling Group, Inc. ("PBG"), is a wholly-owned subsidiary of PepsiCo. PBG has filed an S-1 registration statement with the Securities and Exchange Commission for the initial public offering of its common stock. We expect that the S-1 registration statement will be effective and the public offering completed during PepsiCo's second fiscal quarter.

The reorganization of our beverage business was undertaken in connection with the proposed conversion to public ownership of a majority stake in our bottling operations, and the reorganization was not completed until early 1999. Accordingly, our 1998 Financial Statements and Management's Discussion and Analysis contained in Part II of this Annual Report do not reflect the reorganization.

THE PEPSI-COLA COMPANY

The Pepsi-Cola Company ("PCC") was reorganized in November, 1998 into three business units: Pepsi-Cola North America ("PCNA"), Pepsi-Cola Company International ("PCI") and The Pepsi Bottling Group. As described below, these business units manufacture, sell and distribute "Pepsi-Cola Beverages", which include not only beverages bearing the Pepsi-Cola or Pepsi trademarks, such as Pepsi-Cola, Diet Pepsi, Pepsi One and Pepsi Max, but also other brands owned by PepsiCo including MOUNTAIN DEW, 7UP (outside the U.S.), SLICE, MUG, AQUAFINA, and Mirinda.

Pepsi-Cola North America

PCNA manufactures Pepsi-Cola Beverage concentrates and sells them to bottlers in the United States and Canada. PCNA's bottlers are licensed by us to manufacture, sell and distribute, within defined territories, beverages and syrups bearing the Pepsi-Cola Beverage trademarks. Approximately 100 plants are operated by independent licensees or unconsolidated affiliates of PCNA, who manufacture, sell and distribute beverages in approximately 275 licensed territories in the United States and Canada. PCNA has a minority interest in 6 of these licensees, comprising approximately 60 licensed territories. Pepsi-Cola Beverage concentrates are manufactured in two company-owned syrup and concentrate plants in the United States and Canada.

PCNA also develops the national marketing, promotion and advertising programs that support the Pepsi-Cola Beverage brands and brand image; oversees the quality of the Pepsi-Cola Beverages; develops new products and packaging and approves packaging suppliers; and leads and coordinates selling efforts for national fountain, supermarket and mass merchandising accounts.

The Pepsi/Lipton Tea Partnership, a joint venture of PCNA and Lipton, sells tea concentrate to Pepsi-Cola bottlers, and develops and markets ready-to-drink tea products under the LIPTON trademark, including LIPTON BRISK and LIPTON'S ICED TEA. PepsiCo's partnership with the Starbucks Corporation develops ready-to-drink coffee products, which are sold under the Starbucks FRAPPUCINO trademark. These products are distributed by Pepsi-Cola bottlers.

Pepsi-Cola International

PCI manufactures Pepsi-Cola Beverage concentrates and sells them to bottlers outside of the United States and Canada who are licensed by us to manufacture, sell and distribute, within defined territories, Pepsi-Cola Beverage products. In certain countries, PCI also owns and operates the bottling businesses which manufacture, sell and distribute the Pepsi-Cola Beverage products.

PCI operates 24 bottling plants and its authorized bottlers operate approximately 330 additional bottling plants. Pepsi-Cola Beverage products are sold in approximately 168 countries through PCI's company-owned and independent bottlers. Principal international markets include Argentina, Brazil, China, India, Mexico, the Philippines, Saudi Arabia, Spain, Thailand and the United Kingdom.

The Pepsi Bottling Group

The Pepsi Bottling Group was recently organized as an operating unit of PepsiCo to conduct company-owned bottling operations in the United States, Canada, Spain, Greece and Russia. In the United States and Canada, PBG manufactures Pepsi-Cola Beverages in approximately 64 bottling plants and sells and distributes those beverages in all or a portion of 41 states,the District of Columbia and eight Canadian provinces. This accounts for approximately 55% of the Pepsi-Cola Beverages sold in the United States and Canada. PBG also operates 11 bottling plants outside of the United States and Canada.

On January 25, 1999, PepsiCo signed an agreement with Whitman Corporation providing for the combination of certain of PepsiCo's bottling businesses and assets in the midwestern United States and Central Europe with those of Whitman. The agreement also provides that Whitman will assume liabilities associated with the U.S. operations of PepsiCo being transferred to it and will acquire certain of PepsiCo's international operations in Central Europe for cash. PepsiCo will receive $300 million in net proceeds plus 35% of the common stock in the newly created Whitman. Whitman will also transfer to PBG bottling operations in Virginia, West Virginia and St. Petersburg, Russia. Whitman has agreed to undertake a stock repurchase program that is anticipated to raise PepsiCo's stake in Whitman to 40%. The transaction is subject to approval by regulators and Whitman shareholders.

TROPICANA PRODUCTS, INC.

Tropicana Products, Inc. ("TPI"), which we acquired in the third quarter of 1998, is the world's largest marketer and producer of branded juices. TPI manufactures and sells its products under such well known trademarks as Tropicana Pure Premium, TROPICANA SEASON'S BEST and, under license from Dole Food Company, Inc., DOLE. In the United States, TPI's portfolio also includes TROPICANA TWISTER juice beverage products and TROPICANA PURE TROPICS 100% juice products. Outside the United States, TPI holds leading positions in the chilled orange juice industries in Belgium, Canada, France and the United Kingdom. It also manufactures and sells FRUVITA chilled juices, LOOZA nectars and juices, COPELLA fruit juices and HITCHCOCK shelf-stable juices in the United Kingdom and elsewhere in Europe.

TPI's manufacturing operations in Bradenton, Florida provide approximately 90% of the worldwide distribution of TROPICANA PURE PREMIUM products. TPI operates seven regional distribution centers that serve customers in the United States and Canada. High-speed refrigerated trains are used to transport the product quickly and efficiently from the Bradenton manufacturing plant to the principal field distribution centers. A high priority is placed on inventory management techniques that ensure product quality and freshness. Tropicana's products are produced and packaged in approximately 25 plants worldwide (including 17 independent co-packer facilities) and are available in 23 countries.

THE FRITO-LAY COMPANY

Our snack food business is conducted by The Frito-Lay Company, an operating group comprised of two business units: Frito-Lay North America ("Frito-Lay") and Frito-Lay International ("FLI").

Frito-Lay North America

Frito-Lay manufactures and sells a varied line of salty snack foods throughout the United States and Canada, including LAY'S and RUFFLES brand potato chips, DORITOS and TOSTITOS brand tortilla chips, FRITOS brand corn chips, CHEETOS brand cheese flavored snacks, ROLD GOLD brand pretzels, SUNCHIPS brand multigrain snacks, as well as WOW! brand potato and tortilla chips.

Frito-Lay's products are transported from its manufacturing plants to major distribution centers, principally by company-owned trucks. Frito-Lay utilizes a "store-door-delivery" system, whereby its approximately 20,000 person sales force delivers the snacks directly to the store shelf. This system permits Frito-Lay to work closely with approximately 480,000 retail trade locations weekly and to be responsive to their needs. Frito-Lay believes this form of distribution is a valuable marketing tool and is essential for the proper distribution of products with a short shelf life.

Frito-Lay International

FLI's products are available in 109 countries outside the United States and Canada through company-owned facilities and affiliated companies. On most of the European continent, PepsiCo's snack food business is conducted through Snack Ventures Europe, a joint venture between PepsiCo and General Mills, Inc., in which PepsiCo owns a 60% interest. FLI sells a variety of snack food products which appeal to local tastes including, for example, WALKERS brand snack foods, sold in the United Kingdom, SMITH'S brand snack foods, sold in Australia, and GAMESA brand cookies and ALEGRO brand sweet snacks, which are sold in Mexico. In addition, LAY'S, CHEETOS, RUFFLES, DORITOS, FRITOS, TOSTITOS, and SUNCHIPS brand salty snack foods have been introduced to international markets. Principal international markets include Australia, Brazil, Mexico, the Netherlands, Poland, South Africa, Spain and the United Kingdom.

Competition

All of our businesses are highly competitive. Our soft drinks, juices and snack foods compete in the United States and internationally with widely distributed products of a number of major companies that have plants in many of the areas we serve, as well as with private label soft drinks, juices and snack foods and with the products of local and regional manufacturers. The main areas of our competition are price, quality and variety of products, and customer service.

Employees

At December 26, 1998, we employed, subject to seasonal variations, approximately 150,000 persons (including approximately 10,000 part-time employees), of whom approximately 83,000 (including approximately 8,000 part-time employees) were employed within the United States. We believe that relations with our employees are generally good.

Raw Materials and Other Supplies

The principal materials we use in our soft drink, juice and snack food businesses are corn sweeteners, sugar, aspartame, flavorings, oranges, grapefruit, juice concentrates, vegetable and essential oils, potatoes, corn, flour, seasonings and packaging materials. Since we rely on trucks to move and distribute many of our products, fuel is also an important commodity. We employ specialists to secure adequate supplies of many of these items and have not experienced any significant continuous shortages. Prices we pay for such items are subject to fluctuation. When prices increase, we may or may not pass on such increases to our customers. When we have decided to pass along price increases in the past we have done so successfully, however there is no assurance that we will be able to do so in the future.

Governmental Regulation

The conduct of our businesses, and the production, distribution and use of many of our products, are subject to various federal laws, such as the Food, Drug and Cosmetic Act, the Occupational Safety and Health Act and the Americans with Disabilities Act. Our businesses are also subject to state, local and foreign laws.

Patents, Trademarks, Licenses and Franchises

We own numerous valuable trademarks which are essential to our worldwide businesses, including PEPSI-COLA, PEPSI, DIET PEPSI, PEPSI ONE, PEPSI MAX, MOUNTAIN DEW, SLICE, MUG, ALL SPORT, AQUAFINA, 7UP and DIET 7UP (outside the United States), MIRINDA, TROPICANA PURE PREMIUM, TROPICANA TWISTER, TROPICANA SEASON'S BEST, TROPICANA PURE TROPICS, FRUVITA, HITCHCOCK, LOOZA, FRITO-LAY, LAY'S, DORITOS, RUFFLES, TOSTITOS, FRITOS, CHEETOS, CRACKER JACK, ROLD GOLD, WOW!, SUNCHIPS, SANTITAS, SMARTFOOD, SABRITAS, WALKERS and SMITH'S. Trademarks remain valid so long as they are used properly for identification purposes, and we emphasize correct use of our trademarks. We have authorized (through licensing or franchise arrangements) the use of many of our trademarks in such contexts as Pepsi-Cola bottling appointments and snack food joint ventures. In addition, we license the use of our trademarks on collateral products for the primary purpose of enhancing brand awareness.

We either own or have licenses to use a number of patents which relate to some of our products and the processes for their production and to the design and operation of various equipment used in our businesses. Some of these patents are licensed to others.

Environmental Matters

We continue to make expenditures in order to comply with federal, state, local and foreign environmental laws and regulations, which expenditures have not been material with respect to our capital expenditures, net income or competitive position.

Business Segments

Information related to:

- Net sales
- Operating profit
- Total assets
- Geographic net sales and long-lived assets
- Capital spending
- Equity Income/(Loss) from unconsolidated affiliates
- Investments in unconsolidated affiliates
- Amortization of intangible assets
- Depreciation and other amortization expense
- Significant other noncash items

for each reportable segment for 1998, 1997 and 1996 may be found in Item 8 "Financial Statements and Supplementary Data" in Note 16 on pages F-28 through F-33.

Item 2. Properties

The Pepsi-Cola Company

PCC operates 110 plants throughout the world, of which 100 are owned and 10 are leased, and unconsolidated affiliates operate approximately 70 plants. In addition, PCC operates approximately 600 warehouses or offices worldwide, of which approximately half are owned and half are leased. PCC leases office space in Somers, New York.

Tropicana

TPI owns 8 plants and 14 offices worldwide, including its headquarters building in Bradenton, Florida. TPI also leases 7 and owns 9 distribution centers around the world.

The Frito-Lay Company

Frito-Lay operates 50 food manufacturing and processing plants in the United States and Canada, of which 44 are owned and 6 are leased. In addition, Frito-Lay owns 189 warehouses and distribution centers and leases approximately 35 warehouses and distribution centers for storage of food products in the United States and Canada. Approximately 1,840 smaller warehouses and storage spaces located throughout the United States and Canada are leased or owned. Frito-Lay owns its headquarters building and a research facility in Plano, Texas. Frito-Lay also leases offices in Dallas, Texas and leases or owns sales/regional offices throughout the United States. Our snack food businesses also operate approximately 75 plants and approximately 1,000 distribution centers, warehouses and offices outside of the United States and Canada.

General

The Company owns its corporate headquarters buildings in Purchase, New York.

With a few exceptions, leases of plants in the United States and Canada are on a long-term basis, expiring at various times, with options to renew for additional periods. Most international plants are leased for varying and usually shorter periods, with or without renewal options.

We believe that our properties are in good operating condition and are suitable for the purposes for which they are being used.

Item 3. Legal Proceedings

We are subject to various claims and contingencies related to lawsuits, taxes, environmental and other matters arising out of the normal course of business. Management believes that the ultimate liability, if any, of the claims and contingencies in excess of amounts already provided for, is not likely to have a material adverse effect on our annual results of operations, financial condition or liquidity.

Item 4. Submission of Matters to a Vote of Stockholders

Not applicable.

Executive Officers of the Registrant

The following is a list of names and ages of all the current executive officers of the Company:

Roger A. Enrico, 54, is Chairman of the Board and Chief Executive Officer of the Company. Mr. Enrico was elected as PepsiCo's Chief Executive Officer in April, 1996 and as Chairman of the Board in November, 1996, after serving as Vice Chairman of the Company since 1993. Mr. Enrico, who joined PepsiCo in 1971, became President and Chief Executive Officer of Pepsi-Cola USA in 1983, President and Chief Executive Officer of PepsiCo Worldwide Beverages in 1986, and Chairman and Chief Executive Officer of Frito-Lay, Inc. in 1991. Mr. Enrico served as Chairman and Chief Executive Officer of PepsiCo Worldwide Foods from 1992 to 1994 and as Chairman and Chief Executive Officer, PepsiCo Worldwide Restaurants from 1994 to 1997.

Steven S Reinemund, 50, is Chairman and Chief Executive Officer of The Frito-Lay Company. Mr. Reinemund began his career with PepsiCo as senior operating officer of Pizza Hut, Inc. (a former subsidiary of the Company) in 1984. He became President and Chief Executive Officer of Pizza Hut in 1986, and President and Chief Executive Officer of Pizza Hut Worldwide in 1991. In 1992, Mr. Reinemund became President and Chief Executive Officer of Frito-Lay, Inc. and assumed his current position in April, 1996.

Craig E. Weatherup, 53, is currently Chairman and Chief Executive Officer of the The Pepsi-Bottling Group, Inc., a position he has held since December, 1998. He joined Pepsi-Cola as Marketing Director for the Far East in 1974, and became President of Pepsi-Cola Bottling Group in 1986. He was appointed President of the Pepsi-Cola Company in 1988, President and Chief Executive Officer of Pepsi-Cola North America in 1991, and served as PepsiCo's President in 1996.

Matthew M. McKenna, 48, is Senior Vice President and Treasurer of PepsiCo. Previously he was Senior Vice President, Taxes. Mr. McKenna joined PepsiCo as Vice President, Taxes in 1993.

Indra K. Nooyi, 43, is Senior Vice President, Strategic Planning, a position she has held since 1994.

Sean F. Orr, 44, is Senior Vice President and Controller of PepsiCo. Prior to assuming his current position in 1997, Mr. Orr was Chief Financial Officer for Frito-Lay North America. He joined PepsiCo in 1994 as Senior Vice President, Finance and Chief Financial Officer of Frito-Lay.

Robert F. Sharpe, Jr., 47, is Senior Vice President, Public Affairs, General Counsel and Secretary. He joined PepsiCo in January, 1998 as Senior Vice President, General Counsel and Secretary. Mr. Sharpe was Senior Vice President and General Counsel of RJR Nabisco Holdings Corp. from 1996 until 1998. He was previously Vice President, Tyco International Ltd. from

1994 to 1996 and Vice President, Assistant General Counsel and Secretary of RJR Nabisco Holdings Corp. and RJR Nabisco, Inc. from 1989 to 1994.

Michael D. White, 47, is Senior Vice President and Chief Financial Officer of PepsiCo. Mr. White, who assumed his present position in March 1998, is responsible for treasury, tax, control, audit, information technology and investor relations functions. Prior to his current position, he served as Executive Vice President and CFO of Pepsi-Cola Company worldwide. He has also served as Executive Vice President and CFO of PepsiCo Foods International and CFO of Frito-Lay North America. He joined Frito-Lay in 1990 as Vice President of Planning.

Executive officers are elected by the Company's Board of Directors, and their terms of office continue until the next annual meeting of the Board or until their successors are elected and have qualified. There are no family relationships among the Company's executive officers.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Stock Trading Symbol - PEP

Stock Exchange Listings - The New York Stock Exchange is the principal market for our Capital Stock, which is also listed on the Amsterdam, Chicago, Swiss and Tokyo Stock Exchanges.

Shareholders - At December 26, 1998, there were approximately 230,000 shareholders of record.

Dividend Policy - Quarterly cash dividends are usually declared in November, January, May and July and paid at the beginning of January and the end of March, June and September. The dividend record dates for 1999 are expected to be March 12, June 11, September 10 and December 10. Quarterly cash dividends have been paid since PepsiCo was formed in 1965.

Cash Dividends Declared Per Share (in cents):

Quarter	1998	1997
1	12.5	11.5
2	13.0	12.5
3	13.0	12.5
4	13.0	12.5
Total	51.5	49.0

Stock Prices - The high, low and closing prices for a share of PepsiCo Capital Stock on the New York Stock Exchange, as reported by Bloomberg Service, for each fiscal quarter of 1998 and 1997 were as follows (in dollars): (See Note)

1998	High	Low	Close
First Quarter	43 9/16	34 7/8	43
Second Quarter	44 11/16	37 5/8	40 11/16
Third Quarter	43 5/8	27 11/16	30 5/16
Fourth Quarter	41 1/16	28 11/16	40 7/16

1997	High	Low	Close
First Quarter	32 3/64	26 49/64	29 7/8
Second Quarter	35 27/32	28 23/32	35 27/32
Third Quarter	36 31/64	32 5/8	34 37/64
Fourth Quarter	40	34 1/4	34 11/16

Note: Stock prices have been adjusted to reflect the spin-off of restaurant operations on October 6, 1997.

Item 6. Selected Financial Data

Included on pages F-40 through F-44.

Item 7. Management's Discussion and Analysis of Results of Operations, Cash Flows and Liquidity and Capital Resources

Management's Discussion and Analysis

All per share information is computed using average shares outstanding, assuming dilution.

INTRODUCTION

Management's Discussion and Analysis is presented in four sections. The Introductory section discusses Pending Transactions/Events, Acquisitions, Market Risk (including the EURO conversion), Year 2000, Impairment and Other Items Affecting Comparability of Results and a New Accounting Standard (pages 11-16). The second section analyzes the Results of Operations, first on a consolidated basis and then for each of our business segments (pages 17-28). The final two sections address our Consolidated Cash Flows and Liquidity and Capital Resources (pages 29 and 30).

Cautionary Statements

From time to time, in written reports and in oral statements, we discuss expectations regarding our future performance, Year 2000 risks, pending transactions/events, the impact of the Euro conversion and the impact of current global macro-economic issues. These "forward-looking statements" are based on currently available competitive, financial and economic data and our operating plans. They are inherently uncertain, and investors must recognize that events could turn out to be significantly different from expectations.

Pending Transactions/Events

In November 1998, our Board of Directors approved a plan for the separation from PepsiCo of certain wholly-owned bottling businesses located in the United States, Canada, Spain, Greece and Russia, referred to as The Pepsi Bottling Group. Pursuant to this plan, PBG intends to sell shares of its common stock in an initial public offering and PepsiCo intends to retain a noncontrolling ownership interest in PBG. A registration statement relating to the Offering has been filed on Form S-1 with the Securities and Exchange Commission. The transaction is expected to be consummated in the second quarter of 1999, subject to market conditions and regulatory approval. If consummated, the transaction is expected to result in a gain to PepsiCo, net of related costs. These related costs will include a charge for the early vesting of PepsiCo stock options held by PBG employees, which will be based on the price of our stock at the date of the Offering. See Management's Discussion and Analysis-Liquidity and Capital Resources on page 30 regarding PBG related financing and expected use of proceeds.

In January 1999, we announced an agreement with the Whitman Corporation to realign bottling territories. Subject to approval by the Whitman shareholders and various regulatory authorities, we plan to combine certain of our bottling operations in the mid-western United States and Central Europe with most of Whitman's existing bottling businesses to create new Whitman. Under the agreement, our current equity interest of 20% in General Bottlers, the principal operating company of Whitman, will also be transferred to new Whitman. Whitman transferred its existing bottling operations in Marion, Virginia; Princeton, West Virginia; and St. Petersburg, Russia to PBG. It is planned for new Whitman to assume certain indebtedness associated with our transferred U.S. operations with net proceeds to us of $300 million. Upon completion of the transaction, we will receive 54 million shares of new Whitman common stock. Whitman has undertaken a share repurchase program and it is anticipated that upon completion of the transaction and the repurchase program, our noncontrolling ownership interest will be approximately 40%. If approved, this transaction is expected to be completed in the second quarter of 1999 and result in a net gain to PepsiCo.

The Frito-Lay program to improve productivity, discussed in Management's Discussion and Analysis-Impairment and Other Items Affecting Comparability of Results beginning on page 15, also includes consolidating U.S. production in our most modern and efficient plants and streamlining logistics and transportation systems. This program is expected to result in additional asset impairment and restructuring charges of approximately $65 million to be recorded in the first quarter of 1999.

Acquisitions

At the end of the third quarter 1998, we completed the acquisitions of Tropicana Products, Inc. from the Seagram Company Ltd. for $3.3 billion in cash and The Smith's Snackfoods Company (TSSC) in Australia from United Biscuits Holdings plc for $270 million in cash. In addition, acquisitions and investments in unconsolidated affiliates included the purchases of the remaining ownership interest in various bottlers and purchases of other international salty snack food businesses. Acquisitions for the year aggregated $4.5 billion in cash. The results of operations of all acquisitions are generally included in the consolidated financial statements from their respective dates of acquisition.

Market Risk

The principal market risks (i.e., the risk of loss arising from adverse changes in market rates and prices) to which we are exposed are: o interest rates on our debt and short-term investment portfolios, o foreign exchange rates and other international market risks, and o commodity prices, affecting the cost of our raw materials.

Interest Rates
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PepsiCo centrally manages its debt and investment portfolios balancing investment opportunities and risks, tax consequences and overall financing strategies.

We use interest rate and currency swaps to effectively modify the interest rate and currency of specific debt issuances with the objective of reducing our overall borrowing costs. These swaps are generally entered into concurrently with the issuance of the debt that they are intended to modify. The notional amount, interest payment and maturity dates of the swaps match the principal, interest payment and maturity dates of the related debt. Accordingly, any market risk or opportunity associated with these swaps is fully offset by the opposite market impact on the related debt.

Our investment portfolios consist of cash equivalents and short-term marketable securities. The carrying amounts approximate market value because of the short-term maturity of these portfolios. It is our practice to hold these investments to maturity.

Assuming year-end 1998 variable rate debt and investment levels, a one-point change in interest rates would impact net interest expense by $64 million. This sensitivity analysis does not take into account existing interest rate swaps and the possibility that rates on debt and investments can move in opposite directions and that gains from one category may or may not be offset by losses from another category.

Foreign Exchange and Other International Market Risks
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Operating in international markets involves exposure to movements in currency exchange rates. Currency exchange rate movements typically affect economic growth, inflation, interest rates, governmental actions and other factors. These changes, if material, can cause us to adjust our financing and operating strategies. The discussion of changes in currency below does not incorporate these other important economic factors. The sensitivity analysis presented below does not take into account the possibility that rates can move in opposite directions and that gains from one category may or may not be offset by losses from another category.

International operations constitute about 15% of our 1998 consolidated operating profit, excluding unusual impairment and other items. As currency exchange rates change, translation of the income statements of our international businesses into U.S. dollars affects year-over-year comparability of operating results. We do not generally hedge translation risks because cash flows from international operations are generally reinvested locally. We do not enter into hedges to minimize volatility of reported earnings because we do not believe it is justified by the exposure or the cost.

Changes in currency exchange rates that would have the largest impact on translating our international operating profit include the Mexican peso, British pound, Canadian dollar and Brazilian real. We estimate that a 10% change in foreign exchange rates would impact reported operating profit by approximately $45 million. This was estimated using 10% of the international segment operating profit after adjusting for unusual impairment and other items. We believe that this quantitative measure has inherent limitations because, as discussed in the first paragraph of this section, it does not take into account any governmental actions or changes in either customer purchasing patterns or our financing and operating strategies.

Foreign exchange gains and losses reflect transaction gains and losses and translation gains and losses arising from the remeasurement into U.S. dollars of the net monetary assets of businesses in highly inflationary countries. Transaction gains and losses arise from monetary assets and liabilities denominated in currencies other than a business unit's functional currency. There were net foreign exchange losses of $53 million in 1998, $16 million in 1997 and $1 million in 1996.

During the year, macro-economic conditions in Brazil, Mexico, Russia and across Asia Pacific have adversely impacted our results (see Russia discussion below). We are taking actions in these markets to respond to these conditions, such as prudent pricing aimed at sustaining volume, renegotiating terms with suppliers and securing local currency supply alternatives. However, we expect that the macro-economic conditions, particularly in Brazil, will continue to adversely impact our results in the near term.

The economic turmoil in Russia which accompanied the August 1998 devaluation of the ruble had an adverse impact on our operations. Consequently in our fourth quarter, we experienced a significant drop in demand, resulting in lower net sales and increased operating losses. Also, since net bottling sales in Russia are denominated in rubles, whereas a substantial portion of our related costs and expenses are denominated in U.S. dollars, bottling operating margins were further eroded. In response to these conditions, we have reduced our cost structure primarily through closing facilities, renegotiating manufacturing contracts and reducing the number of employees. We also wrote down our long-lived bottling assets to give effect to the resulting impairment. See Management's Discussion and Analysis-Impairment and Other Items Affecting Comparability of Results beginning on page 15.

On January 1, 1999, eleven of fifteen member countries of the European Union fixed conversion rates between their existing currencies ("legacy currencies") and one common currency-the EURO. The euro trades on currency exchanges and may be used in business transactions. Conversion to the euro eliminated currency exchange rate risk between the member countries. Beginning in January 2002, new EURO-denominated bills and coins will be issued, and legacy currencies will be withdrawn from circulation. Our operating subsidiaries affected by the euro conversion have established plans to address the issues raised by the euro currency conversion. These issues include, among others, the need to adapt computer and financial systems, business processes and equipment, such as vending machines, to accommodate EURO-denominated transactions and the impact of one common currency on pricing. Since financial systems and processes currently accommodate multiple currencies, the plans contemplate conversion by the middle of 2001 if not already addressed in conjunction with Year 2000 remediation. We do not expect the system and equipment conversion costs to be material. Due to numerous uncertainties, we cannot reasonably estimate the long-term effects one common currency will have on pricing and the resulting impact, if any, on financial condition or results of operations.

Commodities
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We are subject to market risk with respect to commodities because our ability to recover increased costs through higher pricing may be limited by the competitive environment in which we operate. We use futures contracts to hedge immaterial amounts of our commodity purchases.

Year 2000

Each of PepsiCo's business segments and corporate headquarters has established teams to identify and address Year 2000 compliance issues. Information technology systems with non-compliant code are expected to be modified or replaced with systems that are Year 2000 compliant. Similar actions are being taken with respect to non-IT systems, primarily systems embedded in manufacturing and other facilities. The teams are also charged with investigating the Year 2000 readiness of suppliers, customers, franchisees, financial institutions and other third parties and with developing contingency plans where necessary.

Key information technology systems have been inventoried and assessed for compliance, and detailed plans have been established for required system modifications or replacements. Remediation and testing activities are in process with work on approximately 70% of the systems already completed and the systems back in operation. This percentage is expected to increase to approximately 85% and 98% by the end of the first and second quarters of 1999, respectively. PepsiCo systems are expected to be compliant by the fourth quarter of 1999. Inventories and assessments of non-IT systems have been completed and remediation activities are under way with a mid-year 1999 target completion date.

Independent consultants have monitored progress of remediation programs at selected businesses and performed testing at certain key locations. In addition, other experts performed independent verification and validation audits of a sample of remediated systems with satisfactory results. Other independent consultants also performed a high-level review of our Year 2000 efforts and concluded that there were no significant deficiencies in our process, provided that resources are maintained at their current level and schedules are met. Progress is also monitored by senior management, and periodically reported to PepsiCo's Board of Directors.

We have identified critical suppliers, customers, financial institutions, and other third parties and have surveyed their Year 2000 remediation programs. We have completed on-site meetings with many of the third parties identified as presenting the greatest impact if not compliant. Risk assessments and contingency plans, where necessary, will be finalized in the first half of 1999 and tested where feasible in the second half of 1999. In addition, independent consultants have completed a survey of the state of readiness of our significant bottling franchisees. Such surveys have identified readiness issues and, therefore, potential risk to us. As a result, the franchisees' remediation programs are being accelerated to minimize the risk. We are also providing assistance to the franchisees with processes and with certain manufacturing equipment compliance data.

Incremental costs directly related to Year 2000 issues are estimated to be $141 million from 1998 to 2000, of which $64 million or 45% has been spent to date. Approximately 35% of the total estimated spending represents costs to repair systems while approximately 50% represents costs to replace and rewrite software. This estimate assumes that we will not incur significant Year 2000 related costs on behalf of our suppliers, customers, franchisees, financial institutions or other third parties. Costs incurred prior to 1998 were immaterial. Excluded from the estimated incremental costs are approximately $55 million of internal recurring costs related to our Year 2000 efforts.

Contingency plans for Year 2000 related interruptions are being developed and will include, but not be limited to, the development of emergency backup and recovery procedures, the staffing of a centralized team to react to unforeseen events, remediation of existing systems parallel with installation of new systems, replacing electronic applications with manual processes, identification of alternate suppliers and increasing raw material and finished goods inventory levels. The potential failure of a power grid or public telecommunication system, particularly internationally, will be considered in our contingency planning. All plans are expected to be completed by the end of the second quarter in 1999.

Our most likely worst case scenarios are the temporary inability of bottling franchisees to manufacture or bottle some products in certain locations, of suppliers to provide raw materials on a timely basis and of some customers to order and pay on a timely basis.

Our Year 2000 efforts are ongoing and our overall plan, including our contingency plans, will continue to evolve as new information becomes available. While we anticipate no major interruption of our business activities, that will be dependent in part upon the ability of third parties, particularly bottling franchisees, to be Year 2000 compliant. Although we have implemented the actions described above to address third party issues, we are not able to require the compliance actions by such parties. Accordingly, while we believe our actions in this regard should have the effect of mitigating Year 2000 risks, we are unable to eliminate them or to estimate the ultimate effect Year 2000 risks will have on our operating results.

Impairment and Other Items Affecting Comparability of Results

Asset Impairment and Restructuring Charges
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Asset impairment and restructuring charges were $288 million ($261 million after-tax or $0.17 per share) in 1998, $290 million ($239 million after-tax or $0.15 per share) in 1997 and $576 million ($527 million after-tax or $0.33 per share) in 1996.

The 1998 asset impairment and restructuring charges of $288 million are comprised of the following:

- A fourth quarter charge of $218 million for asset impairment of $200 million and restructuring charges of $18 million resulting from the adverse impact of market conditions of our Russian bottling operations described in Management's Discussion and Analysis-Market Risks beginning on page 12. The impairment evaluation was triggered by the reduction in utilization of assets caused by the lower demand, the adverse change in the business climate and the expected continuation of operating losses and cash deficits in that market. The impairment charge reduced the net book value of the assets to their estimated fair market value, based primarily on values recently paid for similar assets in that marketplace. Of the total $218 million charge, $212 million relates to bottling operations that will be part of PBG.

- An impairment charge of $54 million relating to manufacturing equipment at Frito-Lay North America. In the fourth quarter, as part of our annual assessment of marketing plans and related capacity requirements at Frito-Lay North America and the development of a program to improve manufacturing productivity, we determined that certain product specific equipment would not be utilized and certain capital projects would be terminated to avoid production redundancies. The charge primarily reflects the write off of the net book value of the equipment and related projects.

- A fourth quarter charge of $16 million for employee related costs resulting from the separation of Pepsi-Cola North America's concentrate and bottling organizations to more effectively serve retail customers in light of the expected conversion of PBG to public ownership. Of this amount, $10 million relates to bottling operations that will be part of PBG.

Most of the 1998 restructuring related amounts have been or will be paid in 1999.

In 1997 and 1996, asset impairment and restructuring charges of $290 million and $576 million reflected strategic decisions to realign the international bottling system, improve Frito-Lay International operating productivity and exit certain businesses. In 1997, restructuring charges included proceeds of $87 million associated with a settlement related to a previous Venezuelan bottler agreement, partially offset by related costs.

Income Tax Benefit

In 1998 we reported a tax benefit, included in the provision for income taxes, of $494 million (or $0.32 per share) as a result of reaching a final agreement with the Internal Revenue Service to settle substantially all remaining aspects of a tax case relating to our concentrate operations in Puerto Rico.

New Accounting Standard

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS 133 is effective for our fiscal year beginning 2000. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that we recognize all derivative instruments as either assets or liabilities in the balance sheet and measure those instruments at fair value. We are currently assessing the effects of adopting SFAS 133, and have not yet made a determination of the impact adoption will have on our consolidated financial statements.

RESULTS OF OPERATIONS

Consolidated Review

General

In the discussions below, the year-over-year dollar change in bottler case sales by company-owned bottling operations and concentrate unit sales to franchisees for Pepsi-Cola, and in pound or kilo sales of salty and sweet snacks for Frito-Lay is referred to as volume. Price changes over the prior year and the impact of product, package and country sales mix changes are referred to as effective net pricing.

Net Sales

($ in millions)	1998	1997	1996	% Change B/(W) 1998	% Change B/(W) 1997
Net sales	$22,348	$20,917	$20,337	7	3

Net sales rose $1.4 billion or 7% in 1998. Excluding foreign currency impact, net sales would have risen 8%. This increase reflects volume gains in all businesses, net contributions from acquisitions/divestitures and higher effective net pricing driven by a shift to higher-priced products in Frito-Lay North America. Volume gains contributed 4 percentage points of growth. Net acquisitions/divestitures contributed 3 percentage points to the sales growth and primarily reflect the acquisitions of Tropicana and certain North American bottlers partially offset by the absence of bottling sales as a result of refranchising a Japanese bottler late in 1997. In addition, net acquisitions/divestitures also include the addition of TSSC and certain other international salty snack food businesses which were partially offset by the loss of net sales from previously consolidated businesses contributed to a new Frito-Lay International joint venture in Central and South America. Weaker foreign currencies primarily in Canada, Thailand, Brazil, Poland and India led the unfavorable foreign currency impact.

Net sales rose $580 million or 3% in 1997. Excluding foreign currency impact, net sales would have risen 4%. This increase reflects volume gains in Frito-Lay Worldwide and Pepsi-Cola North America and higher effective net pricing. Weaker foreign currencies primarily in Spain, Japan, Germany and Hungary led the unfavorable foreign currency impact.

Operating Profit and Margin

($ in millions)	1998	1997	1996	Change B/(W) 1998	1997
Reported					
Operating Profit	$2,584	$2,662	$2,040	(3.0)%	30%
Operating Profit Margin	11.6%	12.7%	10.0%	(1.1)	2.7
Ongoing					
Operating Profit	$2,872	$2,952	$2,616	(3.0)%	13%
Operating Profit Margin	12.9%	14.1%	12.9%	(1.2)	1.2

Ongoing excludes the effect in all years of impairment and other items affecting comparability (see Note 3).

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In 1998, reported operating profit margin decreased over 1 percentage point. Ongoing operating profit margin declined over 1 percentage point primarily reflecting the margin impact of increased advertising and marketing (A&M) and selling and distribution (S&D) expenses and higher cost of sales partially offset by the impact of volume growth. A&M grew at a significantly faster rate than sales led by increases at Pepsi-Cola Worldwide which included the Pepsi One launch costs and increases at Frito-Lay North America for promotional allowances and "WOW!" launch costs. S&D expenses grew at a slightly faster rate than sales primarily in Pepsi-Cola North America and in Frito-Lay North America, reflecting an increase in our sales forces and higher depreciation, maintenance and labor costs associated with Pepsi-Cola North America cooler and vendor placements. Cost of sales as a percentage of sales increased due to costs associated with new plants and lines related to "WOW!" and Doritos 3-D products at Frito-Lay North America and an unfavorable shift from higher-margin concentrate business to packaged products in Pepsi-Cola North America. Excluding foreign exchange losses, ongoing operating profit would have declined 1%. Foreign exchange losses, primarily in Russia and Asia, are reported as part of Corporate unallocated expenses. Information technology expense increased on a year-over-year basis, despite $42 million of software costs that were capitalized as required by SOP 98-1, driven by our various productivity initiatives and Year 2000 remediation efforts.

Reported operating profit margin increased over 2 1/2 percentage points in 1997. Ongoing operating profit margin increased over 1 percentage point due to the margin impact of volume growth in all businesses, equity income from investments in unconsolidated affiliates compared to losses in 1996 and lower cost of sales. The impact of these advances were partially offset by the impact of higher S&D and G&A. The change in equity income primarily reflects the absence of losses in 1997 from our Latin American bottler, Buenos Aires Embotelladora S.A. (BAESA). Cost of sales as a percentage of sales decreased due to favorable raw material costs in Pepsi-Cola International and the favorable effect of higher pricing partially offset by increased costs for new plant capacity and the planned introduction of new products in 1998 by Frito-Lay North America. The higher S&D was driven by increased distribution costs to meet demand. The increase in G&A is due to information systems-related expenses, customer focus leadership training and infrastructure costs related to our new fountain beverage sales team. These increased G&A expenses were partially offset by savings from a prior year restructuring and the consolidation of certain administrative functions. Ongoing operating profit margin was also reduced by the absence of 1996 gains from the sale of an investment in a U. S. bottling cooperative, a settlement with a Pepsi-Cola North America supplier and the sale of a non-core business at Frito-Lay North America.

Interest Expense, net

($ in millions)	1998	1997	1996	% Change B/(W) 1998	% Change B/(W) 1997
Interest expense	$(395)	$(478)	$(565)	17	15
Interest income	74	125	91	(41)	37
Interest expense, net	$(321)	$(353)	$(474)	9	26

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Interest expense, net of interest income, declined $32 million in 1998. The decline in interest expense was primarily due to lower average U.S. debt levels, as a result of using cash flows received from discontinued operations in the latter half of 1997 to repay debt. The lower U.S. debt levels were maintained until the end of the third quarter when the debt level increased to finance several acquisitions (see Management's Discussion and Analysis-Acquisitions beginning on page 11). This decline was partially offset by higher average interest rates on the remaining debt. Interest income declined $51 million reflecting lower U.S. and international investment levels as a result of utilizing investment balances to make acquisitions and repay debt. See Management's Discussion and Analysis-Liquidity and Capital Resources on page 30 for disclosure related to 1999 debt offerings.

In 1997 interest expense, net of interest income, declined $121 million. Interest expense declined $87 million primarily reflecting lower average U.S. debt levels. Debt levels were reduced by using a portion of the cash flows provided by discontinued operations and from proceeds repatriated from our investments in Puerto Rico. The repatriation of funds resulted from a 1996 change in tax law which eliminated a tax exemption on investment income in Puerto Rico. Interest income increased $34 million reflecting higher investment levels, which also benefited from the cash flows provided by discontinued operations.

Provision for Income Taxes

($ in millions)	1998	1997	1996
Reported			
Provision for income taxes	$ 270	$ 818	$ 624
Effective tax rate	11.9%	35.4%	39.8%
Ongoing			
Provision for income taxes	$ 791	$ 869	$ 673
Effective tax rate	31.0%	33.4%	31.4%

Ongoing excludes the effect in all years of impairment and other items affecting comparability (see Note 3).

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In 1998, the reported effective tax rate decreased 23.5 percentage points primarily as a result of a tax benefit of $494 million (or $0.32 per share). The tax benefit reflects a final agreement with the Internal Revenue Service to settle substantially all remaining aspects of a tax case relating to our concentrate operations in Puerto Rico. The ongoing effective tax rate declined 2.4 percentage points attributable to favorable settlement of prior years' audit issues, including issues related to the deductibility of purchased franchise rights.

For 1997, the reported effective tax rate decreased 4.4 percentage points to 35.4%. The ongoing effective tax rate increased 2.0 percentage points to 33.4%, primarily reflecting the absence of cumulative tax credits recognized in 1996 that related to prior years and lower benefits in 1997 from the resolution of prior years' audit issues.

Income from Continuing Operations and Income Per Share

($ in millions except per share amounts)				% Change B/(W)	
	1998	1997	1996	1998	1997
Income from continuing operations					
Reported	$1,993	$1,491	$ 942	34	58
Ongoing	$1,760	$1,730	$1,469	2	18
Income per share from continuing operations					
Reported	$1.31	$0.95	$0.59	38	62*
Ongoing	$1.16	$1.10	$0.92	5	20

Ongoing excludes the effect in all years of impairment and other items affecting comparability (see Note 3).
* Based on unrounded amounts.

For 1998, reported income from continuing operations increased $502 million while income per share increased $0.36. Ongoing income from continuing operations and income per share increased $30 million and $0.06, respectively. The ongoing increases are due to the lower effective tax rate and the benefit from a 3% reduction in average shares outstanding, partially offset by lower operating profit.

For 1997, reported income from continuing operations increased $549 million while income per share increased $0.36. Ongoing income from continuing operations and income per share increased $261 million and $0.18, respectively. The ongoing increases are due to the increase in operating profit and the lower net interest expense, partially offset by the higher effective tax rate. In addition, income per share also benefited from a 2% reduction in average shares outstanding.

Net Income and Net Income Per Share

($ in millions except per share amounts)	1998	1997	1996	% Change B/(W) 1998	% Change B/(W) 1997
Net income	$1,993	$2,142	$1,149	(7)	86
Net income per share	$1.31	$1.36	$0.72	(4)	91*
Average shares outstanding used to calculate net income per share	1,519	1,570	1,606	3	2

* Based on unrounded amounts.

For 1997 and 1996, Net Income and Income Per Share include the results of income from discontinued operations, which primarily reflects the operating results of TRICON's core restaurant businesses through October 6, 1997 and the operating results and a gain on sale of the restaurant distribution operation sold in the second quarter of 1997. Discontinued operations also include the expenses associated with the spin-off and interest expense directly related to the restaurants segment.

BUSINESS SEGMENTS (a)

($ in millions)	1998	1997	1996	1995	1994
NET SALES					
Pepsi-Cola					
North America (b)	$ 8,266	$ 7,899	$ 7,788	$ 7,485	$ 7,119
International	2,385	2,642	2,799	2,982	2,535
	10,651	10,541	10,587	10,467	9,654
Frito-Lay					
North America (b)	7,474	6,967	6,628	5,873	5,379
International	3,501	3,409	3,122	2,727	2,951
	10,975	10,376	9,750	8,600	8,330
Tropicana (c)	722	-	-	-	-
Combined Segments	$22,348	$20,917	$20,337	$19,067	$17,984
OPERATING PROFIT (d)					
Pepsi-Cola					
North America (b)	$1,211	$1,274	$1,428	$1,249	$1,115
International	(219)	(144)	(846)	117	136
-					
	992	1,130	582	1,366	1,251
Frito-Lay					
North America (b)	1,424	1,388	1,286	1,149	1,043
International	367	318	346	301	354
	1,791	1,706	1,632	1,450	1,397
Tropicana (c)	40	-	-	-	-
Combined Segments	$2,823	$2,836	$2,214	$2,816	$2,648

(a) Certain reclassifications were made to 1997 through 1994 amounts to conform with the 1998 presentation and to maintain comparability.
(b) North America is composed of operations in the U.S. and Canada.
(c) Represents results since the acquisition date. See Management's Discussion and Analysis-Acquisitions beginning on page 11.
(d) Represents reported amounts. See Note 16 -- Business Segments for 1998, 1997 and 1996 impairment and restructuring charges by segment. In addition, 1995 segment operating profit excludes the $66 charge for the initial, noncash impact of adopting SFAS 121 and 1994 includes an $18 gain on a stock offering by BAESA in Pepsi-Cola International.

Business Segments

Pepsi-Cola

See Management's Discussion and Analysis-Pending Transactions/Events on page 11.

The standard volume measure is system bottler case sales (BCS). It represents PepsiCo-owned brands, as well as brands, that we have been granted the right to produce, distribute and market nationally.

Pepsi-Cola North America

($ in millions)	1998	1997	1996	% Growth Rates 1998	% Growth Rates 1997
Net Sales	$8,266	$7,899	$7,788	5	1
Operating Profit					
Reported	$1,211	$1,274	$1,428	(5)	(11)
Ongoing	$1,227	$1,326	$1,428	(7)	(7)

Ongoing excludes unusual impairment and other items of $16 in 1998 and $52 in 1997 (see Note 3). Unless otherwise noted, operating profit comparisons within the following discussions are based on ongoing operating profit.

1998 vs. 1997

Net sales increased $367 million or 5%. The increase reflects significant volume growth and contributions from acquisitions, reduced by unfavorable foreign exchange rates with Canada and lower effective net pricing. The increased sales volume was primarily in packaged products. Acquisitions contributed 1 percentage point to the sales growth.

BCS increased 6%, led by the strong single-digit growth of the Mountain Dew brand, contributions from Pepsi One (our new one-calorie cola) and strong double-digit growth of Aquafina bottled water and Lipton Brisk. Brand Pepsi and brand Diet Pepsi also contributed to this year's growth, both advancing at single-digit rates. Concentrate shipments to franchisees grew at a slightly faster rate than their BCS growth.

Reported operating profit decreased $63 million. Ongoing operating profit declined $99 million primarily due to planned increases in S&D and A&M and higher G&A costs, partially offset by volume growth. S&D grew faster than sales and volume, due to an increase in our sales force and higher depreciation, maintenance and labor costs associated with cooler and vendor placements. A&M expenses grew significantly faster than sales and volume reflecting new product launches, such as Pepsi One, and planned increases for Project Globe and Pop Culture promotions. The G&A growth includes higher spending on information systems related to the Year 2000 and other projects and higher costs associated with the continued building of our fountain business infrastructure.

1997 vs. 1996

Net sales increased $111 million reflecting volume growth, led by take-home packaged products, reduced by lower effective net pricing. The decrease in effective net pricing was primarily in take-home packaged products, reflecting an intensely competitive environment.

BCS increased 4%, primarily reflecting double-digit growth by the Mountain Dew brand. Non-carbonated soft drink products, led by Aquafina bottled water and Lipton Brisk tea, grew at a double-digit rate. Our concentrate shipments to franchisees grew at a slower rate than their BCS growth during the year.

Reported operating profit declined $154 million. Ongoing operating profit declined $102 million, reflecting the lower effective net pricing, higher S&D costs and increased A&M. S&D grew significantly faster than sales, but in line with volume. A&M grew significantly faster than sales and volume, primarily reflecting above average levels of expenditures late in 1997. These unfavorable items were reduced by the volume gains and lower packaging and commodity costs. G&A savings from centralizing certain administrative functions were fully offset by Year 2000 spending and infrastructure development costs related to our new fountain business sales team. The decline in ongoing operating profit is also due to the absence of 1996 gains from the sale of an investment in a bottling cooperative and a settlement made with a supplier.

Pepsi-Cola International

($ in millions)	1998	1997	1996	% Growth Rates 1998	% Growth Rates 1997
Net Sales	$2,385	$2,642	$2,799	(10)	(6)
Operating Profit					
Reported	$(219)	$ (144)	$(846)	(52)	83
Ongoing	$ (1)	$ 10	$(270)	NM	NM

Ongoing excludes unusual impairment and other items of $218 in 1998, $154 in 1997 and $576 in 1996 (see Note 3). Unless otherwise noted, operating profit comparisons within the following discussions are based on ongoing operating profit.

NM-Not Meaningful

1998 vs. 1997
- -------------

Net sales declined $257 million or 10%. Excluding foreign currency impact, net sales would have declined 7%. This decline was primarily due to the absence of Japan bottling sales in 1998 as a result of the refranchising of our Japanese bottler late in 1997. Volume gains partially offset the decline in net sales. Weaker foreign currencies primarily in Thailand, India and Hungary led the unfavorable foreign currency impact.

BCS increased 6% reflecting double-digit growth in Mexico, the Philippines, India, Pakistan and China. In addition, BCS grew at a high double-digit rate in Venezuela reflecting the continued momentum by the joint venture as it increased its territories and capacity. These advances were partially offset by lower BCS in Japan due to the elimination of certain PepsiCo-owned brands by the new bottler Suntory. The PepsiCo-owned brands that continued to be sold by Suntory grew at a double-digit rate. Total concentrate shipments to franchisees increased at about the same rate as their BCS.

Reported operating results declined $75 million. Ongoing operating results declined $11 million. The decline primarily reflects higher losses in Russia due to our increased ownership as well as the impact of the economic crisis. Excluding the impact of Russia, operating results would have increased driven by volume gains (reported by most of our Business Units) and lower G&A expenses, due in part to savings from our 1996 restructuring. These gains were partially reduced by higher A&M, increased equity losses from unconsolidated affiliates and lower effective net pricing.

1997 vs. 1996
- -------------

Net sales declined $157 million or 6%. Excluding foreign currency impact, net sales would have increased 1% driven by volume gains. The unfavorable foreign currency impact was led by Spain and Japan.

BCS increased 1%. Strong double-digit growth in China, the Philippines and India was reduced by double-digit declines in Brazil, Venezuela and South Africa. The decline in Venezuela reflects the impact of the loss of our bottler in August 1996 while the decline in South Africa results from the cessation of our joint venture operation. In November 1996, we entered into a new joint venture to replace the Venezuelan bottler. Total concentrate shipments to franchisees increased at about the same rate as their BCS.

Reported operating losses declined $702 million. Ongoing operating results improved by $280 million, reflecting a small profit in 1997 compared to a loss in 1996. The improvement in ongoing operating results was driven by lower manufacturing costs, reduced net losses from our investments in unconsolidated affiliates and lower G&A expenses. Operating results also benefited from the absence of 1996's higher-than-normal expenses from fourth quarter balance sheet adjustments and actions. The lower manufacturing costs were primarily due to favorable raw material costs and lower depreciation resulting from certain businesses held for disposal. The reduced net losses from our unconsolidated affiliates were primarily driven by the absence of losses from BAESA. The lower G&A expenses reflect savings from our fourth quarter 1996 restructuring of about $70 million.

Frito-Lay

The standard volume measure is pounds for North America and kilos for International. Pound and kilo growth are reported on a systemwide and constant territory basis, which includes currently consolidated businesses and unconsolidated affiliates reported for at least one year.

Frito-Lay North America

($ in millions)	1998	1997	1996	% Growth Rates 1998	% Growth Rates 1997
Net Sales	$7,474	$6,967	$6,628	7	5
Operating Profit					
Reported	$1,424	$1,388	$1,286	3	8
Ongoing	$1,478	$1,410	$1,286	5	10

Ongoing excludes unusual impairment and other items of $54 in 1998 and $22 in 1997 (see Note 3). Unless otherwise noted, operating profit comparisons within the following discussions are based on ongoing operating profit.

1998 vs. 1997

Net sales grew $507 million due to increased volume and a favorable mix shift to higher-priced products.

Pound volume advanced 5% led by core brand growth and "WOW!" products. The growth in core brands, excluding their low-fat and no-fat versions, was led by double-digit growth in Lay's brand potato chips and double-digit growth in Doritos brand tortilla chips. These gains were partially offset by declines in Ruffles brand potato chips, "Baked" Lay's and "Baked" Tostitos brand products and the elimination of Doritos Reduced Fat brand tortilla chips.

Reported operating profit increased $36 million. Ongoing operating profit increased $68 million reflecting the higher volume and the favorable mix shift, partially offset by increased operating costs. The increase in operating costs was led by increased A&M, higher manufacturing costs, reflecting costs associated with new plants and lines related to "WOW!" and Doritos 3-D products, and higher S&D expenses. A&M grew at a significantly faster rate than sales and volume due to increased promotional allowances and "WOW!" launch costs. S&D grew at a slightly slower rate than sales but faster than volume.

1997 vs. 1996

Net sales grew $339 million reflecting increased volume and the benefit of higher pricing taken on most major brands late in 1996.

Pound volume advanced 3%. Growth of our core brands, excluding their low-fat and no-fat versions, was led by high single-digit growth in Lay's brand potato chips, strong double-digit growth by Tostitos brand tortilla chips and single-digit growth by Doritos brand tortilla chips. "Baked" Lay's brand potato crisps reported low double-digit growth. However, the remainder of our low-fat and no-fat snacks business depressed the overall growth rate.

Reported operating profit grew $102 million. Ongoing operating profit rose $124 million, reflecting the higher pricing and volume growth, partially offset by increased manufacturing costs and G&A expenses. The increased manufacturing costs related to new plant capacity and the planned introduction of new products in 1998. S&D grew slower than sales, A&M was about even with prior year and G&A increased significantly faster than sales reflecting information systems-related expenses and customer focus leadership training. Operating profit growth was hampered by the absence of a 1996 gain from the sale of a non-core business.

Frito-Lay International

				% Growth Rates	
($ in millions)	1998	1997	1996	1998	1997
Net Sales	$3,501	$3,409	$3,122	3	9
Operating Profit					
Reported	$ 367	$ 318	$ 346	15	(8)
Ongoing	$ 367	$ 380	$ 346	(3)	10

Ongoing excludes unusual impairment and other items of $62 in 1997 (see Note 3). Unless otherwise noted, operating profit comparisons within the following discussions are based on ongoing operating profit.

1998 vs. 1997
- -------------

Net sales increased $92 million or 3%. The increase in net sales was driven by net contributions from acquisitions/divestitures and by higher volume. The increase was partially offset by the impact of weaker foreign currencies including the unfavorable effect in Mexico of the devaluation of the peso against the U.S. dollar net of local pricing actions. Excluding Mexico, the impact of weaker foreign currencies, primarily Brazil, Poland, Australia and Thailand, reduced net sales growth by 2 percentage points. Net acquisitions/divestitures contributed 3 percentage points to the sales growth.

Salty snack kilos increased 6%, led by solid double-digit growth at Sabritas in Mexico and the Snack Ventures Europe joint venture, partially offset by double-digit declines in Brazil. Sweet snack kilos declined 2% driven by a single-digit decline at Gamesa in Mexico and a double-digit decline at Wedel in Poland. These declines in sweet snack kilos were partially offset by double-digit growth at Sabritas. Including acquisitions/divestitures, salty snack kilos increased to 14%. The increase of 8 percentage points was primarily driven by the acquisitions through partnership with, as well as, purchase of salty snack food businesses in Central and South America. Sweet snack kilos, including the effect of acquisitions/divestitures, declined 8% primarily as a result of the first quarter sale of a French biscuit business.

Reported operating profit increased $49 million. Ongoing operating profit declined $13 million. Deterioration of operating performance in Brazil due to the macro-economic conditions and market softness at Gamesa was partially offset by growth at Sabritas and in Poland. The growth in Poland was substantially driven by the sweet snack business. As part of a global strategy to focus on core businesses, we previously announced that we had completed negotiations for the sales in early 1999 of the chocolate and biscuit businesses in Poland.

1997 vs. 1996
- -------------

Net sales increased $287 million due to volume gains and higher effective net pricing.

Salty snack kilos rose 11%, led by strong double-digit growth by Sabritas and our business in Brazil, while sweet snack kilos declined 5% due to a market contraction at Gamesa.

Reported operating profit decreased $28 million. Ongoing operating profit increased $34 million or 10%. Excluding foreign currency impact, ongoing operating profit increased 8%. This increase was due to volume gains partially offset by increased G&A. The higher effective net pricing was fully offset by inflation-driven higher operating and manufacturing costs, primarily in Mexico. Ongoing operating profit also benefited from the gain on the sale of a flour mill. The foreign currency impact resulted from the strength of the British pound at Walkers.

Tropicana
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From the date of acquisition in 1998, net sales were $722 million and operating profit was $40 million. The operating profit reflects the impact of fourth quarter increases in the cost of oranges in advance of related selling price increases.

CONSOLIDATED CASH FLOWS

1998 vs. 1997

Our 1998 consolidated cash and cash equivalents decreased $1.6 billion compared to a $1.6 billion increase in 1997. Excluding cash provided by discontinued operations in 1997, the decrease in cash and cash equivalents was $1.6 billion in 1998 compared with a $4.6 billion decrease in 1997. The change in cash flow primarily reflects net proceeds from issuance of debt and the liquidation of investment portfolios in 1998 compared to net debt repayments in 1997. These cash inflows were primarily used to fund acquisitions and investments in unconsolidated affiliates during the year.

The acquisitions and investments in unconsolidated affiliates include the purchases of Tropicana, the remaining ownership interest in various bottlers, TSSC and various other international salty snack food businesses.

1997 vs. 1996

Our 1997 consolidated cash and cash equivalents increased $1.6 billion over the prior year reflecting a significant increase in cash provided by discontinued operations which was used to reduce debt, increase our investment portfolios and repurchase shares.

The net cash flow provided by discontinued operations increased $5.6 billion in 1997. The significant increase primarily reflects a $4.5 billion cash distribution received from TRICON just prior to the restaurant spin-off. In addition, the increase reflects after-tax cash proceeds of $1.0 billion associated with the sale of PFS and the non-core U.S. restaurant businesses, the effects of refranchising restaurants and other operating activities.

Share Repurchases

Our share repurchase activity was as follows:

(in millions)	1998	1997	1996
Cost	$2,230	$2,459	$1,651
Shares repurchased			
Number of shares	59.2	69.0	54.2
% of shares outstanding at beginning of year	3.9%	4.5%	3.4%

At December 26, 1998, 73.2 million shares remain available under the current repurchase authority granted by our Board of Directors.

LIQUIDITY AND CAPITAL RESOURCES

At the end of the third quarter, we completed the acquisitions of Tropicana for $3.3 billion in cash and TSSC for $270 million in cash. The purchase prices were largely funded by the issuance of one year notes and commercial paper resulting in an increase in short-term borrowings at year-end 1998.

We increased our revolving credit facilities by $2.0 billion to $4.75 billion from $2.75 billion at year-end 1997. These unused credit facilities exist largely to support issuances of short-term debt. The facilities are composed of $3.1 billion expiring March 1999 and $1.65 billion expiring March 2003. At year-end 1998, $1.65 billion of short-term borrowings were reclassified as long-term, reflecting our intent and ability, through the existence of the unused revolving credit facilities, to refinance these borrowings. Annually, these facilities can be extended an additional year upon the mutual consent of PepsiCo and the lending institutions.

As discussed in Management's Discussion and Analysis-Pending Transactions/Events, our Board of Directors approved a plan for the separation of PBG. As noted, an initial public offering is expected to be consummated in the second quarter of 1999 subject to market conditions and regulatory approvals. In February and March of 1999, PBG and its principal operating subsidiary, Bottling LLC incurred $6.55 billion of indebtedness, a large portion of which is intended to be temporary and be repaid with the proceeds of the Offering. It is intended that the remainder will be carried as PBG's long-term indebtedness of which $2.3 billion is unconditionally guaranteed by PepsiCo. A substantial portion of the debt proceeds obtained by PBG was used to settle pre-existing intercompany amounts due to us. We plan to use these proceeds for general corporate purposes, including the repayment of a portion of our short-term borrowings.

As noted earlier in the discussion regarding pending transactions, as part of our agreement with Whitman to realign bottling territories, certain indebtedness associated with our transferred U.S. operations is planned to be assumed by new Whitman with net proceeds to us of $300 million.

Capital spending is expected to decline in 1999 to approximately $1.2 billion as we will no longer directly fund the capital spending related to PBG after the Offering. The decline will be offset, in part, by continued investment in other international bottling operations and in Frito-Lay International and full year capital spending in Tropicana.

Our strong cash-generating capability and financial condition give us ready access to capital markets throughout the world.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Included in Item 7, Management's Discussion and Analysis - Market Risk beginning on page 12.

Item 8. Financial Statements and Supplementary Data

See Index to Financial Information on page F-1.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Item 10.
Directors and Executive Officers of the Registrant

The name, age and background of each of the Company's directors nominated for election are contained under the caption "Election of Directors" in the Company's Proxy Statement for its 1999 Annual Meeting of Shareholders on pages 2 through 4 and are incorporated herein by reference. Pursuant to Item 401(b) of Regulation S-K, the executive officers of the Company are reported in Part I of this report.

Item 11. Executive Compensation

Information on compensation of the Company's directors and executive officers is contained in the Company's Proxy Statement for its 1999 Annual Meeting of Shareholders under the captions "Directors Compensation" and "Executive Compensation", respectively, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information on the number of shares of PepsiCo Capital Stock beneficially owned by each director and by all directors and officers as a group is contained under the caption "Ownership of Capital Stock by Directors and Officers" in the Company's Proxy Statement for its 1999 Annual Meeting of Shareholders and is incorporated herein by reference. As far as is known to the Company, no person beneficially owns more than 5% of the outstanding shares of PepsiCo Capital Stock.

Item 13. Certain Relationships and Related Transactions

Not applicable.

PART IV

Item 14. Exhibits, Financial Statement Schedule and Reports on Form 8-K

(a) 1. Financial Statements

See Index to Financial Information on page F-1.

2. Financial Statement Schedule

See Index to Financial Information on page F-1.

3. Exhibits

See Index to Exhibits on page E-1.

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, PepsiCo has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 23, 1999

PepsiCo, Inc.

By: /s/ ROGER A ENRICO

Roger A. Enrico
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of PepsiCo and in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
/s/ ROGER A. ENRICO Roger A. Enrico	Chairman of the Board and Chief Executive Officer	March 23, 1999
/s/ MICHAEL D. WHITE Michael D. White	Senior Vice President and Chief Financial Officer	March 23, 1999
/s/ SEAN F. ORR Sean F. Orr	Senior Vice President and Controller (Principal Accounting Officer)	March 23, 1999
/s/ KARL M. VON DER HEYDEN Karl M. von der Heyden	Vice Chairman of the Board	March 23, 1999
/s/ JOHN F. AKERS John F. Akers	Director	March 23, 1999
/s/ ROBERT E. ALLEN Robert E. Allen	Director	March 23, 1999
/s/ PETER FOY Peter Foy	Director	March 23, 1999
/s/ RAY L. HUNT Ray L. Hunt	Director	March 23, 1999

/s/ JOHN J. MURPHY John J. Murphy	Director	March 23, 1999
/s/ STEVEN S REINEMUND Steven S Reinemund	Chairman and Chief Executive Officer of The Frito-Lay Company and Director	March 23, 1999
/s/ SHARON PERCY ROCKEFELLER Sharon Percy Rockefeller	Director	March 23, 1999
/s/ FRANKLIN A. THOMAS Franklin A. Thomas	Director	March 23, 1999
/s/ P. ROY VAGELOS P. Roy Vagelos	Director	March 23, 1999
/s/ CRAIG E. WEATHERUP Craig E. Weatherup	Chairman and Chief Executive Officer of The Pepsi Bottling Group and Director	March 23, 1999
/s/ ARNOLD R. WEBER Arnold R. Weber	Director	March 23, 1999

INDEX TO EXHIBITS
ITEM 14(a)(3)

EXHIBIT	
3.1	Restated Articles of Incorporation of PepsiCo, Inc., which is incorporated herein by reference from Exhibit 3(i) to PepsiCo's Quarterly Report on Form 10-Q for the quarterly period ended June 15, 1996.
3.2	By-Laws of PepsiCo, Inc., as amended to July 25, 1996, which are incorporated herein by reference from Exhibit 3(ii) to PepsiCo's Quarterly Report on Form 10-Q for the quarterly period ended June 15, 1996.
4	PepsiCo, Inc. agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any instrument defining the rights of holders of long-term debt of PepsiCo, Inc. and all of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed with the Securities and Exchange Commission.
10.1	Description of PepsiCo, Inc. 1988 Director Stock Plan, which is incorporated herein by reference from Post-Effective Amendment No. 2 to PepsiCo's Registration Statement on Form S-8 (Registration No. 33-22970).
10.2	PepsiCo, Inc. 1987 Incentive Plan (the "1987 Plan"), as amended and restated, effective as of September 24, 1998.
10.3	Operating Guideline No. 1 under the 1987 Plan, as amended through July 25, 1991, which is incorporated by reference from Exhibit 10(d) to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 28, 1991.
10.4	Operating Guideline No. 2 under the 1987 Plan and the Plan, as amended through January 22, 1987, which is incorporated herein by reference from Exhibit 28(b) to PepsiCo's Registration Statement on Form S-8 (Registration No. 33-19539).
10.6	PepsiCo, Inc. 1994 Long-Term Incentive Plan,as amended and restated, effective as of September 24, 1998.
10.7	PepsiCo, Inc. Executive Incentive Compensation Plan, which is incorporated herein by reference from Exhibit B to PepsiCo's Proxy Statement for its 1994 Annual Meeting of Shareholders.
10.8	Amended and Restated PepsiCo Executive Income Deferral Program which is incorporated herein by reference from PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 27, 1997.

10.9	Restated PepsiCo Pension Equalization Plan, which is incorporated herein by reference from PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 27, 1997.
12	Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of PepsiCo, Inc.
23	Report and Consent of KPMG LLP.
24	Copy of Power of Attorney.
27	Financial Data Schedule.

PepsiCo, Inc. and Subsidiaries

FINANCIAL INFORMATION

FOR INCLUSION IN ANNUAL REPORT ON FORM 10-K

FISCAL YEAR ENDED DECEMBER 26, 1998

PEPSICO, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL INFORMATION
Item 14(a)(1)-(2)

All other financial statements and schedules have been omitted since the required information is not applicable.

Consolidated Statement of Income
(in millions except per share amounts)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 26, 1998, December 27, 1997 and December 28, 1996

	1998	1997	1996
Net Sales........................	$22,348	$20,917	$20,337
Costs and Expenses, net			
Cost of sales....................	9,330	8,525	8,452
Selling, general and administrative expenses.........	9,924	9,241	9,063
Amortization of intangible assets	222	199	206
Unusual impairment and other items	288	290	576
Operating Profit.................	2,584	2,662	2,040
Interest expense.................	(395)	(478)	(565)
Interest income..................	74	125	91
Income from Continuing Operations Before Income Taxes............	2,263	2,309	1,566
Provision for Income Taxes.......	270	818	624
Income from Continuing Operations	1,993	1,491	942
Income from Discontinued Operations, net of tax.........	-	651	207
Net Income.......................	$ 1,993	$ 2,142	$ 1,149
Income Per Share - Basic			
Continuing Operations............	$ 1.35	$ 0.98	$ 0.60
Discontinued Operations..........	-	0.42	0.13
Net Income	$ 1.35	$ 1.40	$ 0.73
Average shares outstanding.......	1,480	1,528	1,564
Income Per Share - Assuming Dilution			
Continuing Operations............	$ 1.31	$ 0.95	$ 0.59
Discontinued Operations..........	-	0.41	0.13
Net Income.......................	$ 1.31	$ 1.36	$ 0.72
Average shares outstanding.......	1,519	1,570	1,606

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows (page 1 of 2)

(in millions)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 26, 1998, December 27, 1997 and December 28, 1996

	1998	1997	1996
Operating Activities			
Income from continuing operations	$ 1,993	$ 1,491	$ 942
Adjustments to reconcile income from continuing operations to net cash provided by operating activities			
Depreciation and amortization	1,234	1,106	1,073
Noncash portion of 1998 tax benefit	(259)	-	-
Noncash portion of unusual impairment and other items	254	233	366
Deferred income taxes	150	51	160
Other noncash charges and credits, net	237	342	505
Changes in operating working capital, excluding effects of acquisitions and dispositions			
Accounts and notes receivable	(104)	(53)	(67)
Inventories	29	79	(97)
Prepaid expenses and other current assets	(12)	(56)	84
Accounts payable and other current liabilities	(195)	84	297
Income taxes payable	(116)	142	(71)
Net change in operating working capital	(398)	196	146
Net Cash Provided by Operating Activities	3,211	3,419	3,192
Investing Activities			
Capital spending	(1,405)	(1,506)	(1,630)
Acquisitions and investments in unconsolidated affiliates	(4,537)	(119)	(75)
Sales of businesses	17	221	43
Sales of property, plant and equipment	134	80	9
Short-term investments, by original maturity			
More than three months-purchases	(525)	(92)	(115)
More than three months-maturities	584	177	192
Three months or less, net	839	(735)	736
Other, net	(126)	(96)	(214)
Net Cash Used for Investing Activities	(5,019)	(2,070)	(1,054)

(Continued on following page)

Consolidated Statement of Cash Flows (page 2 of 2)

(in millions)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 26, 1998, December 27, 1997 and December 28, 1996

	1998	1997	1996
Financing Activities			
Proceeds from issuances of long-term debt	990	-	1,772
Payments of long-term debt	(2,277)	(1,875)	(1,432)
Short-term borrowings, by original maturity			
More than three months-proceeds	2,713	146	740
More than three months-payments	(417)	(177)	(1,873)
Three months or less, net	1,753	(1,269)	89
Cash dividends paid	(757)	(736)	(675)
Share repurchases	(2,230)	(2,459)	(1,651)
Proceeds from exercises of stock options	415	403	323
Other, net	-	5	(9)
Net Cash Provided by (Used for) Financing Activities	190	(5,962)	(2,716)
Net Cash Provided by Discontinued Operations	-	6,236	605
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1	(2)	(5)
Net (Decrease) Increase in Cash and Cash Equivalents	(1,617)	1,621	22
Cash and Cash Equivalents - Beginning of Year	1,928	307	285
Cash and Cash Equivalents - End of Year	$ 311	$ 1,928	$ 307
Supplemental Cash Flow Information			
Interest paid	$ 367	$ 462	$ 538
Income taxes paid	$ 521	$ 696	$ 611
Schedule of Noncash Investing and Financing Activities			
Fair value of assets acquired	$ 5,359	$ 160	$ 81
Cash paid and stock issued	(4,537)	(134)	(76)
Liabilities assumed	$ 822	$ 26	$ 5

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

(in millions)
PepsiCo, Inc. and Subsidiaries
December 26, 1998 and December 27, 1997

	1998	1997
ASSETS		
Current Assets		
Cash and cash equivalents	$ 311	$ 1,928
Short-term investments, at cost	83	955
	394	2,883
Accounts and notes receivable, less allowance: $127 in 1998 and $125 in 1997	2,453	2,150
Inventories	1,016	732
Prepaid expenses, deferred income taxes and other current assets	499	486
Total Current Assets	4,362	6,251
Property, Plant and Equipment, net	7,318	6,261
Intangible Assets, net	8,996	5,855
Investments in Unconsolidated Affiliates	1,396	1,201
Other Assets	588	533
Total Assets	$22,660	$20,101
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings	$ 3,921	$ -
Accounts payable and other current liabilities	3,870	3,617
Income taxes payable	123	640
Total Current Liabilities	7,914	4,257
Long-Term Debt	4,028	4,946
Other Liabilities	2,314	2,265
Deferred Income Taxes	2,003	1,697
Shareholders' Equity		
Capital stock, par value 1 2/3(cent) per share: authorized 3,600 shares, issued 1,726 shares	29	29
Capital in excess of par value	1,166	1,314
Retained earnings	12,800	11,567
Accumulated other comprehensive loss	(1,059)	(988)
	12,936	11,922
Less: Treasury stock, at cost: 255 shares and 224 shares in 1998 and 1997, respectively	(6,535)	(4,986)
Total Shareholders' Equity	6,401	6,936
Total Liabilities and Shareholders' Equity	$22,660	$20,101

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Shareholders' Equity (page 1 of 2)

(in millions)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 26, 1998, December 27, 1997 and December 28, 1996

	Capital Stock Issued Shares	Issued Amount	Treasury Shares	Treasury Amount
Shareholders' Equity, December 30, 1995..............	1,726	$29	(150)	$(1,683)
1996 Net income...............	-	-	-	-
Currency translation adjustment	-	-	-	-
Comprehensive income........				
Cash dividends declared.......	-	-	-	-
Share repurchases.............	-	-	(54)	(1,651)
Stock option exercises, including tax benefits of $145..........	-	-	23	310
Other.........................	-	-	-	1
Shareholders' Equity, December 28, 1996..............	1,726	$29	(181)	$(3,023)
1997 Net income...............	-	-	-	-
Currency translation adjustment	-	-	-	-
Comprehensive income........				
Cash dividends declared.......	-	-	-	-
Share repurchases.............	-	-	(69)	(2,459)
Stock option exercises, including tax benefits of $173..........	-	-	25	488
Spin-off of restaurant businesses	-	-	-	-
Other.........................	-	-	1	8
Shareholders' Equity, December 27, 1997..............	1,726	$29	(224)	$(4,986)
1998 Net income...............	-	-	-	-
Currency translation adjustment	-	-	-	-
Reclassification adjustment...	-	-	-	-
Total currency translation adjustment.................				
Minimum pension liability adjustment, net of tax benefits of $11............	-	-	-	-
Comprehensive income........				
Cash dividends declared.......	-	-	-	-
Share repurchases.............	-	-	(59)	(2,230)
Stock option exercises, including tax benefits of $109..........	-	-	28	675
Other.........................	-	-	-	6
Shareholders' Equity, December 26, 1998.............	1,726	$29	(255)	$(6,535)

(Continued on following page)

Consolidated Statement of Shareholders' Equity (page 2 of 2)

(in millions)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 26, 1998, December 27, 1997 and December 28, 1996

	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive (Loss)/Income	Total
Shareholders' Equity, December 30, 1995	$1,045	$ 8,730	$ (808)	$ 7,313
1996 Net income	-	1,149	-	1,149
Currency translation adjustment	-	-	40	40
Comprehensive income				1,189
Cash dividends declared	-	(695)	-	(695)
Share repurchases	-	-	-	(1,651)
Stock option exercises, including tax benefits of $145	158	-	-	468
Other	(2)	-	-	(1)
Shareholders' Equity, December 28, 1996	$1,201	$ 9,184	$ (768)	$ 6,623
1997 Net income	-	2,142	-	2,142
Currency translation adjustment	-	-	(220)	(220)
Comprehensive income				1,922
Cash dividends declared	-	(746)	-	(746)
Share repurchases	-	-	-	(2,459)
Stock option exercises, including tax benefits of $173	88	-	-	576
Spin-off of restaurant businesses	-	987	-	987
Other	25	-	-	33
Shareholders' Equity, December 27, 1997	$1,314	$11,567	$ (988)	$ 6,936
1998 Net income	-	1,993	-	1,993
Currency translation adjustment	-	-	(75)	(75)
Reclassification adjustment	-	-	24	24
Total currency translation adjustment			(1,039)	
Minimum pension liability adjustment (net of tax benefits of $11)	-	-	(20)	(20)
Comprehensive income				1,922
Cash dividends declared	-	(760)	-	(760)
Share repurchases	-	-	-	(2,230)
Stock option exercises, including tax benefits of $109	(151)	-	-	524
Other	3	-	-	9
Shareholders' Equity, December 26, 1998	$1,166	$12,800	$(1,059)	$ 6,401

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

(tabular dollars in millions except per share amounts; all per share amounts assume dilution)

Note 1 - Summary of Significant Accounting Policies

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Certain reclassifications were made to 1997 and 1996 amounts to conform with the 1998 presentation.

Principles of Consolidation

The financial statements include the consolidated accounts of PepsiCo, Inc. and its controlled affiliates. Intercompany balances and transactions have been eliminated. Investments in Unconsolidated Affiliates, over which we exercise significant influence but not control, are accounted for by the equity method. Our share of the net income or loss of such unconsolidated affiliates is included in selling, general and administrative expenses.

Revenue Recognition

We recognize revenue when products are delivered to customers. Sales terms generally do not allow a right to return.

Marketing Costs

Marketing costs are reported in selling, general and administrative expenses and include costs of advertising and other marketing activities. Advertising expenses were $1.9 billion in 1998 and $1.8 billion in both 1997 and 1996. Deferred advertising expense, classified as prepaid expenses in the Consolidated Balance Sheet, was $34 million in 1998 and $53 million in 1997. Deferred advertising costs are expensed in the year first used and consist of:

- media and personal service prepayments,
- promotional materials in inventory, and
- production costs of future media advertising.

Stock-Based Compensation

We measure stock-based compensation cost as the excess of the quoted market price of PepsiCo capital stock at the grant date over the amount the employee must pay for the stock (exercise price). Our policy is to generally grant stock options with an exercise price equal to the stock price at the date of grant and accordingly, no compensation cost is recognized.

Derivative Instruments
- ----------------------
The interest differential to be paid or received on an interest rate swap is recognized as an adjustment to interest expense as the differential occurs. The interest differential not yet settled in cash is reflected in the Consolidated Balance Sheet as a receivable or payable under the appropriate current asset or liability caption. If an interest rate swap position were to be terminated, the gain or loss realized upon termination would be deferred and amortized to interest expense over the remaining term of the underlying debt instrument it was intended to modify. However, if the underlying debt instrument were to be settled prior to maturity, the gain or loss realized upon termination would be recognized immediately.

The differential to be paid or received on a currency swap related to non-U.S. dollar denominated debt is charged or credited to income as the differential occurs. This is fully offset by the corresponding gain or loss recognized in income on the currency translation of the debt, as both amounts are based upon the same exchange rates. The currency differential not yet settled in cash is reflected in the Consolidated Balance Sheet under the appropriate current or noncurrent receivable or payable caption. If a currency swap position were to be terminated prior to maturity, the gain or loss realized upon termination would be immediately recognized in income.

Gains and losses on futures contracts designated as hedges of future commodity purchases are deferred and included in the cost of the hedged commodity when purchased. Changes in the value of such contracts used to hedge commodity purchases are highly correlated to the changes in the value of the purchased commodity. If the degree of correlation between the futures contracts and the purchased commodity were to significantly diminish during the contract term, subsequent changes in the value of the futures contracts would be recognized in income. If a futures contract were to be terminated, the gain or loss realized upon termination would be included in the cost of the hedged commodity when purchased.

Cash Equivalents
- ----------------

Cash equivalents represent funds temporarily invested, with maturities of three months or less. All other investment portfolios are primarily classified as short-term investments.

Inventories
- -----------

Inventories are valued at the lower of cost (computed on the average, first-in, first-out or last-in, first-out method) or net realizable value.

Property, Plant and Equipment
- -----------------------------

Property, plant and equipment are stated at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

Intangible Assets
- -----------------

Intangible assets are amortized on a straight-line basis over appropriate periods, generally ranging from 20 to 40 years.

Recoverability of Long-Lived Assets to be Held and Used in the Business

All long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impaired asset is written down to its estimated fair market value based on the best information available. Estimated fair market value is generally measured by discounting estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows.

Accounting and Reporting Changes

As of December 28, 1997, we adopted Statement of Position 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use, issued by The American Institute of Certified Public Accountants in March 1998. The SOP requires capitalization of certain costs related to computer software developed or obtained for internal use which we had previously expensed in selling, general and administrative expenses. The amount capitalized under the SOP in 1998 was $42 million.

As of December 28, 1997, we adopted Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income, issued in June 1997. SFAS 130 requires the reporting and display of comprehensive income, which is composed of net income and other comprehensive income or loss items, in a full set of general purpose financial statements. Other comprehensive income or loss items are revenues, expenses, gains and losses that under generally accepted accounting principles are excluded from net income and reflected as a component of equity, such as currency translation and minimum pension liability adjustments.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS 133 is effective for our fiscal year beginning 2000. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that we recognize all derivative instruments as either assets or liabilities in the Consolidated Balance Sheet and measure those instruments at fair value. We are currently assessing the effects of adopting SFAS 133, and have not yet made a determination of the impact adoption will have on our consolidated financial statements.

Note 2 - Acquisitions and Investments in Unconsolidated Affiliates

At the end of the third quarter in 1998, we completed the acquisitions of Tropicana Products, Inc. from The Seagram Company Ltd. for $3.3 billion in cash and The Smith's Snackfoods Company (TSSC) in Australia from United Biscuits Holdings plc for $270 million in cash. In addition, acquisitions and investments in unconsolidated affiliates included the remaining ownership interest in various bottlers and purchases of various other international salty snack food businesses. Acquisitions for the year aggregated $4.5 billion in cash. The results of operations of all acquisitions are generally included in the consolidated financial statements from their respective dates of acquisition. The acquisitions were accounted for under the purchase method and the purchase prices were largely funded by the issuance of one year notes and commercial paper. The purchase prices have been allocated based on the estimated fair value of the assets acquired and liabilities assumed. The excess purchase prices over the fair value of the net assets acquired of approximately $3.2 billion was allocated to goodwill and are amortized on a straight-line basis over 40 years.

The following table presents the unaudited pro forma combined results of PepsiCo and Tropicana as if the acquisition had occurred at the beginning of our fiscal years 1998 and 1997. The aggregate impact of other acquisitions in these periods was not material to our net sales, income or income per share from continuing operations.

	Unaudited	
	1998	1997
Net Sales	$23,674	$22,851
Income from Continuing Operations	$ 1,939	$ 1,427
Income Per Share from Continuing Operations	$ 1.28	$0.91

These pro forma amounts reflect the inclusion of the results of Tropicana for 1997 and the first three quarters of 1998 prior to the acquisition date as well as the results that are already included in the historical financial statements from the date of acquisition. In addition, the pro forma amounts include the amortization of the goodwill arising from the allocation of the purchase price and interest expense on the debt issued to finance the purchase. The pro forma information does not necessarily present what the combined results would have been for these periods and is not intended to be indicative of future results.

Note 3 - Impairment and Other Items Affecting Comparability of Income From Continuing Operations

Asset Impairment and Restructuring

	1998	1997	1996
Asset impairment charges			
Held and used in the business			
Property, plant and equipment.	$ 149	$ 5	$ 8
Intangible assets.............	37	-	2
Investments in unconsolidated affiliates..................	-	-	190
Other assets..................	14	-	106
Held for disposal/abandonment			
Property, plant and equipment.	54	111	-
Investments in unconsolidated affiliates..................	-	21	20
Net assets of business units..	-	63	47
Total asset impairment.........	254	200	373
Restructuring charges			
Employee related costs.........	24	55	107
Other charges..................	10	35	96
Total unusual impairment and other items...................	$ 288	$ 290	$ 576
After-tax....................	$ 261	$ 239	$ 527
Per share....................	$0.17	$0.15	$0.33

Impairment by segment

	1998	1997	1996
Pepsi-Cola North America.......	$ -	$ 52	$ -
Pepsi-Cola International.......	200	110	373
Frito-Lay North America.........	54	8	-
Frito-Lay International........	-	30	-
	$254	$200	$373

The 1998 asset impairment and restructuring charges of $288 million are comprised of the following:

o A fourth quarter charge of $218 million for asset impairment of $200 million and restructuring charges of $18 million related to our Russian bottling operations. The economic turmoil in Russia which accompanied the August 1998 devaluation of the ruble had an adverse impact on our operations. Consequently, in our fourth quarter we experienced a significant drop in demand, resulting in lower net sales and increased operating losses. Also, since net bottling sales in Russia are denominated in rubles, whereas a substantial portion of our related costs and expenses are denominated in U.S. dollars, bottling operating margins were further eroded. In response to these conditions, we have reduced our cost structure primarily through closing facilities, renegotiating manufacturing contracts and reducing the number of employees. We also evaluated our long-lived bottling assets for impairment, triggered by the reduction in utilization of assets caused by the lower demand, the adverse change in the business climate and the expected continuation of operating losses and cash deficits in that market. The impairment charge reduced the net book value of the assets to their estimated fair market value, based primarily on amounts recently paid for similar assets in that marketplace. Of the total charge of $218 million, $212 million relates to bottling operations that will be part of The Pepsi Bottling Group, Inc. (see Note 18).

- An impairment charge of $54 million related to manufacturing equipment at Frito-Lay North America. In the fourth quarter, as part of our annual assessment of marketing plans and related capacity requirements at Frito-Lay North America and the development of a program to improve manufacturing productivity, we determined that certain product specific equipment would not be utilized and certain capital projects would be terminated to avoid production redundancies. The charge primarily reflects the write off of the net book value of the equipment and related projects. Disposal or abandonment of these assets will be substantially completed in the first quarter of 1999. See Note 18 for a discussion of future charges related to this program.

- A fourth quarter charge of $16 million for employee related costs resulting from the separation of Pepsi-Cola North America's concentrate and bottling organizations to more effectively serve retail customers in light of the expected conversion of PBG to public ownership (see Note 18). Of this amount, $10 million relates to bottling operations that will be part of PBG.

The employee related costs for 1998 of $24 million primarily include severance and relocation costs for approximately 2,700 employees located in the Russia bottling operations and at Pepsi-Cola North America field locations. Terminations of employees, which were communicated during the fourth quarter of 1998, have either occurred or will generally occur in the first half of 1999. Most amounts have been paid or will be paid in 1999.

In 1997 and 1996, asset impairment and restructuring charges reflected strategic decisions to realign the international bottling system, improve Frito-Lay International operating productivity and exit certain businesses. The impairment of assets to be held and used reflected reductions in forecasted cash flows attributable to increased competitive activity and weakened macro-economic factors in various geographic regions. The restructuring charges were primarily employee related severance which was substantially paid in 1997. The 1997 restructuring charges included proceeds of $87 million associated with a settlement related to a previous Venezuelan bottler agreement, partially offset by related costs.

At year-end 1998, the remaining 1997 and 1996 restructuring charges included in accounts payable and other current liabilities primarily relate to liabilities associated with investments in unconsolidated affiliates for which settlement is expected in 1999.

Income Tax Benefit

In 1998 we reported a tax benefit, included in the provision for income taxes, of $494 million (or $0.32 per share) as a result of reaching a final agreement with the Internal Revenue Service to settle substantially all remaining aspects of a tax case relating to our concentrate operations in Puerto Rico.

Note 4 - Discontinued Operations

The restaurants segment was composed of the core restaurant businesses of Pizza Hut, Taco Bell and Kentucky Fried Chicken, PepsiCo Food Systems, a restaurant distribution operation, and several non-core U.S. restaurant businesses. In 1997, we spun off the restaurant businesses to our shareholders as an independent publicly traded company (Distribution). The spin-off was effective as a tax-free Distribution on October 6, 1997 (Distribution Date). Owners of PepsiCo capital stock as of September 19, 1997 received one share of common stock of TRICON Global Restaurants, Inc., the new company, for every ten shares of PepsiCo capital stock. Immediately before the Distribution Date, we received $4.5 billion in cash from TRICON as repayment of certain amounts due and a dividend. PFS and the non-core U.S. restaurant businesses were sold before the Distribution Date resulting in after-tax cash proceeds of approximately $1.0 billion.

Income from discontinued operations:

	1997	1996
Net sales..................	$ 8,375	$ 11,441
Costs and expenses.........	(7,704)	(10,935)
PFS gain...................	500	-
Interest expense, net......	(20)	(25)
Provision for income taxes.	(500)	(274)
Income from discontinued operations................	$ 651	$ 207

The above amounts include costs directly associated with the spin-off but do not include an allocation of our interest or general and administrative expenses.

Note 5 - Income Per Share

We present two income per share measures, basic and assuming dilution, on the face of the Consolidated Statement of Income. "Basic" income per share equals net income divided by weighted average common shares outstanding during the period. Income per share "assuming dilution" equals net income divided by the sum of weighted average common shares outstanding during the period plus common stock equivalents, such as stock options.

The following reconciles shares outstanding at the beginning of the year to average shares outstanding:

	1998	1997	1996
Shares outstanding at beginning of year	1,502	1,545	1,576
Weighted average shares issued during the year for exercise of stock options	18	14	13
Weighted average shares repurchased	(40)	(31)	(25)
Average shares outstanding - basic	1,480	1,528	1,564
Effect of dilutive securities			
Dilutive shares contingently issuable upon the exercise of stock options	144	151	169
Shares assumed to have been purchased for treasury with assumed proceeds from the exercise of stock options	(105)	(109)	(127)
Average shares outstanding - assuming dilution	1,519	1,570	1,606

Note 6 - Inventories

	1998	1997
Raw materials and supplies	$ 506	$398
Work-in-process	70	2
Finished goods	440	332
	$1,016	$732

The cost of 36% of 1998 inventories and 43% of 1997 inventories was computed using the last-in, first-out method.

Note 7 - Property, Plant and Equipment, net

	1998	1997
Land	$ 460	$ 365
Buildings and improvements	3,114	2,623
Machinery and equipment	8,806	7,513
Construction in progress	730	793
	13,110	11,294
Accumulated depreciation	(5,792)	(5,033)
	$ 7,318	$ 6,261

Note 8 - Intangible Assets, net

	1998	1997
Goodwill	$ 5,131	$ 2,298
Reacquired franchise rights	3,118	2,860
Trademarks and other identifiable intangibles	747	697
	$ 8,996	$ 5,855

Identifiable intangible assets possess economic value but lack physical substance. These assets primarily arise from the allocation of purchase prices of businesses acquired. Amounts assigned to such identifiable intangibles are based on independent appraisals or internal estimates. Goodwill represents the residual purchase price after allocation to all identifiable net assets (see Note 2).

The above amounts are presented net of accumulated amortization of $1.9 billion at year-end 1998 and $1.7 billion at year-end 1997.

Note 9 - Accounts Payable and Other Current Liabilities

	1998	1997
Accounts payable........................	$ 1,180	$ 1,047
Accrued compensation and benefits........	676	640
Accrued selling and marketing............	596	485
Other current liabilities................	1,418	1,445
	$ 3,870	$ 3,617

Note 10 - Short-Term Borrowings and Long-Term Debt

	1998	1997
Short-Term Borrowings		
Commercial paper (5.3%)..................	$ 1,901	$ -
Current maturities of long-term debt.....	1,075	1,819
Notes (5.2% and 5.7%)....................	2,076	80
Other borrowings (7.4% and 7.4%).........	519	222
Amount reclassified to long-term debt....	(1,650)	(2,121)
	$ 3,921	$ -
Long-Term Debt		
Short-term borrowings, reclassified......	$ 1,650	$ 2,121
Notes due 1999-2013 (5.8% and 6.4%)......	1,693	3,063
Various foreign currency debt, due 1999-2001 (5.3% and 5.2%)	956	809
Zero coupon notes, $1.0 billion due 1999-2012 (10.1% and 10.5%)	504	480
Other, due 1999-2014 (6.8% and 7.2%).....	300	292
	5,103	6,765
Less current maturities of long-term debt	(1,075)	(1,819)
	$ 4,028	$ 4,946

The interest rates in the above table include the effects of associated interest rate and currency swaps at year-end 1998 and 1997. Also, see Note 11 for a discussion of our use of interest rate and currency swaps, our management of the inherent credit risk and fair value information related to debt and interest rate and currency swaps.

Interest Rate Swaps

The following table indicates the notional amount and weighted average interest rates, by category, of interest rate swaps outstanding at year-end 1998 and 1997. The weighted average variable interest rates that we pay, which are primarily linked to either commercial paper or LIBOR rates, are based on rates as of the respective balance sheet date and are subject to change. The terms of the interest rate swaps match the terms of the debt they modify. The swaps terminate at various dates through 2013.

	1998	1997
Receive fixed-pay variable		
Notional amount...................	$1,855	$2,584
Weighted average receive rate.....	6.1%	6.8%
Weighted average pay rate.........	5.3%	5.8%
Receive variable-pay variable		
Notional amount...................	$ -	$ 250
Weighted average receive rate.....	-	5.7%
Weighted average pay rate.........	-	5.8%
Receive variable-pay fixed		
Notional amount...................	$ -	$ 215
Weighted average receive rate.....	-	5.9%
Weighted average pay rate.........	-	8.2%

At year-end 1998, approximately 83% of total debt was exposed to variable interest rates, compared to 77% in 1997. In addition to variable rate long-term debt, all debt with maturities of less than one year is categorized as variable for purposes of this measure.

Currency Swaps

We enter into currency swaps to hedge our currency exposure on certain non-U.S. dollar denominated debt. At year-end 1998, the aggregate carrying amount of the debt was $678 million and the net receivables and payables under related currency swaps were $1 million and $70 million, respectively, resulting in a net effective U.S. dollar liability of $747 million with a weighted average interest rate of 5.3%, including the effects of related interest rate swaps. At year-end 1997, the carrying amount of this debt aggregated $629 million and the net payables under related currency swaps aggregated $104 million, resulting in an effective U.S. dollar liability of $733 million with a weighted average interest rate of 5.8%, including the effects of related interest rate swaps.

Revolving Credit Facilities

We increased our 1998 unused revolving credit facility by $2.0 billion to $4.75 billion from $2.75 billion at year-end 1997. These unused credit facilities exist largely to support the issuances of short-term borrowings and are available for general corporate purposes. The 1998 facilities are composed of $3.1 billion expiring March 1999 and $1.65 billion expiring March 2003.

Short-term borrowings of $1.65 billion at year-end 1998 and $2.1 billion at year-end 1997 were reclassified as long-term debt. This reflects our intent and ability, through the existence of the unused credit facilities, to refinance these borrowings.

Long-term debt outstanding at December 26, 1998 matures as follows during the next five years:

	1999	2000	2001	2002	2003
Maturities	$1,075	$716	$323	$ 36	$284

Note 11 - Financial Instruments

Derivative Instruments

Our policy prohibits the use of derivative instruments for speculative purposes and we have procedures in place to monitor and control their use. The following discussion excludes future contracts to hedge immaterial amounts of our commodity purchases.

Our use of derivative instruments is primarily limited to interest rate and currency swaps, which are used to reduce borrowing costs by effectively modifying the interest rate and currency of specific debt issuances. These swaps are entered into concurrently with the issuance of the debt they are intended to modify. The notional amount, interest payment and maturity dates of the swaps match the principal, interest payment and maturity dates of the related debt. Accordingly, any market risk or opportunity associated with these swaps is fully offset by the opposite market impact on the related debt. Our credit risk related to interest rate and currency swaps is considered low because such swaps are entered into only with strong creditworthy counterparties, are generally settled on a net basis and are of relatively short duration. Further, there is no concentration with counterparties. See Note 10 for the notional amounts, related interest rates and maturities of the interest rate and currency swaps. See Management's Discussion and Analysis - Market Risk beginning on page 12.

Fair Value

Carrying amounts and fair values of our financial instruments:

	1998		1997	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and cash equivalents.	$ 311	$ 311	$1,928	$1,928
Short-term investments....	$ 83	$ 83	$ 955	$ 955
Other assets (noncurrent investments)	$ 5	$ 5	$ 15	$ 15
Liabilities				
Debt				
Short-term borrowings and long-term debt, net of capital leases	$7,934	$8,192	$4,909	$5,124
Debt-related derivative instruments				
Open contracts in asset position................	(6)	(20)	(28)	(22)
Open contracts in liability position......	72	57	107	109
Net debt..............	$8,000	$8,229	$4,988	$5,211

The above carrying amounts are included in the Consolidated Balance Sheet under the indicated captions, except for debt-related derivative instruments (interest rate and currency swaps), which are included in the appropriate current or noncurrent asset or liability caption. Short-term investments consist primarily of debt securities and have been classified as held-to-maturity. Noncurrent investments mature at various dates through 2000.

Because of the short maturity of cash equivalents and short-term investments, the carrying amounts approximate fair value. The fair value of noncurrent investments is based upon market quotes. The fair value of debt and debt-related derivative instruments was estimated using market quotes and calculations based on market rates.

Note 12 - Income Taxes

U.S. and foreign income from continuing operations before income taxes:

	1998	1997	1996
U.S........................	$1,629	$1,731	$1,630
Foreign....................	634	578	(64)
	$2,263	$2,309	$1,566

Provision for income taxes on income from continuing operations:

		1998	1997	1996
Current:	Federal..........	$(193)	$598	$254
	Foreign..........	267	110	138
	State............	46	59	72
		120	767	464
Deferred:	Federal..........	136	23	204
	Foreign..........	4	15	(41)
	State............	10	13	(3)
		150	51	160
		$ 270	$818	$624

Reconciliation of the U.S. Federal statutory tax rate to our effective tax rate on continuing operations:

	1998	1997	1996
U.S. Federal statutory tax rate	35.0%	35.0%	35.0%
State income tax, net of Federal tax benefit.................	1.6	2.0	2.9
Effect of lower taxes on foreign results............	(3.0)	(5.5)	(4.4)
Settlement of prior years' audit issues.................	(5.7)	(1.7)	(2.9)
Puerto Rico settlement.........	(21.8)	-	-
Effect of unusual impairment and other items..............	3.4	2.2	9.7
Other, net....................	2.4	3.4	(0.5)
Effective tax rate on continuing operations...................	11.9%	35.4%	39.8%

In 1998, we reached final agreement with the IRS to settle substantially all remaining aspects of a tax case related to our concentrate operations in Puerto Rico. As a result, we recognized a tax benefit totaling $494 million (or $0.32 per share) which reduced our 1998 provision for income taxes.

Deferred taxes are recorded to give recognition to temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements. We record the tax effect of these temporary differences as deferred tax assets or deferred tax liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in future years. Deferred tax liabilities generally represent items that we have taken a tax deduction for, but have not yet recorded in the income statement.

Deferred tax liabilities (assets):

	1998	1997
Intangible assets other than nondeductible goodwill.......	$ 1,444	$ 1,363
Property, plant and equipment...	665	500
Safe harbor leases..............	109	115
Zero coupon notes...............	79	84
Other...........................	473	335
Gross deferred tax liabilities..	2,770	2,397
Net operating loss carryforwards	(562)	(520)
Postretirement benefits.........	(246)	(247)
Various current liabilities and other......................	(702)	(510)
Gross deferred tax assets.......	(1,510)	(1,277)
Deferred tax assets valuation allowance............	571	458
Net deferred tax assets.........	(939)	(819)
Net deferred tax liabilities....	$ 1,831	$ 1,578
Included in:		
Prepaid expenses, deferred income taxes and other current assets	$ (172)	$ (119)
Deferred income taxes.........	2,003	1,697
	$ 1,831	$ 1,578

Deferred tax liabilities are not recognized for temporary differences related to investments in foreign subsidiaries and in unconsolidated foreign affiliates that are essentially permanent in duration. It would not be practicable to determine the amount of any such deferred tax liabilities.

Net operating losses of $2.7 billion at year-end 1998 were carried forward and are available to reduce future taxable income of certain subsidiaries in a number of foreign and state jurisdictions. These net operating losses will expire as follows: $96 million in 1999, $2.4 billion between 2000 and 2012, while $201 million may be carried forward indefinitely.

Note 13 - Employee Stock Options

Stock options have been granted to employees under three different incentive plans:

- the SharePower Stock Option Plan (SharePower),
- the Long-Term Incentive Plan (LTIP) and
- the Stock Option Incentive Plan (SOIP).

SharePower

SharePower stock options are granted to essentially all full-time employees. SharePower options have a 10 year term. Prior to 1998, the number of options granted was based on each employee's annual earnings and generally became exercisable ratably over 5 years. In 1998, the number of SharePower options granted was based on earnings and tenure and generally become exercisable after 3 years.

SOIP and LTIP Prior to 1998

Prior to 1998, SOIP options were granted to middle management employees and were exercisable after 1 year. LTIP options were granted to senior management employees and were generally exercisable after 4 years. Both SOIP and LTIP options have 10 year terms. Certain LTIP options could be exchanged by employees for a specified number of performance share units (PSUs) within 60 days of the grant date. The value of a PSU was fixed at the stock price at the grant date and the PSU was payable 4 years from the grant date, contingent upon attainment of prescribed performance goals. At year-end 1998, 1997 and 1996, there were 84,000, 801,000 and 763,000 PSUs outstanding, respectively. Payment of PSUs is made in cash and/or stock as approved by the Compensation Committee of our Board of Directors. Amounts expensed in continuing operations for PSUs were $1 million in 1998 and $4 million in both 1997 and 1996.

SOIP and LTIP in 1998

Beginning in 1998, all executive (including middle management) awards are made under the LTIP. Under the LTIP, an executive receives an award based on a multiple of base salary. Two-thirds of the award consists of stock options with an exercise price equal to the stock price at the date of the award. These options become exercisable at the end of 3 years and have a 10 year term.

At the executive's discretion at the date of the award, the remaining one-third of the award will be granted in stock options at the end of 3 years or paid in cash at the end of 3 years. The number of options granted or the cash payment, if any, will depend on the attainment of prescribed performance goals over the 3 year period. If the executive chooses stock options, they are granted with an exercise price equal to the stock price at the date of the grant, vest immediately and have a 10 year term. If the executive chooses a cash payment, one dollar of cash will be received for every four dollars of the award. Amounts expensed for expected cash payments were $7 million in 1998. At year-end 1998, 162 million shares were available for grants under the LTIP.

Stock option activity:

(Options in thousands)	1998 Options	1998 Weighted Average Exercise Price	1997 Options	1997 Weighted Average Exercise Price	1996 Options	1996 Weighted Average Exercise Price
Outstanding at beginning of year	146,329	$18.95	177,217	$20.22	160,662	$16.10
Granted.........	34,906	36.33	3,457	31.54	51,305	31.19
Exercised.......	(28,076)	15.31	(25,504)	15.77	(22,687)	14.19
Surrendered for PSUs.......	(24)	37.46	(15)	37.68	(431)	29.91
Forfeited.......	(6,144)	28.83	(7,819)	24.89	(11,632)	23.13
Spin-off related:						
Conversion to TRICON options(a)....	-	-	(13,267)	25.75	-	-
PepsiCo modification(b).....	-	-	12,260	-	-	-
Outstanding at end of year..........	146,991	23.28	146,329	18.95	177,217	20.22
Exercisable at end of year......	82,692	16.74	81,447	15.39	80,482	14.92
Weighted average fair value of options granted during the year..		$ 9.82		$10.55		$ 8.89

(a) Effective on the date of the TRICON spin-off, unvested PepsiCo capital stock options held by TRICON employees were converted to TRICON stock options.
(b) Immediately following the spin-off, the number of options were increased and exercise prices were decreased (the "modification") to preserve the economic value of those options that existed just prior to the spin-off for the holders of PepsiCo capital stock options.

Stock options outstanding and exercisable at December 26, 1998:

Range of Exercise Price	Options Outstanding: Options	Options Outstanding: Weighted Average Remaining Contractual Life	Options Outstanding: Weighted Average Exercise Price	Options Exercisable: Options	Options Exercisable: Weighted Average Exercise Price
$ 4.25 to $ 9.84	11,469	1.39 yrs.	$ 7.43	11,449	$ 7.45
$11.12 to $23.78	69,021	4.49	16.87	63,449	16.70
$26.04 to $41.50	66,501	8.27	32.80	7,794	30.53
	146,991	5.85	23.28	82,692	16.74

Pro forma income and pro forma income per share, as if we had recorded compensation expense based on fair value for stock-based awards:

	1998	1997	1996
Reported			
Income			
Continuing operations..........	$1,993	$1,491	$ 942
Discontinued operations........	-	651	207
Net income....................	$1,993	$2,142	$1,149
Income per share			
Continuing operations..........	$ 1.31	$ 0.95	$ 0.59
Discontinued operations........	-	0.41	0.13
Net income	$ 1.31	$ 1.36	$ 0.72
Pro Forma			
Income			
Continuing operations..........	$1,888	$1,390	$ 893
Discontinued operations........	-	635	188
Net income....................	$1,888	$2,025	$1,081
Income per share			
Continuing operations..........	$ 1.24	$ 0.89	$ 0.55
Discontinued operations........	-	0.40	0.12
Net income	$ 1.24	$ 1.29	$ 0.67

Without the effect of pro forma costs related to the modification of outstanding options arising from the TRICON spin-off, pro forma income from continuing operations is $1,899 million or $1.25 per share in 1998 and $1,436 million or $0.92 per share in 1997.

The pro forma amounts disclosed above are not fully representative of the effects of stock-based awards because, except for the impact resulting from the TRICON modification, the amounts exclude the pro forma cost related to the unvested stock options granted before 1995.

The fair value of the options granted (including the modification) is estimated using the Black-Scholes option-pricing model based on the following weighted average assumptions:

	1998	1997	1996
Risk free interest rate.........	4.7%	5.8%	6.0%
Expected life...................	5 years	3 years	6 years
Expected volatility.............	23%	20%	20%
Expected dividend yield.........	1.14%	1.32%	1.5%

Note 14 - Pension and Postretirement Benefits

In 1998, we adopted the revised disclosure requirements of Statement of Financial Accounting Standards No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits. SFAS 132 standardized the disclosures of pensions and other postretirement benefits into a combined format but did not change the accounting for these benefits. Prior years' information has been reclassified to conform to the 1998 disclosure format.

Pension Benefits

Our pension plans cover substantially all full-time U.S. employees and certain international employees. Benefits depend on years of service and earnings or are based on stated amounts for each year of service.

Postretirement Benefits

Our postretirement plans provide medical and life insurance benefits principally to U.S. retirees and their dependents. Employees are eligible for benefits if they meet age and service requirements and qualify for retirement benefits.

Components of net periodic benefit cost:

	1998	1997	1996
	Pension		
Service cost	$ 95	$ 82	$ 74
Interest cost	136	123	111
Expected return on plan assets	(169)	(148)	(136)
Amortization of transition asset	(9)	(14)	(14)
Amortization of prior service amendments	12	11	10
Amortization of net loss	5	4	2
Net periodic benefit cost	$ 70	$ 58	$ 47
Settlement loss/(gain)	9	(4)	-
Special termination benefits	4	8	-
Net periodic benefit cost including settlements and special termination benefits	$ 83	$ 62	$ 47

Components of net periodic benefit cost:

	1998	1997	1996
	Postretirement		
Service cost	$ 16	$ 12	$ 12
Interest cost	39	40	43
Amortization of prior service amendments	(18)	(18)	(18)
Amortization of net (gain)/loss	(2)	-	2
Net periodic benefit cost	$ 35	$ 34	$ 39
Special termination benefits	1	-	-
Net periodic benefit cost including special termination benefits	$ 36	$ 34	$ 39

Prior service costs are amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits.

Change in the benefit obligation:

	Pension 1998	Pension 1997	Postretirement 1998	Postretirement 1997
Obligation at beginning of year....	$ 1,928	$1,672	$ 528	$ 525
Service cost.......................	95	82	16	12
Interest cost......................	136	123	39	40
Plan amendments....................	5	11	-	-
Participant contributions..........	4	3	-	-
Actuarial loss/(gain)..............	229	153	56	(13)
Acquisitions/(divestitures)........	236	(16)	42	(5)
Benefit payments...................	(149)	(99)	(38)	(31)
Curtailment gain...................	(1)	(1)	-	-
Special termination benefits.......	4	8	1	-
Foreign currency adjustment........	(8)	(8)	-	-
Obligation at end of year..........	$ 2,479	$1,928	$ 644	$ 528

Change in the fair value of plan assets:

	Pension 1998	Pension 1997	Postretirement 1998	Postretirement 1997
Fair value at beginning ofyear....	$ 1,997	$1,638	$ -	$ -
Actual return on plan assets......	(71)	439	-	-
Acquisitions/(divestitures).......	240	(5)	-	-
Employer contributions............	31	29	38	31
Participant contributions.........	4	3	-	-
Benefit payments..................	(149)	(99)	(38)	(31)
Foreign currency adjustment.......	(7)	(8)	-	-
Fair value at end of year.........	$ 2,045	$1,997	$ -	$ -

Selected information for plans with accumulated benefit obligation in excess of plan assets:

	Pension 1998	Pension 1997	Postretirement 1998	Postretirement 1997
Projected benefit obligation...	$(1,960)	$ (161)	$(644)	$(528)
Accumulated benefit obligation..	$(1,661)	$ (83)	$(644)	$(528)
Fair value of plan assets.......	$ 1,498	$ 14	$ -	$ -

Funded status as recognized on the Consolidated Balance Sheet:

	Pension 1998	Pension 1997	Postretirement 1998	Postretirement 1997
Funded status at end of year......	$ (434)	$ 69	$(644)	$(528)
Unrecognized prior service cost...	76	83	(69)	(87)
Unrecognized loss/(gain)..........	338	(122)	29	(29)
Unrecognized transition asset.....	(7)	(16)	-	-
Net amounts recognized...........	$ (27)	$ 14	$(684)	$(644)

Net amounts as recognized in the Consolidated Balance Sheet:

	Pension 1998	Pension 1997	Postretirement 1998	Postretirement 1997
Prepaid benefit cost	$ 116	$ 137	$ -	$ -
Accrued benefit liability	(210)	(123)	(684)	(644)
Intangible assets	36	-	-	-
Accumulated other comprehensive income	31	-	-	-
Net amounts recognized	$ (27)	$ 14	$(684)	$(644)

Weighted-average assumptions at end of year:

	Pension 1998	Pension 1997	Pension 1996
Discount rate for benefit obligation	6.8%	7.3%	7.8%
Expected return on plan assets	10.2%	10.3%	10.3%
Rate of compensation increase	4.7%	4.8%	4.8%

The discount rate assumptions used to compute the postretirement benefit obligation at year-end were 6.9% in 1998 and 7.4% in 1997.

Components of Pension Assets

The pension plan assets are principally stocks and bonds. The U.S. plan held approximately 10.1 million shares of PepsiCo capital stock with a fair value of $298 million in 1998 and 11.7 million shares with a fair value of $436 million in 1997. The plan received dividends on PepsiCo capital stock of $6 million in both 1998 and 1997. To maintain diversification, 1.6 million shares of PepsiCo capital stock were sold in 1998 and .5 million shares were sold in 1997.

Health Care Cost Trend Rates

An average increase of 6.7% in the cost of covered postretirement medical benefits is assumed for 1999 for employees who retired before cost sharing was introduced. This average increase is then projected to decline gradually to 5.5% in 2005 and thereafter.

An average increase of 6.5% in the cost of covered postretirement medical benefits is assumed for 1999 for employees who retired after cost sharing was introduced. This average increase is then projected to decline gradually to zero in 2005 and thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for postretirement medical plans. A one percentage point change in assumed health care costs would have the following effects:

	1% Increase	1% Decrease
Effect on total of 1998 service and interest cost components	$ 2	$ (2)
Effect on the 1998 accumulated postretirement benefit obligation	$ 30	$ (28)

Note 15 - Contingencies

We are subject to various claims and contingencies related to lawsuits, taxes, environmental and other matters arising out of the normal course of business. Contingent liabilities primarily reflect guarantees to support financial arrangements of certain unconsolidated affiliates. We believe that the ultimate liability, if any, in excess of amounts already recognized arising from such claims or contingencies is not likely to have a material adverse effect on our annual results of operations, financial condition or liquidity.

Note 16 - Business Segments

In 1998, we adopted Statement of Financial Accounting Standards No. 131, Disclosures about Segments of a Business Enterprise and Related Information, which is generally based on our 1998 management reporting. The prior years' segment information presented in this footnote has been restated to present our five reportable segments as follows:

- Pepsi-Cola
  - North America
  - International
- Frito-Lay
  - North America
  - International
- Tropicana

The North American segments include the United States and Canada. The Tropicana segment includes its worldwide results. In contemplation of the proposed separation from PepsiCo of our bottling operations (see Note 18), we completed a reorganization of our Pepsi-Cola businesses in 1999. Our 1998 financial statements do not reflect the reorganization.

The accounting policies of the segments are the same as those described in Note 1 - Summary of Significant Accounting Policies. All intersegment net sales and expenses are immaterial and have been eliminated in computing net sales and operating profit.

Pepsi-Cola North America

Pepsi-Cola North America markets and distributes its Pepsi-Cola, Diet Pepsi, Mountain Dew and other brands. PCNA manufactures concentrates of its brands for sale to franchised bottlers. PCNA operates bottling plants and distribution facilities for the production and distribution of company-owned and licensed brands. PCNA also manufactures and distributes ready-to-drink Lipton tea products through a joint venture and processes and distributes Aquafina bottled water.

Investments in unconsolidated affiliates are primarily in franchised bottling and distribution operations.

Pepsi-Cola International
- ------------------------

Pepsi-Cola International markets and distributes its Pepsi-Cola, Diet Pepsi, Mountain Dew, 7UP, Diet 7UP, Mirinda, Pepsi Max and other brands internationally. PCI manufactures concentrates of its brands for sale to franchised bottlers. PCI operates bottling plants and distribution facilities in various international markets for the production and distribution of company-owned and licensed brands.

Principal international markets include Argentina, Brazil, China, India, Mexico, the Philippines, Saudi Arabia, Spain, Thailand and the United Kingdom. Investments in unconsolidated affiliates are primarily in franchised bottling and distribution operations.

Frito-Lay North America
- -----------------------

Frito-Lay North America primarily markets, manufactures and distributes salty snacks. Products manufactured and distributed in North America include Lay's and Ruffles brand potato chips, Doritos and Tostitos brand tortilla chips, Fritos brand corn chips, Cheetos brand cheese flavored snacks, Rold Gold brand pretzels, and a variety of dips and salsas. Low-fat and no-fat versions of several core brands are also manufactured and distributed in North America.

Frito-Lay International
- -----------------------

Frito-Lay International markets, manufactures and distributes salty and sweet snacks. Products include Walkers brand snack foods in the United Kingdom, Sabritas brand snack foods in Mexico, and Alegro and Gamesa brand sweet snacks in Mexico. Many of our U.S. brands have been introduced internationally such as Lay's and Ruffles brand potato chips, Doritos and Tostitos brand tortilla chips, Fritos brand corn chips and Cheetos brand cheese flavored snacks.

Principal international snack markets include Australia, Brazil, Mexico, the Netherlands, South Africa, Spain and the United Kingdom.

Tropicana
- ---------

Tropicana markets, produces and distributes its juices worldwide. Products include Tropicana Pure Premium, Season's Best, Dole, Tropicana Pure Tropics and Tropicana Twister brand juices primarily sold in the United States and many in Canada and brands such as Fruvita, Hitchcock, Looza and Copella available in Europe.

Principal international markets include Belgium, Canada, France and the United Kingdom. The investment in unconsolidated affiliates is a distribution operation.

Impairment and Other Items Affecting Comparability

Effects on segments of impairment and other items are as follows:

	1998	1997	1996
Pepsi-Cola			
- - North America	$ 16	$ 52	$ -
- - International	218	154	576
Frito-Lay			
- - North America	54	22	-
- - International	-	62	-
Combined Segments	$288	$290	$576

See Note 3 for details on the above unusual impairment and other items.

	1998	1997	1996
	Net Sales		
Pepsi-Cola			
- - North America	$ 8,266	$ 7,899	$ 7,788
- - International	2,385	2,642	2,799
Frito-Lay			
- - North America	7,474	6,967	6,628
- - International	3,501	3,409	3,122
Tropicana	722	-	-
	$22,348	$20,917	$20,337
	Operating Profit (a)		
Pepsi-Cola			
- - North America	$ 1,211	$ 1,274	$ 1,428
- - International	(219)	(144)	(846)
Frito-Lay			
- - North America	1,424	1,388	1,286
- - International	367	318	346
Tropicana	40	-	-
Combined Segments	2,823	2,836	2,214
Corporate (b)	(239)	(174)	(174)
	$ 2,584	$ 2,662	$ 2,040
	Total Assets		
Pepsi-Cola			
- - North America	$ 8,269	$ 7,562	$ 7,199
- - International	2,536	3,134	3,487
Frito-Lay			
- - North America	3,915	3,650	3,116
- - International	4,039	3,583	3,418
Tropicana	3,661	-	-
Corporate (c)	240	2,172	490
Net Assets of Discontinued Operations	-	-	4,450
	$22,660	$20,101	$22,160
	Amortization of Intangible Assets		
Pepsi-Cola			
- - North America	$ 136	$ 141	$ 143
- - International	14	14	22
Frito-Lay			
- - North America	7	6	5
- - International	43	38	36
Tropicana	22	-	-
	$ 222	$ 199	$ 206

(a) Includes Impairment and Other Items Affecting Comparability on page F-30.

(b) Includes unallocated corporate headquarters expenses and costs of centrally managed insurance programs, minority interests and foreign exchange translation and transaction gains and losses.

(c) Corporate assets consist principally of cash and cash equivalents, short-term investments primarily held outside the U.S. and property and equipment.

BUSINESS SEGMENTS (page 2 of 3)

	1998	1997	1996
	Depreciation and Other Amortization Expense		
Pepsi-Cola			
- - North America	$ 369	$ 337	$ 323
- - International	140	166	191
Frito-Lay			
- - North America	326	285	243
- - International	142	112	103
Tropicana	27	-	-
Corporate	8	7	7
	$1,012	$ 907	$ 867
	Significant Other Noncash Items (d)		
Pepsi-Cola			
- - North America	$ -	$ 52	$ -
- - International	200	119	366
Frito-Lay			
- - North America	54	9	-
- - International	-	53	-
	$ 254	$ 233	$ 366
	Capital Spending		
Pepsi-Cola			
- - North America	$ 472	$ 430	$ 399
- - International	138	188	249
Frito-Lay			
- - North America	402	622	760
- - International	314	251	213
Tropicana	50	-	-
Corporate	29	15	9
	$1,405	$1,506	$1,630
	Investments in Unconsolidated Affiliates		
Pepsi-Cola			
- - North America	$ 326	$ 340	$ 308
- - International	685	605	562
Frito-Lay			
- - North America	-	-	3
- - International	341	234	252
Tropicana	22	-	-
Corporate	22	22	22
	$1,396	$1,201	$1,147

(d) Represents the noncash portion of unusual impairment and other items. See Note 3.

	1998	1997	1996
	Equity Income/(Loss) from Unconsolidated Affiliates (e)		
Pepsi-Cola			
- - North America............	$ 50	$ 41	$ 32
- - International............	(21)	(4)	(341)
Frito-Lay			
- - North America............	-	(3)	-
- - International............	(5)	50	35
Tropicana..................	1	-	-
	$ 25	$ 84	$ (274)

GEOGRAPHIC AREAS	1998	1997	1996
	Net Sales		
United States............	$15,381	$13,878	$13,408
International............	6,967	7,039	6,929
Combined Segments........	$22,348	$20,917	$20,337
	Long-Lived Assets (f)		
United States............	$12,948	$ 9,466	$ 9,271
International............	4,762	3,851	3,998
Combined Segments........	$17,710	$13,317	$13,269

(e) Includes unusual charges of $256 million in 1996 in PCI related to the write down of our investment in Buenos Aires Embotelladora S.A. and our share of the unusual charges recorded by BAESA. In 1997, FLI included a gain of $22 million related to the sale of a non-core investment.
(f) Represents Property, Plant and Equipment, net, Intangible Assets, net and Investments in Unconsolidated Affiliates.

Note 17 - Selected Quarterly Financial Data

($ in millions except per share amounts, unaudited) (page 1 of 3)

	First Quarter (12 Weeks) 1998	First Quarter (12 Weeks) 1997
Net sales	$ 4,353	4,213
Gross profit	$ 2,603	2,492
Unusual impairment and other items - (gain) (b)	$ -	(22)
Operating profit	$ 590	581
Income from continuing operations	$ 377	318
Income from discontinued operations (d)	$ -	109
Net income	$ 377	427
Net income per share - basic		
Continuing operations	$ 0.25	0.21
Discontinued operations	$ -	0.07
Net income	$ 0.25	0.28
Net income per share - assuming dilution		
Continuing operations	$ 0.24	0.20
Discontinued operations	$ -	0.07
Net income	$ 0.24	0.27
Cash dividends declared per share	$ 0.125	0.115
Stock price per share (e)		
High	$ 43 9/16	34 55/64
Low	$ 34 7/8	29 1/8
Close	$ 43	32 1/2

	Second Quarter (12 Weeks) 1998	Second Quarter (12 Weeks) 1997
Net sales	$ 5,258	5,086
Gross profit	$ 3,110	3,017
Unusual impairment and other items - loss (b)	$ -	326
Operating profit	$ 778	436
Income from continuing operations	$ 494	176
Income from discontinued operations (d)	$ -	480
Net income	$ 494	656
Net income per share - basic		
Continuing operations	$ 0.33	0.11
Discontinued operations	$ -	0.31
Net income	$ 0.33	0.42
Net income per share - assuming dilution		
Continuing operations	$ 0.33	0.11
Discontinued operations	$ -	0.31
Net income	$ 0.33	0.42
Cash dividends declared per share	$ 0.13	0.125
Stock price per share (e)		
High	$44 11/16	39
Low	$ 37 5/8	31 1/4
Close	$40 11/16	39

($ in millions except per share amounts, unaudited) (page 2 of 3)

	Third Quarter (12 Weeks) 1998	1997
Net sales	$ 5,544	5,362
Gross profit	$ 3,261	3,183
Operating profit	$ 889	929
Income from continuing operations (c)	$ 761	551
Income from discontinued operations (d)	$ -	107
Net income	$ 761	658
Net income per share - basic		
Continuing operations	$ 0.52	0.36
Discontinued operations	$ -	0.07
Net income	$ 0.52	0.43
Net income per share - assuming dilution		
Continuing operations	$ 0.50	0.35
Discontinued operations	$ -	0.07
Net income	$ 0.50	0.42
Cash dividends declared per share	$ 0.13	0.125
Stock price per share (e)		
High	$ 43 5/8	39 11/16
Low	$27 11/16	35 1/2
Close	$ 30 5/16	37 5/8

	Fourth Quarter(a) (16 Weeks) 1998	1997
Net sales	$ 7,193	6,256
Gross profit	$ 4,044	3,700
Unusual impairment and other items - loss/(gain) (b)	$ 288	(14)
Operating profit	$ 327	716
Income from continuing operations (c)	$ 361	446
Income (loss) from discontinued operations(d)	$ -	(45)
Net income	$ 361	401
Net income (loss) per share - basic		
Continuing operations	$ 0.25	0.30
Discontinued operations	$ -	(0.03)
Net income	$ 0.25	0.27
Net income (loss) per share - assuming dilution		
Continuing operations	$ 0.24	0.29
Discontinued operations	$ -	(0.04)
Net income	$ 0.24	0.25
Cash dividends declared per share	$ 0.13	0.125
Stock price per share (e)		
High	$ 41 1/16	40
Low	$28 11/16	34 1/4
Close	$ 40 7/16	34 11/16

($ in millions except per share amounts, unaudited)

	Full Year (52 Weeks) 1998	1997
Net sales	$ 22,348	20,917
Gross profit	$ 13,018	12,392
Unusual impairment and other items - loss (b)	$ 288	290
Operating profit	$ 2,584	2,662
Income from continuing operations (c)	$ 1,993	1,491
Income from discontinued operations (d)	$ -	651
Net income	$ 1,993	2,142
Net income per share - basic		
Continuing operations	$ 1.35	0.98
Discontinued operations	$ -	0.42
Net income	$ 1.35	1.40
Net income per share - assuming dilution		
Continuing operations	$ 1.31	0.95
Discontinued operations	$ -	0.41
Net income	$ 1.31	1.36
Cash dividends declared per share	$ 0.515	0.49
Stock price per share (e)		
High	$44 11/16	40
Low	$27 11/16	29 1/8
Close	$40 7/16	34 11/16

(a) Fourth quarter 1998 includes the operating results of Tropicana which was acquired in August of 1998.

(b) Unusual impairment and other items - loss/(gain) (see Note 3):

	1998 Pre-Tax	1998 After Tax	1998 Per Share	1997 Pre-Tax	1997 After Tax	1997 Per Share
First quarter	$ -	$ -	$ -	$(22)	$ 2	$ -
Second quarter	-	-	-	326	238	0.15
Fourth quarter	288	261	0.17	(14)	(1)	-
Full year	$288	$261	$0.17	$290	$239	$0.15

(c) Includes in 1998 a tax benefit of $200 million (or $0.13 per share) in the third quarter and $294 million (or $0.19 per share) in the fourth quarter. See Note 12.

(d) See Note 4.

(e) Represents the high, low and closing prices for one share of PepsiCo's capital stock on the New York Stock Exchange. Stock prices on or before October 6, 1997 are not adjusted to reflect the TRICON spin-off. See Note 4.

Note 18 - Pending Transactions/Events

In November 1998, our Board of Directors approved a plan for the separation from PepsiCo of certain wholly-owned bottling businesses located in the United States, Canada, Spain, Greece and Russia, referred to as The Pepsi Bottling Group. Pursuant to this plan, PBG intends to sell shares of its common stock in an initial public offering and PepsiCo intends to retain a noncontrolling ownership interest in PBG. A registration statement relating to the Offering was filed on Form S-1 with the Securities and Exchange Commission. The transaction is subject to market conditions and regulatory approval. If consummated, the transaction is expected to result in a gain to PepsiCo, net of related costs. These related costs will include a charge for the early vesting of PepsiCo stock options held by PBG employees, which will be based on the price of our stock at the date of the Offering. In February and March of 1999, PBG and its principal operating subsidiary, Bottling LLC, incurred $6.55 billion of indebtedness, a large portion of which is intended to be temporary and be repaid with the proceeds of the Offering. It is intended that the remainder will be carried as PBG's long-term indebtedness of which $2.3 billion is unconditionally guaranteed by PepsiCo.

In January 1999, we announced an agreement with the Whitman Corporation to realign bottling territories. Subject to approval by the Whitman shareholders and various regulatory authorities, we plan to combine certain of our bottling operations in the mid-western United States and Central Europe with most of Whitman's existing bottling businesses to create new Whitman. Under the terms of the agreement, our current equity interest of 20% in General Bottlers, the principal operating company of Whitman, will also be transferred to new Whitman. Whitman transferred its existing bottling operations in Marion, Virginia; Princeton, West Virginia; and St. Petersburg, Russia to PBG. It is planned for new Whitman to assume certain indebtedness associated with our transferred U.S. operations with net proceeds to us of $300 million. Upon completion of the transaction, we will receive 54 million shares of new Whitman common stock resulting in a noncontrolling ownership interest. If approved, this transaction is expected to result in a net gain to PepsiCo.

The Frito-Lay program, to improve productivity discussed in Note 3, also includes consolidating U.S. production in our most modern and efficient plants and streamlining logistics and transportation systems. This program is expected to result in additional asset impairment and restructuring charges of approximately $65 million to be recorded in the first quarter of 1999.

Management's Responsibility for Financial Statements

To Our Shareholders:

Management is responsible for the reliability of the consolidated financial statements and related notes. The financial statements were prepared in conformity with generally accepted accounting principles and include amounts based upon our estimates and assumptions, as required. The financial statements have been audited by our independent auditors, KPMG LLP, who were given free access to all financial records and related data, including minutes of the meetings of the Board of Directors and Committees of the Board. We believe that our representations to the independent auditors were valid and appropriate.

Management maintains a system of internal controls designed to provide reasonable assurance as to the reliability of the financial statements, as well as to safeguard assets from unauthorized use or disposition. The system is supported by formal policies and procedures, including an active Code of Conduct program intended to ensure employees adhere to the highest standards of personal and professional integrity. Our internal audit function monitors and reports on the adequacy of and compliance with the internal control system, and appropriate actions are taken to address significant control deficiencies and other opportunities for improving the system as they are identified. The Audit Committee of the Board of Directors, consists solely of directors, who are not salaried employees and who are, in the opinion of the Board of Directors, free from any relationship that would interfere with the exercise of independent judgment as a committee member. The Committee meets several times each year with representatives of management, including internal auditors and the independent accountants to review our financial reporting process and our controls to safeguard assets. Both our independent auditors and internal auditors have free access to the Audit Committee.

Although no cost-effective internal control system will preclude all errors and irregularities, we believe our controls as of December 26, 1998 provide reasonable assurance that the financial statements are reliable and that our assets are reasonably safeguarded.

Report of Independent Auditors

Board of Directors and Shareholders
PepsiCo, Inc.

We have audited the accompanying consolidated balance sheet of PepsiCo, Inc. and Subsidiaries as of December 26, 1998 and December 27, 1997 and the related consolidated statements of income, cash flows and shareholders' equity for each of the years in the three-year period ended December 26, 1998. These consolidated financial statements are the responsibility of PepsiCo, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PepsiCo, Inc. and Subsidiaries as of December 26, 1998 and December 27, 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 26, 1998, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

New York, New York
February 1, 1999, except as to Note 18 which is as of March 8, 1999

Selected Financial Data (Page 1 of 4)

(in millions except per share and employee amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

	Compounded Growth Rates 5-Year 1993-1998	1998(a)(b)	1997(a)
Summary of Operations			
Net sales..........................	7%	$ 22,348	20,917
Operating profit....................	4%	$ 2,584	2,662
Income from continuing operations...	12%	$ 1,993	1,491
Cash Flow Data			
Provided by operating activities....		$ 3,211	3,419
Dividends paid......................	10%	$ 757	736
Share repurchases...................	37%	$ 2,230	2,459
Per Share Data			
Income from continuing operations - assuming dilution..................	13%	$ 1.31	0.95
Cash dividends declared.............	11%	$ 0.515	0.49
Book value per share at year-end....	2%	$ 4.35	4.62
Market price per share at year-end (g)	14%	$ 40 7/16	34 11/16
Market price per share at year-end - continuing operations (h)..........	16%	$ 40 7/16	34 11/16
Balance Sheet			
Net assets of discontinued operations (i)....................		$ -	-
Total assets (j)....................		$ 22,660	20,101
Long-term debt......................		$ 4,028	4,946
Total debt (k)......................		$ 7,949	4,946
Shareholders' equity................		$ 6,401	6,936
Other Statistics			
EBITDA from continuing operations (l)		$ 4,072	4,001
Return on invested capital (m)......		16%	18
Number of shares repurchased........		59.2	69.0
Shares outstanding at year-end......		1,471	1,502
Average shares outstanding used to calculate income per share from continuing operations - assuming dilution..................		1,519	1,570
Employees of continuing operations..		151,000	142,000

Selected Financial Data

(in millions except per share and employee amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

	1996(a)	1995(c)
Summary of Operations		
Net sales..........................	$ 20,337	19,067
Operating profit...................	$ 2,040	2,606
Income from continuing operations...	$ 942	1,422
Cash Flow Data		
Provided by operating activities....	$ 3,192	2,642
Dividends paid.....................	$ 675	599
Share repurchases..................	$ 1,651	541
Per Share Data		
Income from continuing operations - assuming dilution.................	$ 0.59	0.88
Cash dividends declared............	$ 0.445	0.39
Book value per share at year-end....	$ 4.29	4.64
Market price per share at year-end (g)	$ 29 5/8	27 15/16
Market price per share at year-end - continuing operations (h)..........	$27 15/64	25 43/64
Balance Sheet		
Net assets of discontinued operations(i)	$ 4,450	4,744
Total assets (j)...................	$ 22,160	22,944
Long-term debt.....................	$ 8,174	8,248
Total debt (k)	$ 8,174	8,806
Shareholders' equity...............	$ 6,623	7,313
Other Statistics		
EBITDA from continuing operations (l)	$ 3,479	3,718
Return on invested capital (m).........	17%	18
Number of shares repurchased........	54.2	24.6
Shares outstanding at year-end......	1,545	1,576
Average shares outstanding used to calculate income per share from continuing operations - assuming dilution.................	1,606	1,608
Employees of continuing operations..	137,000	137,000

(in millions except per share and employee amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

	1994(d)(e)(f)	1993
Summary of Operations		
Net sales	$ 17,984	15,706
Operating profit	$ 2,506	2,141
Income from continuing operations	$ 1,363	1,152
Cash Flow Data		
Provided by operating activities	$ NA	NA
Dividends paid	$ 540	462
Share repurchases	$ 549	463
Per Share Data		
Income from continuing operations - assuming dilution	$ 0.85	0.71
Cash dividends declared	$ 0.35	0.305
Book value per share at year-end	$ 4.34	3.97
Market price per share at year-end (g)	$ 18 1/8	20 15/16
Market price per share at year-end - continuing operations (h)	$16 21/32	19 1/4
Balance Sheet		
Net assets of discontinued operations (i)	$ 5,183	4,548
Total assets (j)	$ 22,533	21,628
Long-term debt	$ 8,570	7,148
Total debt (k)	$ 9,114	9,209
Shareholders' equity	$ 6,856	6,339
Other Statistics		
EBITDA from continuing operations (l)	$ NA	NA
Return on invested capital (m)	18%	17
Number of shares repurchased	30.0	24.8
Shares outstanding at year-end	1,580	1,598
Average shares outstanding used to calculate income per share from continuing operations - assuming dilution	1,608	1,620
Employees of continuing operations	129,000	119,000

NA-Not Available

We made a significant acquisition in 1998 (see Note 2), numerous acquisitions in most years presented and a few divestitures in certain years. Such transactions do not materially affect the comparability of our operating results for the periods presented. In 1997, we disposed of our restaurants segment and accounted for it as discontinued operations (see Note 4). Accordingly, all information has been reclassified for the years 1997 and prior. All share and per share amounts reflect a two-for-one stock split in 1996 and per share amounts are computed using average shares outstanding, assuming dilution.

(in millions except per share and employee amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

(a) Includes unusual impairment and other items of $288 ($261 after-tax or $0.17 per share) in 1998, $290 ($239 after-tax or $0.15 per share) in 1997 and $576 ($527 after-tax or $0.33 per share) in 1996. See Note 3.
(b) Includes a tax benefit of $494 (or $0.32 per share). See Note 12.
(c) Includes the initial, noncash charge of $66 ($64 after-tax or $0.04 per share) upon adoption in 1995 of Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of.
(d) Includes the cumulative effect of adopting SFAS 112, Employers' Accounting for Postemployment Benefits of $77 ($51 after-tax or $0.03 per share) and changing to a preferable method for calculating the market-related value of plan assets used in determining the return-on-asset component of annual pension expense and the cumulative net unrecognized gain or loss subject to amortization of $32 ($20 after-tax or $0.01 per share). Prior years were not restated for these changes in accounting.
(e) Includes a benefit of changing to the preferable method for calculating the market-related value of plan assets in 1994, which reduced full year pension expense by $29 ($18 after-tax or $0.01 per share).
(f) Fiscal year 1994 consists of 53 weeks. Normally, fiscal years consist of 52 weeks; however, because the fiscal year ends on the last Saturday in December, a week is added every 5 or 6 years. The fifty-third week increased 1994 earnings by approximately $31 ($28 after-tax or $0.02 per share).
(g) Represents historically reported market price of one share of PepsiCo capital stock.
(h) For 1996 and prior, represents approximately 92% of the historical market price of one share of PepsiCo capital stock, which is the allocated market value of our packaged goods businesses used by the NYSE on or before October 6, 1997. The remaining 8% represents the market value allocated to TRICON. See Note 4.
(i) Represents net assets of discontinued operations, which are included in total assets. See Note 4.
(j) Includes net assets of discontinued operations.
(k) Includes short-term borrowings and long-term debt.
(l) Defined as earnings before interest, taxes, depreciation, amortization and the noncash portion of unusual impairment and other items of $254 in 1998, $233 in 1997, $366 in 1996 and $66 in 1995. EBITDA is used by certain investors as a measure of a company's ability to service its debt. It should be considered in addition to, but not as a substitute for, other measures of financial performance in accordance with generally accepted accounting principles.

(m) Defined as income from continuing operations before after-tax interest expense, amortization of intangible assets, unusual impairment and other items and 1998 tax benefit divided by an average of the 5 most recent quarters net asset base before accumulated amortization of intangible assets and net asset base of discontinued operations. Return on invested capital is used by certain investors as a measure of a company's return on its investments. It should be considered in addition to, but not as a substitute for, other measures of financial performance in accordance with GAAP. In addition, our EDITDA may not be comparable to similar measures reported by other companies.

PEPSICO, INC. AND SUBSIDIARIES

SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS Fiscal Years Ended December 26, 1998, December 27, 1997 and December 28, 1996
(in millions)

	Balance at beginning of year	Additions: Charged to costs and expenses	Additions: Other additions (1)	Deductions from reserves (2)	Balance at end of year
1998					
Allowance for doubtful accounts	$ 125	$ 47	$ 8	$ 53	$ 127
Valuation allowance for deferred tax assets	$ 458	$ 113	$ -	$ -	$ 571
1997					
Allowance for doubtful accounts	$ 166	$ 41	$ 7	$ 89	$ 125
Valuation allowance for deferred tax assets	$ 435	$ 47	$ -	$ 24	$ 458
1996					
Allowance for doubtful accounts	$ 132	$ 53	$ 9	$ 28	$ 166
Valuation allowance for deferred tax assets	$ 390	$ 76	$ -	$ 31	$ 435

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(1) Other additions to the allowances principally relate to acquisitions and reclassifications.
(2) Primarily accounts written off and translation effects.

PEPSICO, INC.
1987 Incentive Plan
(as amended and restated, effective as of September 24, 1998)

1. Purpose.

The purposes of the 1987 Incentive Plan (the "Plan") are to provide long-term incentives and rewards to those employees largely responsible for the success and growth of PepsiCo, Inc. and its subsidiaries and divisions ("PepsiCo"), to assist PepsiCo in attracting and retaining executives with experience and ability on a basis competitive with industry practices, and to associate the interests of such employees with those of PepsiCo's shareholders.

2. Effective Date.

The Plan shall become effective on the date it is approved by the holders of a majority of the Capital Stock of PepsiCo ("Capital Stock").

3. Administration of the Plan.

The Plan shall be administered by the Compensation Committee of the Board of Directors of PepsiCo (the "Committee"). The Committee shall be appointed by the Board of Directors and shall consist of three or more members of the Board who are not eligible to participate in the Plan and who have not, within one year prior to their appointment, participated in the Plan, any stock option plan or the 1979 Incentive Plan of PepsiCo.

The Committee shall have all the powers vested in it by the terms of the Plan, such powers to include exclusive authority (within the limitations described herein) to select the employees to be granted awards under the Plan, to determine the type, size and terms of awards to be made to each employee selected, to determine the time when awards will be granted and to establish objectives and conditions for earning awards and whether awards will be paid at the end of the award period. The Committee shall have full power and authority to administer and interpret the Plan and to adopt such rules, regulations, agreements, guidelines and instruments for the administration of the Plan and for the conduct of its business as the Committee deems necessary or advisable. The Committee's interpretations of the Plan, and all actions taken and determinations made by the Committee pursuant to the powers vested in it hereunder, shall be conclusive and binding on all parties concerned, including PepsiCo, its shareholders and any employee of PepsiCo.

4. Awards.

(a) Types. Awards under the Plan may include, but need not be limited to, stock options, performance shares, incentive stock rights and stock appreciation rights. The Committee may make any other type of award which it shall determine is consistent with the objectives and limitations of the Plan.

(b) Guidelines. The Committee may adopt from time to time written policies for its implementation of the Plan. Such policies may include, but need not be limited to, the type, size and term of awards to be made to eligible employees and the conditions for payment of such awards.

(c) Maximum Awards. An employee may be granted multiple awards under the Plan but no one employee may be granted, in the aggregate, awards which would result in his receiving more than 10% of the maximum number of shares available for award under the Plan.

5. Shares of Stock Subject to the Plan.

The shares that may be delivered or purchased under the Plan shall not exceed an aggregate of 18,000,000 shares of Capital Stock. Shares to be delivered or purchased under the Plan may be either shares of authorized but unissued Capital Stock or treasury shares.

6. Deferred Payments.

The Committee may determine that all or a portion of a payment to a participant under the Plan, whether it is to be made in cash, shares of Capital Stock or a combination thereof, shall be deferred. Deferrals shall be for such periods and upon such terms as the Committee may determine in its sole discretion.

7. Dilution and Other Adjustments.

In the event of any change in the outstanding shares of Capital Stock by reason of any split, stock dividend, recapitalization, merger, consolidation, combination or exchange of shares or other similar corporate change, such equitable adjustments shall be made in the Plan and the awards thereunder as the Committee determines are necessary and appropriate, including, if necessary, an adjustment in the maximum number or kind of shares subject to the Plan or which may be or have been awarded to any participant. Such adjustment shall be conclusive and binding for all purposes of the Plan.

8. Change in Control.

At the date of a "Change in Control" (as defined below), all outstanding and unvested stock options granted under the Plan shall immediately vest and become exercisable, and all stock options then outstanding under the Plan shall remain outstanding in accordance with their terms. In the event that any stock option granted under the Plan becomes unexercisable during its term on or after a Change in Control because: (i) the individual who holds such option is involuntarily terminated (other than for cause) within two (2) years after the Change in Control; (ii) such option is terminated or adversely modified in connection with or as a result of the Change in Control; or (iii) PepsiCo Capital Stock is no longer issued and outstanding, or no longer traded on a national securities exchange, then the holder of such option shall immediately be entitled to receive a lump sum cash payment equal to the greater of (x) the gain on such option or (y) the Black-Scholes value of such option (as determined by a nationally recognized independent investment banker chosen by PepsiCo), in either case calculated on the date such option becomes unexercisable. For purposes of the preceding sentence, the gain on a stock option shall be calculated as the difference between the closing price per share of PepsiCo Capital Stock as of the date such option becomes unexercisable less the exercise price per share of such option.

Any amount required to be paid pursuant to this Section 8 shall be paid within twenty (20) days after the date such amount becomes payable.

"Change in Control" means the occurrence of any of the following events: (i) acquisition of 20% or more of the outstanding voting securities of PepsiCo, Inc. by another entity or group; excluding, however, the following (A) any acquisition by PepsiCo, Inc., or (B) any acquisition by an employee benefit plan or related trust sponsored or maintained by PepsiCo, Inc.; (ii) during any consecutive two-year period, persons who constitute the Board of Directors of PepsiCo, Inc. (the "Board") at the beginning of the period cease to constitute at least 50% of the Board (unless the election of each new Board member was approved by a majority of directors who began the two-year period); (iii) PepsiCo, Inc. shareholders approve a merger or consolidation of PepsiCo, Inc. with another company, and PepsiCo, Inc. is not the surviving company; or, if after such transaction, the other entity owns, directly or indirectly, 50% or more of the outstanding voting securities of PepsiCo, Inc.; (iv) PepsiCo, Inc. shareholders approve a plan of complete liquidation of PepsiCo, Inc. or the sale or dispositions of all or substantially all of PepsiCo, Inc.'s assets; or (v) any other event, circumstance, offer or proposal occurs or is made, which is intended to effect a change in the control of PepsiCo, Inc., and which results in the occurrence of one or more of the events set forth in clauses (i) through (iv) of this paragraph.

9. Miscellaneous Provisions.

(a) Misconduct. If the Committee determines that a present or former employee has (i) used for profit or disclosed to unauthorized persons, confidential information or trade secrets of PepsiCo, or (ii) breached any contract with or violated any fiduciary obligation to PepsiCo, that employee shall forfeit all unpaid or undelivered portions of any awards under the Plan.

(b) Rights as Shareholder. A participant under the Plan shall have no rights as a holder of Capital Stock with respect to awards hereunder, unless and until certificates for shares of Capital Stock are issued to the participant.

(c) Assignment or Transfer. No awards under the Plan or any rights or interests therein shall be assignable or transferable by a participant except by will or the laws of descent and distribution. During the lifetime of a participant, awards hereunder are exercisable only by, and payable only to, the participant.

(d) Agreements. All awards granted under the Plan shall be evidenced by agreements in such form and containing such terms and conditions (not inconsistent with the Plan) as the Committee shall adopt.

(e) Requirements for Transfer. No shares of Capital Stock shall be issued or transferred under the Plan until all legal requirements applicable to the issuance or transfer of such shares have been complied with to the satisfaction of the Committee. The Committee shall have the right to condition any issuance of shares of Capital Stock made to any participant upon such participant's written undertaking to comply with such restrictions on his subsequent disposition of such shares as the Committee or PepsiCo shall deem necessary or advisable as a result of any applicable law, regulation or official interpretation thereof, and certificates representing such shares may be legended to reflect any such restrictions.

(f) Withholding Taxes. PepsiCo shall have the right to deduct from all awards hereunder paid in cash any federal, state, local or foreign taxes required by law to be withheld with respect to such awards and, with respect to awards paid in stock or upon exercise of stock options, to require the payment (through withholding from the participant's salary or otherwise) of any such taxes. The obligation of PepsiCo to make delivery of awards in cash or Capital Stock shall be subject to currency or other restrictions imposed by any government.

(g) No Rights to Awards. No employee or other person shall have any claim or right to be granted an award under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of PepsiCo.

(h) Costs and Expenses. The cost and expenses of administering the Plan shall be borne by PepsiCo and not charged to any award nor to any employee receiving an award.

(i) Funding of Plan. The Plan shall be unfunded. PepsiCo shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any award under the Plan.

10. Amendments and Termination.

(a) Amendments. The Committee may at any time terminate or from time to time amend the Plan in whole or in part, but no such action shall adversely affect any rights or obligations with respect to any awards theretofore made under the Plan.

Unless the holders of at least a majority of the outstanding shares of Capital Stock of PepsiCo shall have first approved thereof, no amendment of the Plan shall be effective which would increase the maximum number of shares which may be delivered under the Plan or to any one individual or extend the maximum period during which awards may be granted under the Plan.

With the consent of the employee affected, the Committee may amend outstanding agreements evidencing awards under the Plan in a manner not inconsistent with the terms of the Plan.

(b) Termination. No awards shall be made under the Plan after December 31, 1997.

PEPSICO, INC.
1994 Long-Term Incentive Plan
(as amended and restated, effective, September 24, 1998)

1. Purpose.

The purposes of the 1994 Long-Term Incentive Plan (the "Plan") are to provide long-term incentives to those persons with significant responsibility for the success and growth of PepsiCo, Inc. and its subsidiaries, divisions and affiliated businesses ("PepsiCo"), to assist PepsiCo in attracting and retaining key employees on a competitive basis, and to associate the interests of such employees with those of PepsiCo's shareholders.

2. Administration of the Plan.

The Plan shall be administered by the Compensation Committee of the Board of Directors of PepsiCo (the "Committee"). The Committee shall be appointed by the Board of Directors and shall consist of two or more outside, disinterested members of the Board.

The Committee shall have all the powers vested in it by the terms of the Plan, such powers to include authority (within the limitations described herein) to select the persons to be granted awards under the Plan, to determine the type, size and terms of awards to be made to each employee selected, to determine the time when awards will be granted and any conditions which must be satisfied by employees before an award is made, to establish objectives and conditions for earning awards, to determine whether such conditions have been met and whether awards will be paid at the end of the award period, or when the award is exercised, or deferred, to determine whether payment of an award should be reduced or eliminated, and to determine whether such awards should qualify, regardless of their amount, as deductible in their entirety for federal income tax purposes.

The Committee shall have full power and authority to administer and interpret the Plan and to adopt such rules, regulations, agreements, guidelines and instruments for the administration of the Plan and for the conduct of its businesses the Committee deems necessary or advisable. The Committee's interpretations of the Plan, and all actions taken and determinations made by the Committee pursuant to the powers vested in it hereunder, shall be conclusive and binding on all parties concerned, including PepsiCo, its shareholders and any person receiving an award under the Plan.

3. Eligibility.

Key employees of PepsiCo and its divisions, subsidiaries and affiliates are eligible to be granted awards under the Plan. Executives of PepsiCo and its subsidiaries and divisions shall be granted awards of stock options and performance units and may, in the Committee's discretion, be granted other awards available under the Plan. The Committee, in its discretion, may also grant awards under the Plan to other employees of PepsiCo, its divisions, subsidiaries and affiliates who are in a position to contribute to the success of PepsiCo. Notwithstanding the foregoing, incentive stock options may only be granted to employees of PepsiCo or its divisions and subsidiaries.

4. Awards.

(a) Types. Awards under the Plan include stock options, performance units, incentive stock options, stock appreciation rights and restricted stock.

(i) Stock Options. Stock options are rights to purchase shares of PepsiCo Capital Stock ("Capital Stock") at a fixed price for a specified period of time. The purchase price per share of Capital Stock covered by a stock option awarded pursuant to this Plan, including any incentive stock options, shall be equal to or greater than the fair market value of a share of PepsiCo Capital Stock on the date the stock option is awarded.

(ii) Performance Units. Performance units are rights to receive up to 100% of the value of shares of Capital Stock as of the date of grant, which value may be paid in cash or Capital Stock, without payment of any amounts to PepsiCo. The full and/or partial payment of performance unit awards granted under this Plan will be made only upon certification by the Committee of the attainment by PepsiCo, over a four year period, of earnings per share targets which have been established by the Committee. No payment will be made if the minimum earnings per share target is not met. The established earnings per share targets will not be amended without shareholder approval.

(iii) Stock Appreciation Rights. Stock appreciation rights are rights to receive the difference between the fair market value of a share of PepsiCo Capital Stock on the grant date and the fair market value of a share of Capital Stock on the date the stock appreciation right is granted.

(iv) Restricted Stock. The full and/or partial vesting of any restricted stock award made under this Plan will occur only upon the attainment by PepsiCo of primary and secondary targets established by the Committee at the time the award is made. These targets may include one or more of the following: corporate earnings, return on investment, total shareholder return, division profits, market value added or economic value added.

(v) Variable Awards. Variable awards are rights to receive grants of either cash payments or stock options based upon the performance of PepsiCo business units during a three-year performance period. The election to receive cash or stock options is made by the participant at the beginning of the three-year performance period.

(b) Supplemental Awards. Participants who are newly hired or promoted during the vesting period for stock options or during the first two years of the award period for performance units will be granted supplemental pro rata grants of stock options and performance units.

(c) Negative Discretion. Notwithstanding the attainment by PepsiCo of any target specified under this Plan, the Committee has the discretion, by participant, to reduce some or all of an award that would otherwise by paid.

(d) Guidelines. The Committee shall adopt from time to time written policies for its implementation of the Plan. Such policies shall be consistent with the Plan and may include, but need not be limited to, the type, size and term of awards to be made, and the conditions for payment of such awards.

(e) Maximum Awards. An employee may be granted multiple awards under the Plan but no one employee may be granted, in the aggregate, awards which would result in his receiving, in the aggregate during the term of the Plan, more than 10% of the maximum number of shares available for award under the Plan. Solely for the purposes of determining whether this maximum is met, a performance unit shall be treated as entitling the holder thereof to one share of PepsiCo Capital Stock.

5. Shares of Stock Subject to the Plan.

The shares that may be delivered or purchased under the Plan shall not exceed an aggregate of 75,000,000 shares of Capital Stock, as adjusted, if appropriate, pursuant to Section 7 hereof.

6. Deferred Payments.

The Committee may determine that all or a portion of a payment to a participant under the Plan, whether it is to be made in cash, shares of Capital Stock or a combination thereof, shall be deferred. Deferrals shall be for such periods and upon such terms as the Committee may determine in its sole discretion.

7. Dilution and Other Adjustments.

In the event of any change in the outstanding shares of Capital Stock by reason of any split, stock dividend, recapitalization, merger, consolidation, combination or exchange of shares or other similar corporate change, such equitable adjustments shall be made in the Plan and the awards thereunder as the Committee determines are necessary and appropriate, including, if necessary, an adjustment in the maximum number or kind of shares subject to the Plan or which may be or have been awarded to any participant. Such adjustment shall be conclusive and binding for all purposes of the Plan.

8. Change in Control.

Upon a "Change in Control" (as defined below), the following shall occur:

(a) Options. At the date of such Change in Control, all outstanding and unvested stock options granted under the Plan shall immediately vest and become exercisable, and all stock options then outstanding under the Plan shall remain outstanding in accordance with their terms. In the event that any stock option granted under the Plan becomes unexercisable during its term on or after a Change in Control because: (i) the individual who holds such option is involuntarily terminated (other than for cause) within two (2) years after the Change in Control; (ii) such option is terminated or adversely modified in connection with or as a result of the Change in Control; or (iii) PepsiCo Capital Stock is no longer issued and outstanding, or no longer traded on a national securities exchange, then the holder of such option shall immediately be entitled to receive a lump sum cash payment equal to the greater of (x) the gain on such option or (y) the Black-Scholes value of such option (as determined by a nationally recognized independent investment banker chosen by PepsiCo), in either case calculated on the date such option becomes unexercisable. For purposes of the preceding sentence, the gain on a stock option shall be calculated as the difference between the closing price per share of PepsiCo Capital Stock as of the date such option becomes unexercisable less the exercise price per share of such option.

(b) Variable Awards. Each variable award granted under the Plan that is outstanding on the date of the Change in Control shall immediately vest, and the holder of such award shall be entitled to a lump sum cash payment equal to 100% of the amount of such award payable at the end of the performance period as if 100% of the performance objectives have been achieved.

(c) Performance Shares. Each performance share granted under the Plan that is outstanding on the date of the Change in Control shall immediately vest, and the holder of such performance share shall be entitled to a lump sum cash payment equal to the amount of such award payable at the end of the performance period as if 100% of the performance objectives have been achieved.

Any amount required to be paid pursuant to this Section 8 shall be paid within twenty (20) days after the date such amount becomes payable.

"Change in Control" means the occurrence of any of the following events: (i) acquisition of 20% or more of the outstanding voting securities of PepsiCo, Inc. by another entity or group; excluding, however, the following (A) any acquisition by PepsiCo, Inc., or (B) any acquisition by an employee benefit plan or related trust sponsored or maintained by PepsiCo, Inc.; (ii) during any consecutive two-year period, persons who constitute the Board of Directors of PepsiCo, Inc. (the "Board") at the beginning of the period cease to constitute at least 50% of the Board (unless the election of each new Board member was approved by a majority of directors who began the two-year period); (iii) PepsiCo, Inc. shareholders approve a merger or consolidation of PepsiCo, Inc. with another company, and PepsiCo, Inc. is not the surviving company; or, if after such transaction, the other entity owns, directly or indirectly, 50% or more of the outstanding voting securities of PepsiCo, Inc.; (iv) PepsiCo, Inc. shareholders approve a plan of complete liquidation of PepsiCo, Inc. or the sale or dispositions of all or substantially all of PepsiCo, Inc.'s assets; or (v) any other event, circumstance, offer or proposal occurs or is made, which is intended to effect a change in the control of PepsiCo, Inc., and which results in the occurrence of one or more of the events set forth in clauses (i) through (iv) of this paragraph.

9. Miscellaneous Provisions.

(a) Misconduct. If the Committee determines that a present or former employee has (i) used for profit or disclosed to unauthorized persons, confidential information or trade secrets of PepsiCo, or (ii) breached any contract with or violated any fiduciary obligation to PepsiCo, that employee shall forfeit his or her awards under the Plan.

(b) Rights as Shareholder. A participant in the Plan shall have no rights as a holder of Capital Stock with respect to awards hereunder, unless and until certificates for shares of Capital Stock are issued to the participant.

(c) Assignment or Transfer. Unless the Committee shall specifically determine otherwise, no award under the Plan or any rights or interests therein shall be assignable or transferable by a participant except by will or the laws of descent and distribution.

(d) Agreements. All awards granted under the Plan shall be evidenced by agreements in such form and containing such terms and conditions (not inconsistent with the Plan) as the Committee shall approve.

(e) Requirements for Transfer. No share of Capital Stock shall be issued or transferred under the Plan until all legal requirements applicable to the issuance or transfer of such shares have been complied with to the satisfaction of the Committee. The Committee shall have the right to condition any issuance of shares of Capital Stock made to any participant upon such participant's written undertaking to comply with such restrictions on his subsequent disposition of such shares as the Committee or PepsiCo shall deem necessary or advisable as a result of any applicable law, regulation or official interpretation thereof, and certificates representing such shares may be legended to reflect any such restrictions.

(f) Withholding Taxes. PepsiCo shall have the right to deduct from all awards hereunder paid in cash any federal, state, local or foreign taxes required by law to be withheld with respect to such awards and, with respect to awards paid in stock or upon exercise of stock options, to require the payment (through withholding from the participant's salary or otherwise) of any such taxes. The obligations of PepsiCo to make delivery of awards in cash or Capital Stock shall be subject to currency or other restrictions imposed by any government.

(g) No Rights to Awards. Except as set forth herein, no employee or other person shall have any claim or right to be granted an award under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of PepsiCo or any of its subsidiaries, divisions or affiliates.

(h) Costs and Expenses. The cost and expenses of administering the Plan shall be borne by PepsiCo and not charged to any award nor to any employee receiving an award.

(i) Funding of Plan. The Plan shall be unfunded. PepsiCo shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any award under the Plan.

10. Effective Date, Amendments and Termination.

(a) Effective Date. The Plan shall become effective on the date it is approved by PepsiCo's shareholders.

(b) Amendments. The Committee may at any time terminate or from time to time amend the Plan in whole or in part, but no such action shall adversely affect any rights or obligations with respect to any awards theretofore made under the Plan.

Unless the shareholders of PepsiCo shall have first approved thereof, no amendment of the Plan shall be effective which would increase the maximum number of shares of PepsiCo Capital Stock which may be delivered under the Plan or to any one individual, except to the extent such amendment is made pursuant to Section 7 hereof, extend the maximum period during which awards may be granted under the Plan, change the performance goal pursuant to which performance units are earned, or modify the requirements as to eligibility for participation in the Plan.

With the consent of the employee affected, the Committee may amend outstanding agreements evidencing awards under the Plan in a manner not inconsistent with the terms of the Plan.

(c) Termination. No awards of stock options, performance units, incentive stock options or stock appreciation rights shall be made under the Plan after December 31, 2004. No awards of restricted stock shall be made under the Plan after May 1, 1999.

EXHIBIT 12

PEPSICO, INC. AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES Years Ended December 26, 1998, December 27, 1997, December 28, 1996, December 30, 1995 and December 31, 1994
(in millions except ratio amounts)

	52 Weeks 1998	52 Weeks 1997	52 Weeks 1996	52 Weeks 1995	53 Weeks 1994
Earnings:					
Income from continuing operations before income taxes and cumulative effect of accounting changes	$2,263	$2,309	$1,566	$2,091	$1,991
Unconsolidated affiliates interests, net	32	17	273	26	(12)
Amortization of capitalized interest.....	5	6	4	6	5
Interest expense	395	478	565	629	596
Interest portion of net rent expense (a).........	46	43	48	41	38
Earnings available for fixed charges............	$2,741	$2,853	$2,456	$2,793	$2,618
Fixed Charges:					
Interest expense	$ 395	$ 478	$ 565	$ 629	$ 596
Capitalized interest......	10	18	8	10	5
Interest portion of net rent expense (a).........	46	43	48	41	38
Total fixed charges....	$ 451	$ 539	$ 621	$ 680	$ 639
Ratio of Earnings to Fixed Charges(b)......	6.08	5.29	3.95	4.11	4.10

(a) One-third of net rent expense is the portion deemed representative of the interest factor.
(b) Includes the impact of unusual items of $288, $290, $576 and $66 in 1998, 1997, 1996 and 1995, respectively (see Note 3). Excluding those charges, the ratio of earnings to fixed charges for 1998, 1997, 1996 and 1995 would have been 6.72, 5.83, 4.88 and 4.20, respectively.

SUBSIDIARIES OF PEPSICO, INC. AS OF 12/26/98

COMPANY NAME	JURISDICTION OF INCORPORATION
3018525 Nova Scotia ULC	Canada
ABA Europe NV	Belgium
ABC Dispensing Technologies, Inc.	Florida
Administracion y Asesoria Metropolitana SA de CV	Mexico
Agral Arrendadora, S.A. de C.V.	Mexico
Agral Comisionista y Distribuidora, S.A. de C.V.	Mexico
Agral Inmobiliaria, S.A. de C.V.	Mexico
Ahmedabad Advertising and Marketing Consultants Ltd.	India
Ainwick Corporation	Oregon
Alimentos Barcel Chile S.R.L.	Chile
Alimentos del Istmo S.A.	Panama
Alkan Bugshan	Egypt
Alliance Canners	Canada
Allied Acquisition Company of Delaware, Inc.	Delaware
Alpac Corporation	Washington
Anderson Hill Insurance Limited	Bermuda
Angkor Beverages Company Ltd.	Cambodia
Anshan Pepsi-Cola Beverage Company Ltd.	China
Aradhana Beverages & Foods Company Limited	India
Aradhana Snack Food Company	India
Aradhana Soft Drinks Company	India
Arrobi, S.L.	Spain
Asian Trade Limited	Delaware
Atlantic Holding Company	California
Atlantic Soft Drink Company Of Knoxville	Tennessee
Atlantic Soft Drink Company, Inc.	South Carolina
Aydecar, S.A.	Argentina
B&H Project, Inc.	Florida
BAESA Capital Company	Cayman Islands
Beaman Bottling Company	Delaware
Beaman Bottling Company- Netherland Antilles	Neth. Antilles
Bebidas Purificadas de Durango, S.A. de C.V.	Mexico
Bebidas Purificadas De La Frontera, S.A.	Mexico
Bebidas Purificadas de Michoacan S.A. de C.V.	Mexico
Bebidas Purificadas de Occidente, S.A. de C.V.	Mexico
Bebidas Purificadas de Quintana Roo, SA de CV	Mexico
Bebidas Purificadas de Zacatecas, S.A. de C.V.	Mexico
Bebidas Purificadas del Centro, S.A. de C.V.	Mexico
Bebidas Purificadas del Cupatitzio, S.A. de C.V.	Mexico
Bebidas Purificadas del Golfo SA de CV	Mexico
Bebidas Purificadas Del Norte, S.A. De C.V.	Mexico
Bebidas Purificadas del Sureste, Sa de CV	Mexico
Bebidas Purificados de Acapulco, SA de CV	Mexico
Beijing Pepsi-Cola Beverage Company Ltd.	China
Belfast Bottling Co. Of Reno	Nevada
Bell Taco Funding Syndicate	Australia
Belpak	Belurussia
Beverage Products Corporation	Oklahoma
Beverage Services Ltd.	Bermuda
Beverage Services, Inc.	Delaware
Beverages, Foods & Service Industries, Inc.	Delaware
Bienes Raices Metropolitanos, SA de CV	Mexico
Blanchard, S.A.	France
Boquitas Fiestas LLC	US-Delaware
Boquitas Fiestas, S.A. de C.V.	Honduras
Border Properties, Inc.	New York
Bottling Investment Chile	Bahamas
Bramshaw Limited	Ireland
Britvic Holdings Limited	United Kingdom
Britvic Soft Drinks Limited	United Kingdom
Buenos Aires Embotelladora S.A.	Argentina
BUG de Mexico, S.A. de C.V.	Mexico
C & I Leasing, Inc.	Maryland
Capital Mineral Water and Refreshment Corp (FAURT)	Hungary
Capital Services Associates N.V.	Neth. Antilles
Cawston Vale Limited (UK)	United Kingdom
Central de La Industria Escorpion, SA de CV	Mexico
Centran, Inc.	Pennsylvania
Centro-Mediterranea De Bebidas Carbonicas PepsiCo, S.Com.p.A	Spain
Changchun Pepsi-Cola Beverage Company	China
Chipima, Sociedade De Productos Alimentares, SA	Portugal
Chips - Produtos Alimenticios Ltda.	Brazil
Chitos International y Cia Ltd.	Guatemala
Chongqing Hua Mei Food & Beverage Company Limited	China
Chongqing Tianfu-Pepsi Beverage Co. Ltd.	China

Chongqing Tianfu Yulong Foodstuff and Beverage Company	China
Chupa Chups Comercial de Mexico, S.A. de C.V.	Mexico
CMC Investment Company	Bermuda
Comercializadora de Bebidas y Refrescos del Vallede Tolu	Mexico
Comercio Integral Mexicano, SA de CV	Mexico
Comm. Jacks	Venezuela
Comm. National Ltda	Colombia
Compania de Bebidas PepsiCo, S.A.	Spain
Compania Embotelladora Argentina, S.A.I.C.	Argentina
Compania Embotelladora Nacional, S.A. De C.V.	Mexico
Constar Ambalaj Sanayi Ve Ticaret AS	Turkey
Copella Fruit Juices Ltd. (UK)	United Kingdom
Copper Beach LLC	US-Delaware
Core, Comisiones y Representaciones, S.A. de C.V.	Mexico
Corina Snacks	Cyprus
Corporacion 567 FCK S.R.L.	Venezuela
Corporativo International S.A. de C.V.	Mexico
Crispflow Limited	United Kingdom
Davlyn Realty Corporation	Delaware
Decoracao Vitrea, S.A.I.C.	Brazil
Delicja Sp. z o.o.	Poland
Desarrollo Inmobiliario Gamesa, S.A. de C.V.	Mexico
Distribuidora de Aguas Envasadas DEK, SA de CV	Mexico
Distribuidora de Agus, Refrescos y Bebidas Purificadas S.	Mexico
Distribuidora De Bebidas Palegre Ltda.	Brazil
Distribuidora Disa de Michoacan S.A. de C.V.	Mexico
Distribuidora Disa de Uruapan, S.A. de C.V.	Mexico
Distribuidora Disa del Centro, S.A. de C.V.	Mexico
Distribuidora Garci-Crespo Sa de CV	Mexico
Distribuidora Interestatal, S.A. de C.V.	Mexico
Distribuidora Mezgo del Potosi, S.A. de C.V.	Mexico
Distribuidora Savoy Guatemala S.A.	Guatemala
Domaine De Carquefou SCI	France
Dornfell	Ireland
D'ORO - Sociedade de Productos Alimentares, S.A.	Portugal
Dr Pepper Bottling Co. Of San Francisco	California
Dulsa S.R.L., C.V.	Mexico
Duo Beverages Huizhou Co. Ltd.	China
Duo Juice Company	Delaware
Duo Juice Company BV	Netherlands
E. Wedel S.A.	Poland
Earthposed Limited (UK)	United Kingdom
Ecudal S. A.	Ecuador
EGEA Hermanos S.A.	Argentina
EIEIO Beverage Company	Delaware
Electropura, SA de CV	Mexico
Embosur S.A.	Argentina
Embotellador Garci-Crespo, SA de CV	Mexico
Embotelladora 9 de Julio SACIF	Argentina
Embotelladora Agral de la Laguna, S.A. de C.V.	Mexico
Embotelladora Agral Regiomontana, S.A. de C.V.	Mexico
Embotelladora Buen Agua, S.A. de C.V.	Mexico
Embotelladora Campechana, Sa de CV	Mexico
Embotelladora Centroamerica S.A.	Costa Rica
Embotelladora Chile S.A.	Chile
Embotelladora de Occidente S.A. de C.V.	Mexico
Embotelladora de Refrescos Mexicanos S.A. de C.V.	Mexico
Embotelladora Del Bravo, S.A. De C.V.	Mexico
Embotelladora Del Uruguay, S.A.	Uruguay
Embotelladora Metropolitana, SA de CV	Mexico
Embotelladora Moderna, S.A. de C.V.	Mexico
Embotelladora Potosi, S.A. de C.V.	Mexico
Embotelladora San Marcos, S.A. De C.V.	Mexico
Embotelladora Santa Catarina, S.A. de C.V.	Mexico
Embotelladores Mexicanos de Pepsi-Cola S.A. de C.V.	Mexico
Empaques Constar, SA de CV	Mexico
Empaques Sewell, SA de CV	Mexico
Empresas Gamesa, S.A. de C.V.	Mexico
Encorp Atlantic, Inc.	Canada
Equipos para Embotelladoras y Cervecerias, S.A. de C.V.	Mexico
Equipos Y Deportes Exclusivos, S.A. De C.V.	Mexico
Equity Beverage, Inc.	Delaware
Esteemview Limited	United Kingdom
Evercrisp Snack Productos de Chile S.A.	Chile
Export Development Corp.	Delaware
Fabrica de Productos Alimenticios Rene y Compania SCA	Guatemala
Fabrica de Productos Alimenticios Ruiz S.A.	Chile
Fabrica de Productos Rene LLC	Delaware
Farm Produce Pty. Ltd.	Australia
Finanzas Corporativas, S.A. de C.V.	Mexico
Finvmex, S.A. de C.V.	Mexico

Fl Holding, Inc.	Delaware
FLI Andean LLC	Delaware
FLI Colombia, LLC	Delaware
Florida Boy International	Germany
FLRC, Inc.	California
Fomentadora Urbana del Sureste, SA de CV	Mexico
Fomentadora Urbana Metroplitana, SA de CV	Mexico
Frito-Lay Colombia Ltda.	Colombia
Frito-Lay Distribution	Russia
Frito-Lay Dominicana S.A.	Dominican Republic
Frito-Lay Ecuador Cia Ltda.	Ecuador
Frito-Lay Finance SARL	France
Frito-Lay Foods Limited	United Kingdom
Frito-Lay France SA	France
Frito-Lay Holdings Limited	United Kingdom
Frito-Lay India	India
Frito-Lay Manufacturing	Russia
Frito-Lay Peru, S. de R.L.	Peru
Frito-Lay Poland Sp.zo.o.	Poland
Frito-Lay Trading Company (Europe) Gmbh	Switzerland
Frito-Lay Trading Company Gmbh	Switzerland
Frito-Lay Venezuela S.A.	Venezuela
Frito-Lay, Inc.	Delaware
Fruko Mesrubat Sanayi A.S.	Turkey
Fuzhou Pepsi-Cola Beverage Company Limited	China
Galletas y Pastas Tepeyac	Mexico
Galletera Palma	Mexico
Gamble, Inc.	Oregon
Gamesa, S.A. de C.V.	Mexico
General Cinema Beverages Of North Florida, Inc.	Delaware
General Cinema Beverages Of Virginia, Inc.	Delaware
General Cinema Beverages Of Washington, D.C., Inc.	Delaware
General Cinema Beverages, Inc.	Delaware
Granja Buenagua, SA de CV	Mexico
Gray Beverage, Inc.	Canada
Green Hemlock LLC	Delaware
Greenville Holding Corp.	New Jersey
Grupo Embotellador de Mexico, SA de CV	Mexico
Grupo Gamesa, S.A. de C.V.	Mexico
Grupo Seser, SA de CV	Mexico
Guangzhou Flavours Development Corporation	China
Guangzhou Hua Chang Toy Co. Ltd.	China
Guangzhou Pepsi-Cola Beverage Co. Ltd.	China
Guangzhou Tropicana Beverages Co., Ltd.	China
Guilin Pepsi-Cola Beverage Company, Ltd.	China
Gujarat Bottling Company	India
Harinera Monterrey, S.A. de C.V.	Mexico
Hennika Limited	Ireland
Hillbrook Insurance Company, Inc.	Vermont
Holland Snack S.A. de C.V.	Mexico
Homefinding Company of Texas	Texas
Hostess-FL NRO Ltd.	Canada
Impulse Action Ltd.	United Kingdom
Industria de Refrescos de Acapulco	Mexico
Industria de Refrescos, SA de CV	Mexico
Inmobiliaria Guesa S.A. de C.V.	Mexico
Inmobiliaria Interamericana, S.A. De C.V.	Mexico
Inmobiliaria La Bufa, S.A. de C.V.	Mexico
Inmobiliaria La Cantera, SA de CV	Mexico
Inmobiliaria Los Gallos	Mexico
Inmobiliaria Operativa, SA de CV	Mexico
Integrated Beverage Services (Bangladesh) Ltd.	Bangladesh
Integrated Beverage Services(Nigeria) Ltd.	Nigeria
International Beverage Company	Vietnam
International Bottlers Almaty Ltd	Russia
International Bottlers LLC	Delaware
International Bottlers Management Co. KT	Russia
International Bottlers Management Company LLC	Utah
International Kas AG	Liechtenstein
Inversiones Alnaca, S.R.L.	Venezuela
Inversiones PFI Chile Limitada	Chile
Inversiones Punch Ltda	Chile
Inversiones Santa Coloma S.A. (Colombia)	Colombia
Inversiones Santa Coloma S.A.(Venezuela)	Venezuela
Inversiones Savoy Argentina S.A.	Argentina
Japan Frito-Lay Ltd.	Japan
Jedyna Sp. z o.o.	Poland
JFS Enterprises, Inc.	Florida
Jinan Pepsi-Cola Beverage Co. Ltd.	China
Jordan Ice & Airated Water Ltd.	Jordan
Juice Bowl Products, Inc.	Florida

Jungla Mar del Sur (Costa Rica)	Costa Rica
Kas S.L.	Spain
Kawthar E Murada Italia S.R.L.	Italy
Kentucky Fried Chicken Nederland, B.V.	Netherlands
KFC Canada (NRO) Ltd.	Canada
Kirin-Tropicana, Inc.	Japan
Kyle Receivables Ltd.	Ireland
L-P Investment LLC	Delaware
Latin American Holdings Ltd.	Cayman Islands
Latin Foods LLC	Delaware
Latvia Snacks Ltd.	Latvia
Laurel Group Limited	Pennsylvania
L'Igloo, S.A.	France
Lithuanian Snacks Ltd.	Lithuania
Long Bay, Inc.	Delaware
Looza (UK) (Belgium)	United Kingdom
Looza Distribution France	France
Looza NV	Belgium
Mann Bottling Company, Inc.	US-Idaho
Matutano, S.A.	Portugal
Maxwell House Beverage Co.	China
MBA Western Co.	Delaware
Mexhut, Inc.	Delaware
Mexican Trust Company	Mexico
Mexichip, Inc.	Delaware
Mexsport, Inc.	Delaware
Midland Bottling Co.	Delaware
Nanchang Pepsi-Cola Beverage Company Ltd.	China
Nasser	Ireland
National Beverages, Inc.	Florida
New Age Beverages Investments Limited	South Africa
New Age Beverages Ltd	South Africa
New Century Beverage Company	California
New Generation Beverages Pty. Ltd.	Australia
Norhurst Limited	Ireland
North Pacific Territories Holding Company	Washington
Nueva Santa Cecilia S.A. de C.V.	Mexico
Ole Springs	Sri Lanka
Opco Holding, Inc.	Delaware
Orion Frito-Lay Corporation	Korea
P & I Holding S. A.	Panama
P.C. Portugal (Portugal)	Spain
P.T. Indofood Frito-Lay Corp.	Indonesia
P.T. Pepsi-Cola IndoBeverage	Indonesia
Pagam Corporation	Delaware
Panagarh Marketing Company Limited	India
Panimex, Inc.	Mauritius
Papas Chips	Uruguay
Pasteleria Vienesa, C.A.	Venezuela
PBG Spirituosen Holdings, LLC	Delaware
PCE Bebidas Ltda	Brazil
PCI Bahamas Investment Co.	Delaware
PCIL USA Indonesia	Indonesia
PEI e Companhia	Portugal
PEI N.V.	Neth. Antilles
Peninsular Beverage Service Sdn. Bhd.	Malaysia
Pepsi-Asia Beverage Co. Ltd.	China
Pepsi-BeiBing Yang Beverage Co. Ltd.	China
Pepsi-Cola (Bahamas) Bottling Company	Bahamas
Pepsi-Cola (Bermuda) Limited	Bermuda
Pepsi-Cola (Pakistan) Inc.	Delaware
Pepsi-Cola (Thai) Trading Company Limited	Thailand
Pepsi-Cola 7-Up Bottlers (NZ) Limited	New Zealand
Pepsi-Cola A/O	Russia
Pepsi-Cola Allied Bottlers, Inc.	Delaware
Pepsi-Cola Argentina S.A.C.I.	Argentina
Pepsi-Cola Belgium S.A.	Belgium
Pepsi-Cola Bottlers Australia	Australia
Pepsi-Cola Bottlers Holding, C.V.	Netherlands
Pepsi-Cola Bottlers New Zealand	New Zealand
Pepsi-Cola Bottling Co. of Bend	Oregon
Pepsi-Cola Bottling Co. of Los Angeles	California
Pepsi-Cola Bottling Company Of Alaska, Inc.	Alaska
Pepsi-Cola Bottling Company Of Bloomington, Inc.	Delaware
Pepsi-Cola Bottling Company Of Everett, Inc.	Washington
Pepsi-Cola Bottling Company of Ohio, Inc.	Delaware
Pepsi-Cola Bottling Company Of St. Louis, Inc.	Missouri
Pepsi-Cola Bottling Finance BV	Netherlands
Pepsi-Cola Bottling Global BV	Netherlands
Pepsi-Cola Bottling International Inc.	Nevada
Pepsi-Cola Bottling Of Northern California	California

Pepsi-Cola Bottling of Roseburg	Oregon
Pepsi-Cola Canada (NRO) Ltd.	Canada
Pepsi-Cola Canada Beverages (West)	Canada
Pepsi-Cola Canada Ltd.	Canada
Pepsi-Cola Chile Consultores Limitada	Chile
Pepsi-Cola Commodities, Inc.	Delaware
Pepsi-Cola Company	Delaware
Pepsi-Cola CR SPOL SRO	Czech Republic
Pepsi-Cola De Espana, S.L.	Spain
Pepsi-Cola De France S.A.R.L.	France
Pepsi-Cola East Africa Ltd.	United Kingdom
Pepsi-Cola Engarrafadora Ltda	Brazil
Pepsi-Cola Equipment Corp.	New York
Pepsi-Cola Far East Trade Development Co., Inc.	Philippines
Pepsi-Cola France SNC	France
Pepsi-Cola General Bottlers, Inc.	Delaware
Pepsi-Cola Gesellschaft M.B.H.	Austria
Pepsi-Cola Gmbh, Offenbach, Commercial Register Hrb 2124	Germany
Pepsi-Cola India Marketing Company	India
Pepsi-Cola Industrial Da Amazonia Ltda.	Brazil
Pepsi-Cola Interamericana de Guatemala S.A.	Guatemala
Pepsi-Cola International (Cyprus) Limited	Cyprus
Pepsi-Cola International (PVT) Limited	Pakistan
Pepsi-Cola International Limited	Bermuda
Pepsi-Cola International Limited (U.S.A.)	US-Delaware
Pepsi-Cola International Tanitim Ltd.	Turkey
Pepsi-Cola International, Cork	Ireland
Pepsi-Cola Kft. Hungary	Hungary
Pepsi-Cola Korea, Co. Ltd.	Korea
Pepsi-Cola Laurel Bottling Company	Pennsylvania
Pepsi-Cola Magreb	Morocco
Pepsi-Cola Mamulleri Limited Sirketi	Turkey
Pepsi-Cola Manufacturing (Ireland)	Ireland
Pepsi-Cola Manufacturing (Mediterranean) Limited	Bermuda
Pepsi-Cola Manufacturing Company Of Uruguay S.A.	Uruguay
Pepsi-Cola Manufacturing Limited	Bermuda
Pepsi-Cola Marketing Corp. Of P.R., Inc.	Puerto Rico
Pepsi-Cola Metropolitan Bottling Company, Inc.	New Jersey
Pepsi-Cola Mexicana, S.A. de C.V.	Mexico
Pepsi-Cola Operating Company Of Chesapeake And Indianapolis	Delaware
Pepsi-Cola Panamericana, Inc.	Delaware
Pepsi-Cola Panamericana, S.A.	Venezuela
Pepsi-Cola Personnel, Inc.	Delaware
Pepsi-Cola S.A.	Switzerland
Pepsi-Cola Service Ve Dagitim	Turkey
Pepsi-Cola SR	Slovak Republic
Pepsi-Cola Tea Company	Delaware
Pepsi-Cola U.K. limited	United Kingdom
Pepsi Foods Ltd.	India
Pepsi International Bottlers LLC	Delaware
Pepsi International Bottlers OOO	Russia
Pepsi International Bottlers Trading OOO	Russia
Pepsi International Bottlers(Nizhny Novgorod)	Russia
Pepsi International Bottlers(Novosibirsk)	Russia
Pepsi International Bottlers(Samara)	Russia
Pepsi International Bottlers(Yekaterinburg)	Russia
Pepsi International Bottling System, Inc.	Delaware
Pepsi Snacks Argentina S.A.	Argentina
Pepsi Stuff, Inc.	Delaware
PepsiCo - Sociedade Comercial Exportadora S.A.	Brazil
PepsiCo & Cia	Brazil
PepsiCo & Cia Brazil (Bev, COBO & consol)	Brazil
PepsiCo & Cia Brazil (Foods) (PFI)	Brazil
PepsiCo (China) Ltd.	China
PepsiCo (India) Holdings	India
PepsiCo (Ireland) Limited	Ireland
PepsiCo Australia Holdings Pty Ltd	Australia
PepsiCo Canada Finance LLC	Delaware
PepsiCo Captive Holdings, Inc.	Delaware
PepsiCo Comercial Exportadora	Brazil
PepsiCo de Mexico S.A. de C.V.	Mexico
PepsiCo do Brasil Ltda.	Brazil
PepsiCo do Brazil Holdings Ltda.	Brazil
PepsiCo Espana Inversiones S.L.	Spain
PepsiCo Estonia	Estonia
PepsiCo Europe Holdings B.V.	Netherlands
PepsiCo Finance (Antilles B) N.V.	Neth. Antilles
PepsiCo Finance (South Africa) (Proprietary) Ltd.	South Africa
PepsiCo Finance (U.K.) Ltd.	United Kingdom
PepsiCo Fleet Services Limited	United Kingdom
PepsiCo Food Service Training, Inc.	Delaware

PepsiCo Foods & Beverages International Limited	United Kingdom
PepsiCo Foods (China) Co. Ltd.	China
PepsiCo Foods Hellas	Greece
PepsiCo Foods International Holdings, Inc.	Delaware
PepsiCo Foods International Pte Ltd.	Singapore
PepsiCo Foreign Sales Corporation	Barbados
PepsiCo Global Investments B.V.	Netherlands
PepsiCo Global Investments II BV	Netherlands
PepsiCo Holdings	United Kingdom
PepsiCo Holdings OOO	Russia
PepsiCo International Ltd.	United Kingdom
PepsiCo International Trading (Shanghai) Ltd.	China
PepsiCo Investment (China) Ltd.	China
PepsiCo Investments (Europe) I B.V.	Netherlands
PepsiCo Investments (Europe) II B.V.	Netherlands
PepsiCo IVI S.A.	Greece
PepsiCo Light BV	Netherlands
PepsiCo Max BV	Netherlands
PepsiCo Nominees (Proprietary) Limited	South Africa
PepsiCo Nordic Denmark A/S	Denmark
PepsiCo Nordic Finland OY	Finland
PepsiCo Nordic Norway A/S	Norway
PepsiCo Nordic Sweden AB	Sweden
PepsiCo Overseas Corporation	Delaware
PepsiCo Pacific Trading Company, Limited	Hong Kong
PepsiCo Pension Management Services, Ltd.	Delaware
PepsiCo Products B.V.	Netherlands
PepsiCo Property Management Limited	United Kingdom
PepsiCo Puerto Rico, Inc.	Delaware
PepsiCo Russia Holdings GmbH	Germany
PepsiCo Services International Inc.	Delaware
PepsiCo Trading sp.zo.o	Poland
PepsiCo U.K. Pension Trust Limited	United Kingdom
PepsiCo Ukraine Ltd.	Ukraine
PepsiCo Ventas Andalucia, S.A.	Spain
PepsiCo World Trading Company (U.K.) Limited	United Kingdom
PepsiCo World Trading Company, Inc.	Delaware
PepsiCo Worldwide Holdings	Neth. Antilles
Perla del Norte S.A.	Argentina
Pet-Iberia, S.L.	Spain
PFI Agriculture Europe Ltd.	United Kingdom
PFI Italia S.R.L.	Italy
PGCC, Inc.	US-United States
Pine International LLC	Delaware
Pizza Hut of Utah, Inc.	United States
Pizza Hut, Inc.	Delaware
Pizza Hut, Inc. of California	United States
Planters UK Limited	United Kingdom
Praga 45, Inc.	US-Delaware
President Pepsi Food Corporation	Taiwan
Procesos Plasticos, SA de CV	Mexico
Productos Industrializados Saltillo, S.A.	Mexico
Productos S.A.S. C.V.	Netherlands
Productos SAS Management BV	Netherlands
Productos Victoria, S.A. De C.V.	Mexico
Progress Service, Inc.	Florida
Promocion y Distribucion Alimenticia	Mexico
Promotora de Embotelladoras, SA de CV	Mexico
Promotora De Empresas, S.A. De C.V.	Mexico
PRS, Inc.	Delaware
Pub Realty, Inc.	California
Punch N.V.	Neth. Antilles
Purificadora de Agua Cancun, SA de CV	Mexico
Purificadora de Agua Los Reyes, SA de CV	Mexico
Rabapet Kft.	Hungary
Radenska	Slovenia
Rantlow Limited	Ireland
Recot, Inc.	Delaware
Recot, Inc.	Delaware
Red Baron	Argentina
Red Dot A.G., Zurich	Switzerland
Red Maple LLC	Delaware
Redux Realty, Inc.	Delaware
Refrescos de Iguala, SA de CV	Mexico
Refrescos y Bebidas de Aguascalientes, S.A. de C.V.	Mexico
Refrigerantes sul Riograndenses S.A.	Brazil
Regia-Comercial E Publicidade Ltda.	Brazil
Rice Bottling Enterprises, Inc.	Tennessee
Rio Grande Snack Company	Delaware
Ruscan, Inc.	New York
S.V.E. (Hungary) Trading and Manufacturing Limited	Hungary

S.W. Frito-Lay, Ltd	Texas
Sabritas de Costa Rica, S. de R.L.	Costa Rica
Sabritas de Honduras, S. de R.L.	Honduras
Sabritas de Panama, SA	Panama
Sabritas Trust	Mexico
Sabritas y Compania, SCA	El Salvador
Sabritas, LLC	Delaware
Sabritas, S.A. De C.V.	Mexico
Saudi Snack Foods Company Limited	Saudi Arabia
Savoy Brands Colombia C.A.	Colombia
Savoy Brands Peru, C.A.	Peru
Savoy Brands Venezuela C.A.	Venezuela
Senrab Limited	Ireland
Serm Suk Public Company Limited	Thailand
Servi-Facil, S.A.	Mexico
Servi Agua, SA de CV	Mexico
Servicios Administrativos Suma, SA de CV	Mexico
Servicios Calificados, S.A. de C.V.	Mexico
Servicios Corporativos GEMEX, SA de CV	Mexico
Seven-Up Andino, S.A.	Ecuador
Seven-Up Asia, Inc.	Missouri
Seven-Up Concesiones	Argentina
Seven-Up Espana S.A.	Spain
Seven-Up Europe Limited	United Kingdom
Seven-Up Great Britain	Missouri
Seven-Up International, Inc.	Delaware
Seven-Up Investments B.V.	Netherlands
Seven-Up Ireland Limited	Ireland
Seven-Up Light BV	Netherlands
Seven-Up Marketing, S.A.	Delaware
Seven-Up Nederland B.V.	Netherlands
Seven-Up Southern Hemisphere, Inc.	Missouri
Shanghai Pepsi-Cola Beverage Company Ltd.	China
Shanghai PepsiCo Snacks Company Limited	China
Shanghai Tropicana Beverages Co., Ltd.	China
Shelbyville Bottling Company, Inc.	Tennessee
Shelbyville Bottling Company, Inc. -Netherland Antilles	Neth. Antilles
Shenzhen Pepsi-Cola Beverage Co. Ltd.	China
Sichuan Pepsi-Cola Beverage Co. Ltd.	China
Sierra del Mer SAIC	Argentina
SIH International LLC	Delaware
Sika Silk Company Limited	China
Simba	South Africa
Smartfoods, Inc.	Delaware
Smiths Crisps Limited	United Kingdom
Smiths Food Group, B.V.	Netherlands
Snack Food Belgium S.A.	Belgium
Snack Ventures Europe SCA	Belgium
Snack Ventures Inversiones, S.L.	Spain
Snacks Ventures S.A.	Spain
Sociedad Productora de Refrescos y Sabores, C.A.	Venezuela
Sottano S.A.	Argentina
Special Edition Beverages Limited	New Zealand
Special Editions Enterprises Ltd.	New Zealand
Spint de Mexico, S.A. de C.V.	Mexico
Spirituosen e Companhia Comercio E Distribucao de Bebidas	Portugal
Spirituosen S.A.	Spain
Sportmex Internacional, S.A. De C.V.	Mexico
SVE France SAS	France
SVE Italia	Italy
Syrena Sodycze Sp. z o.o.	Poland
Taco Bell (U.K.) Limited	London
Taco Bell de Mexico S.A. de C.V.	Mexico
Tanurin, S.A. de C.V.	Mexico
Tastes of Adventures Pty. Ltd.	Australia
Tasty Foods Bulgaria	Bulgaria
Tasty Foods Egypt SAE	Egypt
Tasty Foods S.A.	Greece
Terrenos y Fincas de Rio Verde, S.A. de C.V.	Mexico
TFL Holdings, Inc.	Delaware
TFL, Inc.	Delaware
TGCC, Inc.	Delaware
The Beverage S.R.L.	Italy
The Concentrate Manufacturing Company Of Ireland	Ireland
The Original Pretzel Company Pty. Ltd.	Australia
The Pepsi-Cola Soft Drink Factory of Sochi, OOO	Russia
The Radical Fruit Company	Ireland
The Smiths Snackfood Company Pty. Ltd.	Australia
Tianjin Pepsi-Cola Beverage Co. Ltd.	China
Tianjin PepsiCo Foods Co. Ltd.	China
TPI Urban Renewal Corporation	New Jersey

Tricon Global Inmobiliaria, S.A. de C.V.	Mexico
Tricon Global PHM, S.A. de C.V.	Mexico
Tricon Global Pizza Hut Mexicana, S.A. de C.V.	Mexico
Tropicana (Europe) GmbH	Germany
Tropicana Argentina S.A.	Argentina
Tropicana Beverages Company	India
Tropicana Beverages Greater China Limited	Hong Kong
Tropicana Beverages Hong Kong Ltd.	Hong Kong
Tropicana Beverages Ltd.	Hong Kong
Tropicana Brazil Suscos Ltda	Brazil
Tropicana China Beihai Food Company Ltd.	China
Tropicana China Investments Ltd.	Hong Kong
Tropicana Europe NV (Belgium)	Belgium
Tropicana Europe S. A. (France)	France
Tropicana France S. A. (France)	France
Tropicana Payroll, Inc.	Florida
Tropicana Products, Inc.	Delaware
Tropicana Products, Ltd. (Canada)	Canada
Tropicana Transportation Corporation	Delaware
Tropicana United Kingdom Ltd. (UK)	United Kingdom
Twinpack Atlantic Inc.	Canada
Ukranian Developmental Corp.	Ukraine
United Foods Company S.A.	Brazil
United Soft Drinks Limited	Hong Kong
Uruguay Preform S.A.	Uruguay
Uzay Gida Sanayi Ve Ticaret A.S.	Turkey
Veurne Snackfoods BVBA	Belgium
Walkers Crisps Limited	United Kingdom
Walkers Distribution Ltd.	United Kingdom
Walkers Snack Foods Limited	United Kingdom
Walkers Snacks Ltd.	United Kingdom
Weinkellerei Franz Weber Gmbh, Nierstein	Germany
Western Bottling Company, Inc.	Washington
Wetter Beverage Company	Delaware
Wilson International Sales Corporation	Delaware
Zrodlo Pniewy Sp.z.o.o.	Poland

EXHIBIT 23

Report and Consent of Independent Auditors

The Board of Directors
PepsiCo, Inc.

The audits referred to in our report dated February 1, 1999, except as to Note 18, which is as of March 8, 1999, included the related financial statement schedule as of December 26, 1998, and for each of the years in the three-year period ended December 26, 1998 listed in the accompanying index at Item 14(a)2. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We consent to the use of our reports included herein (or incorporated herein by reference) in the following Registration Statements on:

Description	Registration Statement Number
Form S-3	
PepsiCo SharePower Stock Option Plan for PCDC Employees	33-42121
$32,500,000 Puerto Rico Industrial, Medical and Environmental Pollution Control Facilities Financing Authority Adjustable Rate Industrial Revenue Bonds	33-53232
Extension of the PepsiCo SharePower Stock Option Plan to Employees of Snack Ventures Europe, a joint venture between PepsiCo Foods International and General Mills, Inc.	33-50685
$4,587,000,000 Debt Securities and Warrants	33-64243
Form S-8	
PepsiCo SharePower Stock Option Plan	33-35602, 33-42058,33-29037, 33-54731 & 33-51496, 33-66150
1988 Director Stock Plan	33-22970
1979 Incentive Plan and the 1987 Incentive Plan	33-19539
1994 Long-Term Incentive Plan	33-54733
1995 Stock Option Incentive Plan	33-61731 & 333-09363
1979 Incentive Plan	2-65410
PepsiCo, Inc. Long Term Savings Program	2-82645,33-51514 & 33-60965

/s/ KPMG LLP

New York, New York
March 24, 1999

EXHIBIT 24

POWER OF ATTORNEY

PepsiCo, Inc. ("PepsiCo") and each of the undersigned, an officer or director, or both, of PepsiCo, do hereby appoint Robert F. Sharpe, Jr. and Lawrence F. Dickie, and each of them severally, its, his or her true and lawful attorney-in-fact to execute on behalf of PepsiCo and the undersigned the following documents and any and all amendments thereto (including post-effective amendments):

(i) Registration Statements No. 33-53232 and 33-64243 relating to the offer and sale of PepsiCo's Debt Securities and Warrants, and any registration statements deemed by any such attorney-in-fact to be necessary or appropriate to register the offer and sale of debt securities or warrants by PepsiCo or guarantees by PepsiCo of any of its subsidiaries' debt securities or warrants;

(ii) Registration Statements No. 33-4635, 33-21607, 33-30372, 33-31844, 33-37271, 33-37978, 33-47314 and 33-47527 all relating to the primary and/or secondary offer and sale of PepsiCo Capital Stock issued or exchanged in connection with acquisition transactions, and any registration statements deemed by any such attorney-in-fact to be necessary or appropriate to register the primary and/or secondary offer and sale of PepsiCo Capital Stock issued or exchanged in acquisition transactions;

(iii) Registration Statements No. 33-29037, 33-35602, 33-42058, 33-51496, 33-54731 33-42121, 33-50685 and 33-66150 relating to the offer and sale of shares of PepsiCo Capital Stock under the PepsiCo SharePower Stock; and any registration statements deemed by any such attorney-in-fact to be necessary or appropriate to register the offer and sale of shares of PepsiCo Capital Stock under the PepsiCo SharePower Stock Option Plan to employees of PepsiCo or otherwise;

(iv) Registration Statements No. 2-82645, 33-51514 and 33-60965 covering the offer and sale of shares of PepsiCo Capital Stock under the Long Term Savings Program of PepsiCo, and any registration statements deemed by any such attorney-in-fact to be necessary or appropriate to register the offer and sale of shares of PepsiCo Capital Stock under the long term savings programs of any other subsidiary of PepsiCo;

(v) Registration Statements No. 33-61731 and No. 333-09363 pertaining to the offer and sale of PepsiCo Capital Stock under PepsiCo's 1995 Stock Option Incentive Plan, Registration Statement No. 33-54733, relating to the offer and sale of shares of PepsiCo Capital Stock under PepsiCo's 1994 Long-Term Incentive Plan, Registration Statement No. 33-19539 relating to the offer and sale of shares of PepsiCo Capital Stock under PepsiCo's 1987 Incentive Plan and resales of such shares by officers of PepsiCo, and Registration Statement No. 2-65410 relating to the offer and sale of shares of PepsiCo Capital Stock under PepsiCo's 1979 Incentive Plan, 1972 Performance Share Plan, as amended, and various option plans, and resales of such shares by officers of PepsiCo;

(vi) Registration Statement No. 33-22970 relating to the offer and sale of shares of PepsiCo Capital Stock under PepsiCo's 1988 Director Stock Plan;

(vii) all other applications, reports, registrations, information, documents and instruments filed or required to be filed by PepsiCo with the Securities and Exchange Commission, any stock exchanges or any governmental official or agency in connection with the listing, registration or approval of PepsiCo Capital Stock, PepsiCo debt securities or warrants, other securities or PepsiCo guarantees of its subsidiaries' debt securities or warrants, or the offer and sale thereof, or in order to meet PepsiCo's reporting requirements to such entities or persons;

and to file the same, with all exhibits thereto and other documents in connection therewith, and each of such attorneys shall have the power to act hereunder with or without the other.

IN WITNESS WHEREOF, the undersigned has executed this instrument on March 23, 1999.

PepsiCo, Inc.

By: /s/ ROBERT F. SHARPE, JR.
Robert F. Sharpe, Jr.
Senior Vice President, General Counsel and Secretary

/s/ ROGER A. ENRICO
Roger A. Enrico
Chairman of the Board and Chief Executive Officer

/s/ KARL M. VON DER HEYDEN
Karl M. von der Heyden
Vice Chairman of the Board

/s/ SEAN F. ORR
Sean F. Orr
Senior Vice President and Controller (Chief Accounting Officer)

/s/ ROBERT E. ALLEN
Robert E. Allen
Director

/s/ PETER FOY
Peter Foy
Director

/s/ MICHAEL D. WHITE
Michael D. White
Chief Financial Officer

/s/ JOHN F. AKERS
John F. Akers
Director

/s/ RAY L. HUNT
Ray L. Hunt
Director

/s/ JOHN J. MURPHY
John J. Murphy
Director

/s/ STEVEN S REINEMUND
Steven S Reinemund
Chairman and Chief Executive Officer of The Frito-Lay Company and Director

/s/ SHARON PERCY ROCKEFELLER
Sharon Percy Rockefeller
Director

/s/ P. ROY VAGELOS
- ------------------
P. Roy Vagelos
Director

/s/ ARNOLD R. WEBER
- -------------------
Arnold R. Weber
Director

/s/ FRANKLIN A. THOMAS
Franklin A. Thomas
Director

/s/ CRAIG E. WEATHERUP

Craig E. Weatherup
Chairman and Chief Executive
Officer of The Pepsi Bottling Group
and Director

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM PEPSICO, INC. AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED DECEMBER 26, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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PepsiCo, Inc.
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Year
Dec-26-1998
Dec-26-1998
311
83
2,580
127
1,016
4,362
13,110
5,792
22,660
7,914
4,028
0
0
29
6,372
22,660
22,348
22,348
9,330
9,330
0
47
395
2,263
270
1,993
0
0
0
1,993
1.35
1.31