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 30, 1995

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
7-5/8% Notes due 1998	New York Stock Exchange

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 aggregate market value of PepsiCo Capital Stock held by nonaffiliates of PepsiCo as of March 8, 1996 was $49,378,249,004.

The number of shares of PepsiCo Capital Stock outstanding as of March 8, 1996 was 788,475,034.

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 1, 1996 Annual Meeting of Shareholders	I, III

PART I

ITEM 1. BUSINESS

PepsiCo, Inc. (the "Company") was incorporated in Delaware in 1919 and was reincorporated in North Carolina in 1986. Unless the context indicates otherwise, when used herein the term "PepsiCo" shall mean the Company and its various divisions and subsidiaries. PepsiCo is engaged in the following businesses: beverages, snack foods and restaurants.

BEVERAGES

PepsiCo's beverage business consists of Pepsi-Cola North America ("PCNA") and Pepsi-Cola International ("PCI").

PCNA manufactures and sells beverage products, primarily soft drinks and soft drink concentrates, in the United States and Canada. PCNA sells its concentrates to licensed bottlers ("Pepsi-Cola bottlers"). Under appointments from PepsiCo, bottlers manufacture, sell and distribute, within defined territories, soft drinks and syrups bearing trademarks owned by PepsiCo, including PEPSI-COLA, DIET PEPSI, MOUNTAIN DEW, SLICE, MUG, ALL SPORT and, within Canada, 7UP and DIET 7UP (the foregoing are sometimes referred to as "Pepsi-Cola beverages"). The Pepsi/Lipton Tea Partnership, a joint venture of

PCNA and Thomas J. Lipton Co., develops and sells tea concentrate to Pepsi-Cola bottlers and develops and markets ready-to-drink tea products under the LIPTON trademark. Such products are distributed by Pepsi-Cola bottlers throughout the United States and Canada. Pepsi-Cola bottlers distribute single-serve sizes of OCEAN SPRAY juice products throughout the United States pursuant to a distribution agreement.

Pepsi-Cola beverages are manufactured in approximately 200 plants located throughout the United States and Canada. PCNA operates approximately 70 plants, and manufactures, sells and distributes beverages throughout approximately 160 licensed territories, accounting for approximately 56% of the Pepsi-Cola beverages sold in the United States and Canada. Approximately 130 plants are operated by independent licensees or joint ventures in which PCNA participates, which manufacture, sell and distribute approximately 44% of the Pepsi-Cola beverages sold in the United States and Canada. PCNA has a minority interest in 7 of these licensees, comprising approximately 70 licensed territories.

PCI manufactures and sells beverage products, primarily soft drinks and soft drink concentrates outside the United States and Canada. PCI sells its concentrates to Pepsi-Cola bottlers. Under appointments from PepsiCo, bottlers manufacture, sell and distribute, within defined territories, beverages bearing PEPSI-COLA, 7UP, MIRINDA, DIET PEPSI, PEPSI MAX, MOUNTAIN DEW, TEEM, DIET 7UP and other trademarks. There are approximately 590 plants outside the United States and Canada bottling PepsiCo's beverage products. These products are available in 192 countries and territories outside the United States and Canada. Principal international markets include Mexico, Saudi Arabia, Brazil, Argentina, Venezuela, Thailand, Spain, the United Kingdom, China and Japan.

PCNA and PCI make programs available to assist licensed bottlers in servicing markets, expanding operations and improving production methods and facilities. PCNA and PCI also offer assistance to bottlers in the distribution, advertising and marketing of PepsiCo's beverage products and offer sales assistance through special merchandising and promotional programs and by training bottler personnel. PCNA and PCI maintain control over the composition and quality of beverages sold under PepsiCo trademarks.

SNACK FOODS

PepsiCo's snack food business consists of Frito-Lay North America ("Frito-Lay") and PepsiCo Foods International ("PFI").

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

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 16,000 person sales force delivers the snacks directly to the store shelf. This system permits Frito-Lay to work closely with approximately 470,000 retail trade customers 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.

PFI manufactures and markets snack foods in 38 countries outside the United States and Canada through company-owned facilities and joint ventures. On most of the European continent, PepsiCo's snack food business consists of Snack Ventures Europe, a joint venture between PepsiCo and General Mills, Inc., in which PepsiCo owns a 60% interest. PFI also sells a variety of snack food products which appeal to local tastes including, for example WALKERS snack foods, which are sold in the United Kingdom, WEDEL sweet snacks, which are sold in Poland and GAMESA cookies and ALEGRO (formerly SONRICS) sweet snacks, which are sold in Mexico. In addition, RUFFLES, CHEEoTOS, DORITOS, FRITOS and SUNCHIPS salty snack foods have been introduced to international markets. Principal international markets include Mexico, the United Kingdom, Poland, Brazil, Spain, France, the Netherlands, and Australia.

RESTAURANTS

PepsiCo's restaurant business principally consists of Pizza Hut North America ("PHNA"), Taco Bell North America ("TBNA"), KFC North America ("KFCNA") and PepsiCo Restaurants International ("PRI").

PHNA is engaged principally in the operation, development, franchising and licensing of a system of casual full service family restaurants, delivery/carryout units and kiosks throughout the United States and Canada, operating under the name PIZZA HUT. The full service restaurants serve several varieties of pizza as well as pasta, salads and sandwiches. PHNA (through its subsidiaries and affiliates) operates approximately 5,100 PIZZA HUT restaurants, delivery/carryout units and other outlets and approximately 240 in Canada. Franchisees operate approximately 2,800 additional restaurants, delivery/carryout units and other outlets in the United States and approximately 160 in Canada. Licensees operate approximately 860 kiosk outlets in the United States and approximately 115 kiosk outlets in Canada.

TBNA is engaged principally in the operation, development, franchising and licensing of a system of fast-service restaurants serving carryout and dine-in moderately priced Mexican-style food, including tacos, burritos, taco salads and nachos, throughout the United States and Canada, operating under the name TACO BELL. TBNA (through its subsidiaries and affiliates) operates approximately 3,000 TACO BELL outlets in the United States and approximately 85 in Canada. Franchisees operate approximately 1,800 additional units in the United States. Licensees operate approximately 1,600 special concept outlets in the United States and approximately 25 in Canada.

KFCNA is engaged principally in the operation, development, franchising and licensing of a system of carryout and dine-in restaurants featuring chicken throughout the United States and Canada, operating under the names KENTUCKY FRIED CHICKEN and/or KFC. KFCNA (through its subsidiaries and/or affiliates) operates approximately 2,000 restaurants in the United States and approximately 250 in Canada. Franchisees operate approximately 3,000 additional restaurants in the United States and approximately 580 in Canada. Licensees operate approximately 110 outlets in the United States and approximately 50 in Canada.

PRI is engaged principally in the operation and development of casual dining and fast-service restaurants, delivery units and kiosks which sell PIZZA HUT, KFC and, to a lesser extent, TACO BELL products outside the United States and Canada. PRI operates approximately 925 PIZZA HUT restaurants, delivery/carryout units and kiosks, franchisees operate approximately 1,350 units, and joint ventures in which PRI participates operate approximately 535 units. PIZZA HUT units are located in a total of 81 countries and territories outside of the United States and Canada, and principal markets include Australia, the United Kingdom, Brazil, France, Germany, Korea, Spain, Belgium, Puerto Rico and Poland. PRI also operates approximately 915 KFC restaurants and kiosks, franchisees operate approximately 2,300 restaurants and kiosks, and joint ventures in which PRI participates operate approximately 395 restaurants and kiosks. KFC units are located in 67 countries and territories outside of the United States and Canada, and principal markets include Japan, Australia, the United Kingdom, South Africa, New Zealand, China, Singapore, Puerto Rico, Thailand and Mexico. PRI also operates approximately 25 TACO BELL outlets, and franchisees and licensees operate approximately 45 outlets, in a total of 16 countries and territories outside of the United States and Canada.

PepsiCo also owns, operates, or participates as a joint venturer in other restaurant concepts in the United States. PHNA operates approximately 100 D'ANGELO SANDWICH SHOPS and franchisees operate approximately 55 additional outlets. TBNA also operates approximately 70 CHEVYS Mexican restaurants. PepsiCo participates in a joint venture which operates approximately 80 CALIFORNIA PIZZA KITCHEN restaurants.

PFS, a division of PepsiCo, is engaged in the distribution of food, supplies and equipment and in providing services to approximately 17,000 company-operated, franchised and licensed PIZZA HUT, TACO BELL and KFC restaurants in the United States, Canada, Mexico, Puerto Rico and Poland.

COMPETITION

All of PepsiCo's businesses are highly competitive. PepsiCo's beverages 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 PepsiCo serves, as well as with private label soft drinks and snack foods and with the products of local and regional manufacturers. PepsiCo's restaurants compete in the United States and internationally with other restaurants, restaurant chains, food outlets and home delivery operations. PFS competes in the United States and internationally with other food distribution companies. For all of PepsiCo's industry segments, the main areas of competition are price, quality and variety of products, and customer service.

EMPLOYEES

At December 30, 1995, PepsiCo employed, subject to seasonal variations, approximately 480,000 persons (including approximately 290,000 part-time employees), of whom approximately 358,409 (including 235,959 part-time employees) were employed within the United States. PepsiCo believes that its relations with employees are generally good.

RAW MATERIALS AND OTHER SUPPLIES

The principal materials used by PepsiCo in its beverage, snack food and restaurant businesses are corn sweeteners, sugar, aspartame, flavorings, vegetable and essential oils, potatoes, corn, flour, tomato products, pinto beans, lettuce, cheese, butter, beef, pork and chicken products, seasonings and packaging materials. Since PepsiCo relies on trucks to move and distribute many of its products, fuel is also an important commodity. PepsiCo employs specialists to secure adequate supplies of many of these items and has not experienced any significant continuous shortages. Prices paid by PepsiCo for such items are subject to fluctuation. When prices increase, PepsiCo may or may not pass on such increases to its customers. Generally, when PepsiCo has decided to pass along price increases, it has done so successfully. There is no assurance that PepsiCo will be able to do so in the future.

GOVERNMENTAL REGULATIONS

The conduct of PepsiCo's businesses, and the production, distribution and use of many of its 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. The conduct of PepsiCo's businesses is also subject to state, local and foreign laws.

PATENTS, TRADEMARKS, LICENSES AND FRANCHISES

PepsiCo owns numerous valuable trademarks which are essential to PepsiCo's worldwide businesses, including PEPSI-COLA, PEPSI, DIET PEPSI, PEPSI MAX, MOUNTAIN DEW, SLICE, MUG, ALL SPORT, 7UP and DIET 7UP (outside the United States), MIRINDA, FRITO-LAY, DORITOS, RUFFLES, LAY'S, FRITOS, CHEEoTOS, SANTITAS, SUNCHIPS, TOSTITOS, ROLD GOLD, SMARTFOOD, SABRITAS, WALKERS, PIZZA HUT, TACO BELL, KENTUCKY FRIED CHICKEN and KFC. Trademarks remain valid so long as they are used properly for identification purposes, and PepsiCo emphasizes correct use of its trademarks. PepsiCo has authorized (through licensing or franchise arrangements) the use of many of its trademarks in such contexts as Pepsi-Cola bottling appointments, snack food joint ventures and wholly-owned operations and Pizza Hut, Taco Bell and KFC franchise agreements. In addition, PepsiCo licenses the use of its trademarks on collateral products for the primary purpose of enhancing brand awareness.

PepsiCo either owns or has licenses to use a number of patents which relate to certain of its products and the processes for their production and to the design and operation of various equipment used in its businesses.
Some of these patents are licensed to others.

RESEARCH AND DEVELOPMENT

PepsiCo expensed $96 million, $152 million and $113 million on research and development activities in 1995, 1994 and 1993, respectively.

ENVIRONMENTAL MATTERS

PepsiCo continues 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 PepsiCo's capital expenditures, net income or competitive position.

BUSINESS SEGMENTS

Information as to net sales, operating profits and identifiable assets for each of PepsiCo's industry segments, United States restaurant chains and major geographic areas of operations, as well as capital spending, acquisitions and investments in unconsolidated affiliates, amortization of intangible assets and depreciation expense for each industry segment and United States restaurant chain, for 1995, 1994 and 1993 is contained in Item 8 "Financial Statements and Supplementary Data" in Note 19 on page F-33.

ITEM 2. PROPERTIES

BEVERAGES

PepsiCo's beverage segment operates approximately 110 plants throughout the world, of which 100 are owned and 10 are leased. Beverage joint ventures, in which PepsiCo participates, operate approximately 115 plants and distribution operations. In addition, PepsiCo's beverage business operates approximately 380 warehouses or offices in the United States and Canada, of which approximately 270 are owned and approximately 110 are leased.

PepsiCo owns a research and technical facility in Valhalla, New York, for its beverage businesses. PepsiCo also owns the headquarters facilities for its beverage businesses in Somers, New York.

SNACK FOODS

Frito-Lay operates 48 food manufacturing and processing plants in the United States and Canada, of which 41 are owned and 7 are leased. In addition, Frito-Lay owns approximately 190 warehouses and distribution centers and leases approximately 50 warehouses and distribution centers for storage of food products in the United States and Canada. Approximately 1,600 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. PepsiCo's snack food businesses also operate 65 plants and approximately 725 distribution centers, warehouses and offices outside of the United States and Canada.

RESTAURANTS

Through PHNA, TBNA, KFCNA and PRI, PepsiCo owns approximately 4,000 and leases approximately 6,900 restaurants, delivery/carryout units and other outlets in the United States and Canada, and owns approximately 900 and leases approximately 1,000 additional units outside the United States and Canada. PIZZA HUT, TACO BELL and KFC restaurants in the United States which are not owned are generally leased for initial terms of 15 or 20 years, and generally have renewal options, while PIZZA HUT delivery/carryout units in the United States generally are leased for significantly shorter initial terms with shorter renewal options. Joint ventures, in which PepsiCo participates, operate approximately 925 units outside the United States and Canada. PHNA owns and leases office facilities in Wichita, Kansas, Dallas, Texas and other locations, some of which are shared with PFS. TBNA leases its corporate headquarters in Irvine, California. KFCNA owns a research facility and its corporate headquarters building in Louisville, Kentucky. PFS owns 1 and leases 23 distribution centers in the United States and owns 2 and leases 3 distribution centers outside of the United States.

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.

The Company believes that its properties and those of its subsidiaries and divisions are in good operating condition and are suitable for the purposes for which they are being used.

ITEM 3. LEGAL PROCEEDINGS

PepsiCo is 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, in excess of amounts already provided arising from such claims or contingencies, is not likely to have a material adverse effect on PepsiCo's annual results of operations or financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF STOCKHOLDERS

Not applicable.

EXECUTIVE OFFICERS OF THE COMPANY

The executive officers of the Company and their current positions and ages are as follows:

NAME	POSITION	AGE
D. Wayne Calloway	Chairman of the Board and Chief Executive Officer	60
Roger A. Enrico	Vice Chairman of the Board and Chairman and Chief Executive Officer, PepsiCo Worldwide Restaurants	51
Robert G. Dettmer	Executive Vice President and Chief Financial Officer	64
Randall C. Barnes	Senior Vice President and Treasurer	44
Robert L. Carleton	Senior Vice President and Controller	55

Edward V. Lahey, Jr.	Senior Vice President, General Counsel and Secretary	57
Indra K. Nooyi	Senior Vice President, Strategic Planning	40

Each of the above-named officers has been employed by PepsiCo in an executive capacity for at least five years except Indra K. Nooyi. Ms. Nooyi has held her current position at PepsiCo since 1994. Prior to joining PepsiCo, Ms. Nooyi spent four years as Senior Vice President of Strategy, Planning and Strategic Marketing for Asea Brown Boveri.

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.

Information regarding directors of the Company other than those provided below is set forth in the Proxy Statement for the Company's 1996 Annual Meeting of Shareholders and is incorporated herein by reference.

DIRECTORS OF THE COMPANY RETIRING AS OF MAY 1, 1996

ANDRALL E. PEARSON was elected a director of PepsiCo in 1970. Mr. Pearson was PepsiCo's President and Chief Operating Officer from 1971 through 1984. He was a Professor at the Harvard Business School from 1985 until 1993, and is a director of The May Department Stores Company, Lexmark International, Inc and The Travelers Group. He is also a general partner of Clayton, Dubilier & Rice, Inc and Chairman of the Board of Kraft Foodservice Company.
Mr. Pearson is 70 years old.

ROGER B. SMITH, former Chairman and Chief Executive Officer of General Motors Corp., was elected to PepsiCo's Board in 1989. Mr. Smith joined General Motors Corp. in 1949 and served as its Chairman and Chief Executive Officer from 1981 to 1990. He serves on the Board of Directors of Citicorp, International Paper Co. and Johnson & Johnson. Mr. Smith is 70 years old.

ROBERT H. STEWART, III, a director since 1965 and Chairman of the Board's Compensation Committee, is Vice Chairman of Bank One, Texas, N.A. In 1987, Mr. Stewart became Chairman of the Board of First RepublicBank Corporation, a position he held until joining LaSalle Energy Corp. where he was Vice Chairman of the Board from August 1987 until its sale in November 1989. Mr. Stewart then became Vice Chairman of the Board of Team Bank, assuming his present position in November 1992 upon the acquisition of Team Bancshares Inc. by BANC ONE CORPORATION. He is also a director of ARCO Chemical Co.
Mr. Stewart is 70 years old.

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 PepsiCo Capital Stock, which is also listed on the Amsterdam, Chicago, Swiss and Tokyo Stock Exchanges.

Shareholders - At year-end 1995, there were approximately 167,000 shareholders of record.

Dividend Policy - Quarterly cash dividends are usually declared in November, February, May and July and paid at the beginning of January and the end of March, June and September. The dividend record dates for 1996 are expected to be March 8, June 7, September 6 and December 6. Quarterly cash dividends have been paid since 1965, and dividends paid per share have increased for 23 consecutive years.

Cash Dividends Declared Per Share (in cents)

Quarter	1995	1994
1	18	16
2	20	18
3	20	18
4	20	18
Total	78	70

Stock Prices - The high, low and closing prices for a share of PepsiCo Capital Stock on the New York Stock Exchange, as reported by The Dow Jones News/Retrieval Service, for each fiscal quarter of 1995 and 1994 were as follows (in dollars):

1995	High	Low	Close
First Quarter	41	33 7/8	40 1/4
Second Quarter	49	37 7/8	46 5/8
Third Quarter	47 7/8	43 1/4	45 3/4
Fourth Quarter	58 3/4	45 5/8	55 7/8

1994	High	Low	Close
First Quarter	42 1/2	35 3/4	37 5/8
Second Quarter	37 3/4	29 7/8	31 1/8
Third Quarter	34 5/8	29 1/4	33 3/4
Fourth Quarter	37 3/8	32 1/4	36 1/4

ITEM 6. SELECTED FINANCIAL DATA

Included on pages F-48 through F-54.

ITEM 7. MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATIONS, CASH FLOWS AND FINANCIAL CONDITION

MANAGEMENT'S ANALYSIS

INTRODUCTION

PepsiCo's Management's Analysis is structured in four sections. The first section provides an overview and focuses on items that either significantly impact comparability of reported financial information or are anticipated to significantly impact future operating results. The second section analyzes the results of operations; first on a consolidated basis and then for each of PepsiCo's three industry segments. The final sections address PepsiCo's consolidated cash flows and financial condition. Management's Analysis should be read in conjunction with PepsiCo's audited consolidated financial statements, including Notes, on pages F-2 through F-41.

WORLDWIDE MARKETPLACE

PepsiCo's worldwide businesses operate in highly competitive markets that are subject to both global and local economic conditions, including the effects of inflation, commodity price and currency fluctuations, governmental actions and political instability and its related dislocations. In addition to extensive market and product diversification, PepsiCo's operating and investing strategies are designed, where possible, to mitigate these factors through focused actions on several fronts, including: (a) enhancing the appeal and value of its products through brand promotion, product innovation, quality improvement and prudent pricing actions; (b) providing excellent service to customers; (c) increasing worldwide availability of its products; (d) acquiring businesses and forming alliances to increase market presence and utilize resources more efficiently; and (e) containing costs through efficient and effective purchasing, manufacturing, distribution and administrative processes.

In 1995, international businesses represented 29% of PepsiCo's net sales and 18% of operating profit excluding the initial, noncash charge upon adoption of Statement of Financial Accounting Standards No. 121 (SFAS 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," (see Accounting Changes below). Management believes that these percentages will increase in the future as PepsiCo continues to invest internationally to take advantage of market opportunities. It is therefore important to consider that movements in currency exchange rates not only result in a related translation impact on PepsiCo's earnings, but also, and probably more importantly, can result in significant economic impacts that affect operating results as well. Changes in exchange rates are often linked to variability in real growth, inflation, interest rates, governmental actions and other factors. In addition, material changes generally cause PepsiCo to adjust its financing, investing and operating strategies; for example, promotions and product strategies, pricing and decisions concerning capital spending, sourcing of raw materials and packaging (see discussion on Mexico below). The following paragraphs describe the effect of currency exchange rate movements on PepsiCo's reported results.

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. With the exception of Mexico in 1995, sales and operating profit growth rates for our combined international businesses were not materially impacted by the translation effects of changes in currency exchange rates in the last three years. Material effects on comparability of sales and operating profit arising from translation are identified in Management's Analysis of operating results. By definition, these translation effects exclude the impact of businesses in highly inflationary countries, where the accounting functional currency is the U.S. dollar.

Changes in currency exchange rates also result in reported foreign exchange gains and losses, which are included as a component of selling, general and administrative expenses. PepsiCo reported a net foreign exchange loss of $6 million in 1995 compared to a net foreign exchange gain of $4 million in 1994 and a net foreign exchange loss of $41 million in 1993. These reported amounts include translation gains and losses arising from remeasurement into U.S. dollars of the monetary assets and liabilities of businesses in highly inflationary countries as well as transaction gains and losses. Transaction gains and losses arise from monetary assets such as receivables and short-term interest-bearing investments as well as payables (including debt) denominated in currencies other than a business unit's functional currency. In implementing strategies to minimize net after-tax financing costs, the effects of anticipated currency exchange rate movements on debt and short-term investments are considered together with related interest rates.

In 1995, Mexico was an extreme example of how movements in currency exchange rates impact operating results. In Mexico, PepsiCo's largest international market in 1994, operations were adversely impacted by the effects of the approximately 50% devaluation of the Mexican peso which triggered an extremely high level of inflation. Consumer demand shrank dramatically for most goods and services in response to declining real incomes and increased unemployment. Price increases taken to offset rising operating and product costs further dampened weak consumer demand. Actions taken by PepsiCo to mitigate these adverse effects, such as introducing various volume building programs to stimulate demand and reducing costs and capital spending, resulted in only a modest decline in local currency segment operating profit for Mexico. However, on a U.S. dollar basis, combined segment operating profit and identifiable assets in Mexico declined dramatically, reflecting the unfavorable translation effect of the much weaker peso in 1995.

The following estimated decline in net income and net income per share for PepsiCo's operations in Mexico reflected the decrease in Mexico's combined segment operating profit (see each industry segment discussion for the impact by segment) and PepsiCo's equity share of the increased net losses of our unconsolidated affiliates in Mexico:

($ in millions except per share amounts)	1995	1994	Year-Over-Year Decline Reported	Ongoing*
Net sales	$1,228	$2,023	(39%)	(39%)
Operating profit	$ 80	$ 261	(69%)	(61%)
Operating profit margin	7%	13%	(6 points)	(5 points)
% of total international segment operating profit	18%	42%	(24 points)	(26 points)
% of total segment operating profit	3%	8%	(5 points)	(5 points)
Net income	$ 55	$ 175	(69%)	(57%)
Net income per share	$ 0.07	$ 0.22	(68%)	(55%)
Identifiable assets	$ 637	$ 995	(36%)	(34%)

* Excluded Mexico's portion of the 1995 initial, noncash charge upon adoption of SFAS 121 of $21 million ($21 million after-tax or $0.03 per share) (see below).

All amounts for Mexico presented above and, unless otherwise noted, in Management's Analysis of Industry Segments included an allocation of the international divisions' headquarters expenses, but excluded any allocation of PepsiCo's corporate expenses and financing costs.

CERTAIN FACTORS AFFECTING COMPARABILITY

ACCOUNTING CHANGES

PepsiCo's financial statements reflect the noncash impact of accounting changes adopted in 1995 and 1994. PepsiCo early adopted SFAS 121 as of the beginning of the fourth quarter of 1995. The initial, noncash charge upon adoption of SFAS 121 was $520 million ($384 million after-tax or $0.48 per share), which included $68 million ($49 million after-tax or $0.06 per share) related to restaurants for which closure decisions were made during the fourth quarter. As a result of the reduced carrying amount of certain of PepsiCo's long-lived assets to be held and used in the business, depreciation and amortization expense for the fourth quarter of 1995 was reduced by $21 million ($15 million after-tax or $0.02 per share) and full-year 1996 depreciation and amortization expense is expected to be reduced by approximately $58 million ($39 million after-tax or $0.05 per share). As the initial charge was based upon estimated cash flow forecasts requiring considerable management judgment, actual results could vary significantly from these estimates.Therefore, future charges, though not of the magnitude of the initial charge, are reasonably possible although not currently estimable. See Note 2. See Management's Analysis - Restaurants on page 33 for a discussion of other possible future effects related to this change in accounting.

In 1994, PepsiCoadopted Statement of Financial Accounting Standards No. 112 (SFAS 112), "Employers' Accounting for Postemployment Benefits." The cumulative effect of adopting SFAS 112, an $84 million charge ($55 million after-tax or $0.07 per share), principally represented estimated future severance costs related to services provided by employees prior to 1994. As compared to the previous accounting method, the ongoing impact of adopting SFAS 112 was immaterial to 1994 operating profit. See Note 14.

Also in 1994, PepsiCo adopted a preferred 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. The cumulative effect of adopting this change, which related to years prior to 1994, was a benefit of $38 million ($23 million after-tax or $0.03 per share). As compared to the previous accounting method, the change reduced 1994 pension expense by $35 million ($22 million after-tax or $0.03 per share). See Note 13.

RESTAURANT SEGMENT

In addition to reporting U.S. and international results, PepsiCo has historically provided detailed information and Management's Analysis of operating results for each of its three major restaurant concepts (which included the results of other small U.S. concepts managed by Taco Bell and Pizza Hut) on a worldwide basis. Beginning with the fourth quarter of 1995, PepsiCo has changed the presentation of the restaurant information to more closely reflect how we currently manage the business. Detailed information and Management's Analysis of operating results are now provided for each of PepsiCo's three major U.S. concepts (including the results of the other small U.S. concepts managed by Taco Bell and Pizza Hut) and in total for the international operations of our restaurant concepts. Prior year amounts in Note 19 and Management's Analysis - Restaurants have been restated to reflect this change.

As discussed in Management's Analysis - Restaurants on page 33, we began to take actions in 1995 to improve restaurant returns, in part, by selling restaurants to franchisees. In addition, we have more aggressively closed stores that do not meet our performance expectations. As a result, restaurant operating profit included a net gain of $51 million in 1995 from sales of restaurants to franchisees in excess of the costs of closing other restaurants. This compares to $10 million of costs in 1994 to close stores. Management expects these kinds of actions to continue over the next few years as we implement our strategies to improve restaurant returns.

OTHER FACTORS

Comparisons of 1995 to 1994 are affected by an additional week of results in the 1994 reporting period. Because PepsiCo's fiscal year ends on the last Saturday in December, a fifty-third week is added every 5 or 6 years. The fifty-third week increased 1994 net sales by an estimated $434 million and earnings by an estimated $54 million ($35 million after-tax or $0.04 per share). See Items Affecting Comparability - Fiscal Year in Note 19 for the impact on each of PepsiCo's industry segments.

In 1994, PepsiCo recorded a onetime, noncash gain of $18 million ($17 million after-tax or $0.02 per share) resulting from a public share offering by BAESA, an unconsolidated franchised bottling affiliate in South America. See Note 16.

Although it will not affect comparison of full-year operating results, international beverages' 1996 quarterly results will not be comparable to 1995's results because its 1996 quarterly reporting will be changed for all international countries except Canada. Due to the increase in company-owned bottling operations, in combination with the requirements that calendar year results generally need to be maintained internationally for statutory purposes, international beverages has elected to simplify its administrative processes by reporting results on a monthly basis. Beginning in 1996, the first through the fourth quarters will include two, three, three and four months, respectively. The comparable quarters in 1995 included twelve, twelve, twelve and sixteen weeks, respectively.

SIGNIFICANT U.S. TAX CHANGES AFFECTING HISTORICAL AND FUTURE RESULTS

U.S. Federal income tax legislation enacted in August 1993 included a provision for a 1% statutory income tax rate increase effective for the full year. As required under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," the increase in the tax rate resulted in a noncash charge of $30 million ($0.04 per share) for the adjustment of net deferred tax liabilities as of the beginning of 1993. The 1993 legislation also included a provision to reduce the tax credit associated with beverage concentrate operations in Puerto Rico. In the first year of this change, the tax credit on income earned in Puerto Rico was limited to 60% of the amount allowed under the previous tax law, with the limit further reduced ratably over the following four years to 40%. The provision, which became effective for PepsiCo's operations on December 1, 1994, had an immaterial impact on 1994 earnings. The provision reduced 1995 earnings by approximately $58 million or $0.07 per share.

In 1994, the U.S. Department of the Treasury proposed a change to a current regulation (known as Q&A 12), which would further reduce the tax incentives associated with beverage concentrate operations in Puerto Rico. If it had been adopted as proposed in 1994, the change would have become effective for PepsiCo on December 1, 1994 with an immaterial impact on 1994 earnings. Had the currently proposed Q&A 12 been in effect at the beginning of 1995, earnings for the year would have been reduced by an estimated $44 million, or $0.05 per share, and the 1995 full-year effective tax rate would have increased 1.8 points.

Assuming retroactivity to December 1, 1994 and assuming 1996 profitability levels comparable to 1995, enactment of the proposed change to Q&A 12 in 1996 would increase PepsiCo's 1996 full-year effective tax rate by about 3.7 points. Slightly more than half of the potential increase is due to the retroactive application of the change to Q&A 12 to years prior to 1996 with the balance attributable to 1996 earnings. The estimated impacts and the proposed retroactive effective date to December 1, 1994 are subject to change depending upon the final provisions of Q&A 12, if enacted, and the actual level of profitability in 1996.

Under generally accepted accounting principles, the unfavorable effect of the proposed change in Q&A 12 cannot be included in PepsiCo's effective tax rate until it is enacted. Due to its proposed retroactivity, the amount related to the periods prior to its enactment date will be recognized in full in the quarter it is enacted. This, along with PepsiCo's policy to recognize settlement of prior year audit issues at the time they are resolved, may result in volatility in PepsiCo's 1996 quarterly effective tax rates due to the timing of these events, as well as other factors.

DERIVATIVES

PepsiCo's policy prohibits the use of derivative instruments for trading purposes and we have procedures in place to monitor and control their use.

PepsiCo uses interest rate and foreign currency swaps to effectively change the interest rate and currency of specific debt issuances with the objective of reducing borrowing costs. These swaps are generally entered into concurrently with the issuance of the debt they are intended to modify. The notional amount, interest payment dates and maturity dates of the swaps match the principal, interest payment dates and maturity dates of the related debt. Accordingly, any market impact (risk or opportunity) associated with these swaps is fully offset by the opposite market impact on the related debt. PepsiCo's credit risk related to interest rate and currency swaps is considered low because they are only entered into with strong creditworthy counterparties, are generally settled on a net basis and are of relatively short duration. See Notes 7, 8 and 9 for additional details regarding interest rate and currency swaps.

In 1995, PepsiCo issued a seven-year put option in connection with the formation of a joint venture with the principal shareholder of GEMEX, an unconsolidated franchised bottling affiliate in Mexico. The put option allows the principal shareholder to sell up to 150 million GEMEX shares to PepsiCo at 66 2/3 cents per share. PepsiCo accounts for this put option by marking it to market with gains or losses recognized currently as an adjustment to equity in net income of unconsolidated affiliates, which is included in selling, general and administrative expenses in the Consolidated Statement of Income. The put option liability, which was valued at $26 million at the date of the original transaction, increased to $30 million by year-end, resulting in a $4 million charge to earnings. See Notes 7, 9 and 17.

PepsiCo hedges commodity purchases with futures contracts traded on national exchanges. While such hedging activity has historically been done on a limited basis, PepsiCo could increase its hedging activity in the future if it believes it would result in lower total costs. Open contracts at year-end 1995 and 1994 and gains and losses realized in 1995 and 1994 or deferred at the respective year-ends were not significant.

FORWARD-LOOKING STATEMENTS

Included from time to time in statements by PepsiCo's senior executives and in Management's Analysis beginning on page 11 are certain forward-looking statements reflecting management's current expectations. Uncertainties that could impact those forward-looking statements are described in Management's Analysis - Worldwide Marketplace on page 11. In addition, forward-looking statements related to future earnings growth contemplate double-digit combined segment operating profit growth and the ability, for the next several years, to generate significant gains from the sale of our restaurants to franchisees in excess of costs of closing restaurants and impairment charges, but do not consider the retroactive impact of the proposed change to Q&A 12 discussed above.

RESULTS OF OPERATIONS

CONSOLIDATED REVIEW

To improve comparability, Management's Analysis identifies the impact, where significant, of beverage and snack food acquisitions, net of operations sold or contributed to joint ventures (collectively, "net acquisitions"). The impact of acquisitions represents the results of the acquired businesses for periods in the current year corresponding to the prior year periods that did not include the results of the businesses. Restaurant units acquired, principally from franchisees, and constructed units are treated the same for purposes of this analysis. These units, net of units closed or sold, principally to franchisees, are collectively referred to as "additional restaurant units."

NET SALES

($ in millions)				% Growth Rates	
	1995	1994	1993	1995	1994
U.S.	$21,674	$20,246	$18,309	7	11
International	8,747	8,226	6,712	6	23
	$30,421	$28,472	$25,021	7	14

Worldwide net sales rose $1.9 billion or 7% in 1995. The fifty-third week in 1994 reduced the worldwide, U.S. and international net sales growth by approximately 2 points each. The sales growth benefited from higher effective net pricing, volume gains of $934 million, driven by worldwide snack foods and beverages, and $623 million due to additional restaurant units. The higher effective net pricing reflected increases in international snack foods, driven by Mexico, and U.S. beverages, primarily in response to significantly higher prices for packaging. These benefits were partially offset by the unfavorable currency translation impact of the devaluation of the Mexican peso on international snack foods. Worldwide net sales grew $3.5 billion or 14% in 1994. The fifty-third week favorably affected worldwide, U.S. and international sales growth by about 2 points each. The increase reflected volume gains of $2.2 billion, $934 million due to additional restaurant units and $215 million contributed by net acquisitions.

International net sales grew 6% in 1995 and 23% in 1994 with net acquisitions contributing 1 point in both years. International net sales represented 29%, 29% and 27% of total net sales in 1995, 1994 and 1993, respectively. The unfavorable impact of the devaluation of the Mexican peso beginning in late 1994 through 1995, and its related effects, slowed PepsiCo's trend of an increasing international component of net sales.

COST OF SALES

($ in millions)	1995	1994	1993
Cost of sales	$14,886	$13,715	$11,946
As a percent of net sales	48.9%	48.2%	47.7%

The .7 point increase in 1995 was primarily due to worldwide beverages and international snack foods. The increase in worldwide beverages reflected higher packaging prices in the U.S., the effects of which were partially mitigated by increased pricing, and an unfavorable mix shift in international sales from concentrate to packaged products. The international snack foods increase was due to the effect of increased costs, primarily in Mexico, which were partially mitigated by price increases. The .5 point increase in 1994 reflected an unfavorable mix shift in international beverages, from concentrate to packaged products, and in worldwide restaurants, as well as lower net pricing in U.S. beverages. These unfavorable effects were partially offset by a favorable package and product mix shift in international snack foods and manufacturing efficiencies in U.S. snack foods.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (S,G&A)

($ in millions)	1995	1994	1993
SG&A	$11,712	$11,244	$9,864
As a percent of net sales	38.5%	39.5%	39.4%

SG&A is comprised of selling and distribution expenses (S&D), advertising and marketing expenses (A&M), and general and administrative expenses (G&A) which include gains on sales of assets as well as other income and expense. SG&A grew 4% to $11.7 billion in 1995, slower than sales, and 14% to $11.2 billion in 1994, the same rate as sales. In 1995, A&M grew at a substantially slower rate than sales reflecting a slower rate of spending in worldwide beverages and U.S. restaurants. G&A also grew at a substantially slower rate than sales, driven by worldwide beverages and U.S. restaurants. Worldwide beverages benefited from international cost containment initiatives, a gain on sale of an international bottling plant, savings in U.S. beverages from a 1994 reorganization as well as benefits of increased pricing in U.S. beverages. U.S. restaurants benefited from a net gain on sales of restaurants in excess of costs of closing other restaurants. S&D grew at a slightly slower rate than sales, in part reflecting the benefits of increased pricing in U.S. beverages and a slower rate of spending in international snack foods.

AMORTIZATION OF INTANGIBLE ASSETS increased 1% to $316 million in 1995 and 3% to $312 million in 1994. This noncash expense reduced net income per share by $0.30, $0.29 and $0.28 in 1995, 1994 and 1993, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS reflected the initial, noncash charge of $520 million ($384 million after-tax or $0.48 per share) upon adoption of SFAS 121. See Note 2.

OPERATING PROFIT

($ in millions)	1995	1994	1993	% Growth Rates 1995	% Growth Rates 1994
Operating Profit					
Reported	$2,987	$3,201	$2,907	(7)	10
Ongoing*	$3,507	$3,201	$2,907	10	10

* 1995 excluded the initial, noncash charge upon adoption of SFAS 121. See Note 2.

Reported operating profit declined $214 million or 7% in 1995. Ongoing operating profit increased $306 million or 10% in 1995. The fifty-third week in 1994 reduced the operating profit growth by approximately 2 points. The profit growth was driven by combined segment ongoing operating profit growth of 11%, which benefited from volume growth of $283 million ($430 million excluding the impact of the fifty-third week), driven by U.S. snack foods and worldwide beverages, and $76 million due to additional restaurant units. These advances were partially offset by net unfavorable currency translation impacts, primarily from Mexico. The benefit of higher effective net pricing for all segments combined was almost entirely offset by increased product and operating costs, primarily in Mexico, and higher packaging prices in the U.S. The ongoing profit margin increased slightly to 11.5% in 1995. Operating profit increased $294 million or 10% in 1994. The fifty-third week increased the operating profit growth by approximately 2 points. The profit growth was driven by combined segment operating profit growth of 8%, which reflected $850 million from higher volumes ($703 million excluding the impact of the fifty-third week) and $73 million from additional restaurant units, partially offset by higher operating expenses. The profit margin decreased almost one-half point to 11.2% in 1994.

International segment ongoing profit grew 4% in 1995, a slower rate than sales growth, which reflected the adverse effects of the Mexican peso devaluation, particularly in snack foods, partially offset by very strong restaurant performance. International segment ongoing profit represented 18%, 19% and 18% of combined segment ongoing operating profit in 1995, 1994 and 1993, respectively.

GAIN ON STOCK OFFERING BY AN UNCONSOLIDATED AFFILIATE of $18 million ($17 million after-tax or $0.02 per share) in 1994 related to the public share offering by BAESA, an unconsolidated franchised bottling affiliate in South America. See Note 16.

INTEREST EXPENSE, NET

($ in millions)

	1995	1994	1993	% Growth Rates 1995	% Growth Rates 1994
Interest expense	$(682)	$(645)	$(573)	6	13
Interest income	127	90	89	41	1
Interest expense, net	$(555)	$(555)	$(484)	-	15

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Interest expense, net in 1995 was even with 1994, reflecting the net impact of higher average interest rates offset by lower average borrowings. The 15% increase in 1994 reflected higher average borrowings, partially offset by higher interest rates on investment balances. Excluding the impact of net acquisitions, interest expense, net decreased 3% in 1995 and increased 10% in 1994.

PROVISION FOR INCOME TAXES

($ in millions)

	1995	1994	1993
Reported			
Provision for Income Taxes	$826	$880	$835
Effective Tax Rate	34.0%	33.0%	34.5%
Ongoing*			
Provision for Income Taxes	$962	$880	$809
Effective Tax Rate	32.6%	33.0%	33.3%

* Excluded the effects of the initial, noncash charge upon adoption of SFAS 121 in 1995 (see Note 2) and the deferred tax charge due to the U.S. tax legislation in 1993 (see Note 11).

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The 1995 reported effective tax rate increased 1 point to 34.0%. The 1995 ongoing effective tax rate declined slightly, reflecting a reversal of prior year accruals no longer required and tax refunds, both a result of the current year resolution of certain prior years' audit issues. These benefits were partially offset by a higher foreign effective tax rate, primarily due to a provision in the 1993 U.S. tax legislation that reduced the tax credit associated with beverage concentrate operations in Puerto Rico and became effective for PepsiCo on December 1, 1994 (see Management's Analysis Significant U.S. Tax Changes Affecting Historical and Future Results on page 15), and a decrease in the proportion of income taxed at lower foreign rates. The 1994 reported effective tax rate declined 1 1/2 points to 33.0%. The slight decline in the ongoing effective tax rate in 1994 reflected a reversal of certain valuation allowances related to deferred tax assets and an increase in the proportion of income taxed at lower foreign rates offset by the absence of a favorable adjustment in 1993 of certain prior years' foreign accruals.

INCOME AND INCOME PER SHARE BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES

($ in millions except per share amounts)				% Growth Rates	
	1995	1994	1993	1995	1994
Reported					
Income	$1,606	$1,784	$1,588	(10)	12
Income Per Share	$ 2.00	$ 2.22	$ 1.96	(10)	13
Ongoing*					
Income	$1,990	$1,767	$1,618	13	9
Income Per Share	$ 2.48	$ 2.20	$ 2.00	13	10

* Excluded the initial, noncash charge upon adoption of SFAS 121 in 1995 (see Note 2), the 1994 BAESA gain (see Note 16) and the deferred tax charge due to the U.S. tax legislation in 1993 (see Note 11).

Growth in ongoing income per share was depressed by estimated dilution from acquisitions of $0.04 or 2 points in 1995 and $0.03 or 2 points in 1994, primarily due to international beverage acquisitions and investments in new unconsolidated affiliates in both years.

INDUSTRY SEGMENTS

BEVERAGES

($ in millions)	1995	1994	1993	% Growth Rates 1995	% Growth Rates 1994
Net Sales					
U.S.	$ 6,977	$6,541	$5,918	7	11
International	3,571	3,146	2,720	14	16
	$10,548	$9,687	$8,638	9	12
Operating Profit					
Reported:					
U.S.	$ 1,145	$1,022	$ 937	12	9
International	164	195	172	(16)	13
	$ 1,309	$1,217	$1,109	8	10
Ongoing:*					
U.S.	$ 1,145	$1,022	$ 937	12	9
International	226	195	172	16	13
	$ 1,371	$1,217	$1,109	13	10

* 1995 excluded the initial, noncash charge upon adoption of SFAS 121. See Notes 2 and 19.

[Note: Unless otherwise noted, operating profit comparisons within the 1995 vs. 1994 discussion are based on ongoing operating profit. Net sales and operating profit comparisons within the following discussions include the impact of the fifty-third week in 1994 (see Note 19). System bottler case sales of Pepsi Corporate brands (BCS) were not impacted by the fifty-third week because they are measured on a calendar year basis.]

1995 vs. 1994

Worldwide net sales increased $861 million or 9%. The fifty-third week in 1994 reduced the worldwide net sales growth by approximately 1 point. Comparisons are also affected by the start-up of international company-owned bottling and distribution operations within the past twelve months ("start-up operations") and acquisitions, principally international, as well as the absence of certain small operations sold or contributed to joint ventures (collectively, "net acquisitions"). The start-up operations and net acquisitions contributed $93 million and $56 million, respectively, or 2 points on a combined basis to the sales growth.

Reported worldwide operating profit increased $92 million or 8%. Excluding the initial charge upon adoption of SFAS 121, which for beverages only affected our operations in Germany, operating profit increased $154 million or 13%. The fifty-third week in 1994 reduced ongoing worldwide operating profit growth by approximately 1 point.

Sales in the U.S. rose $436 million or 7%. The fifty-third week in 1994 reduced the sales growth by approximately 2 points. The sales growth reflected higher pricing on most carbonated soft drink (CSD) packages, primarily in response to significantly higher prices for packaging. Sales growth also benefited from increased volume which contributed $107 million.

BCS consists of sales of packaged products to retailers and through vending machines and fountain syrup by company-owned and franchised bottlers. BCS in the U.S. increased 4%, reflecting double-digit growth in the Mountain Dew brand and solid increases in Brand Pepsi. BCS growth also benefited from increased sales of Mug brand root beer. Total alternative beverages, which include Lipton brand ready-to-drink tea, All Sport and Ocean Spray Lemonade products, grew at a strong double-digit rate, reflecting growth in Lipton brand tea and All Sport, partially offset by significant declines in Ocean Spray Lemonade products, albeit on a small base. The growth in Lipton, which represents approximately 80% of our alternative beverages BCS, was due to volume gains from Lipton Brisk and fountain syrup which more than offset lower volume of the premium-priced Lipton Original. Excluding the alternative beverages, BCS growth was 3%. Packaged products BCS grew at a faster rate than fountain syrup.

Profit in the U.S. increased $123 million or 12%. The fifty-third week in 1994 reduced the operating profit growth by approximately 1 point. Profit growth reflected the higher pricing on CSD packages and concentrate which exceeded the increased product costs, primarily for packaging. Volume gains, driven by packaged products, contributed $52 million ($107 million excluding the impact of the fifty-third week) to the profit growth. Administrative expenses declined, reflecting savings from a 1994 consolidation of headquarters and field operations. Selling and distribution expenses grew at a slower rate than sales, in part reflecting the benefits of increased pricing, partially offset by the effects of a 6-week strike in California that ended in August. Advertising and marketing expenses increased modestly. Profit growth was aided by favorable results from alternative beverages due to higher profit from Lipton. Profit growth was dampened by the absence of 1994 gains totaling $9 million resulting from sales of bottling businesses. The profit margin increased nearly 1 point to 16.4%.

In 1995, U.S. beverages continued to execute actions related to the previously disclosed 1992 restructuring. Benefits in 1995 were offset by incremental costs associated with the continued development and implementation of the restructuring actions. The amount and timing of currently projected benefits are consistent with the revised projections as noted below in the 1994 vs. 1993 discussion.

International sales rose $425 million or 14%. The sales growth was not affected by the fifty-third week in 1994. Start-up operations, principally in Eastern Europe, and net acquisitions, consisting primarily of franchised and independent bottling operations in Asia, contributed $93 million and $44 million, respectively, or 5 points to the sales growth on a combined basis. Sales growth benefited from volume advances of $194 million, reflecting increased volume of packaged product sales and concentrate shipments to franchised bottlers, particularly in markets where we are investing heavily because we believe they have high growth potential (Growth Markets). Growth Markets primarily include Brazil, China, Eastern Europe and India. Sales growth was also aided by higher effective net prices on concentrate and packaged products due, in part, to product, package and country mix. Unfavorable currency translation impacts, primarily due to a weaker Mexican peso, were substantially offset by favorable currency translation impacts, primarily reflecting the strength of the Japanese yen and Western European currencies.

International BCS grew 8%. This advance reflected broad-based growth led by Growth Markets which, on a combined basis, grew about 50%. Each of the countries in our Growth Markets had strong double-digit growth, led by near triple-digit growth in Brazil and strong gains in China and India. The international BCS growth also reflected double-digit growth in Thailand, Venezuela, Turkey and Pakistan, as well as advances in Saudi Arabia, Spain and the U.K. These advances were partially offset by declines in Mexico, our largest international BCS market, and Argentina, primarily reflecting adverse economic conditions in these countries.

Reported international profit decreased $31 million or 16%. Ongoing operating profit increased $31 million or 16%. The fifty-third week in 1994 reduced the ongoing operating profit growth by approximately 2 points. The net acquisitions and start-up operations reduced profit by $8 million and $3 million, respectively, or 6 points on a combined basis. Profit growth benefited from the higher effective net prices on concentrate and packaged products and increased volume, primarily concentrate, of $52 million. These benefits were partially offset by net unfavorable currency translation impacts, principally due to the devaluation of the Mexican peso, and higher field operating costs and headquarters administrative expenses, reflecting normal increases and costs to support expansion. Profit growth was aided by an $8 million gain on the sale of a bottling plant in Greece.

Following is a discussion of international results by key geographic market. Ongoing profit growth reflected a significant net reduction in losses from the Growth Markets, led by increased profit in Brazil and reduced losses in India, the Czech Republic and Poland. Profit growth was also aided by increased volume and higher effective net prices in Saudi Arabia and the U.K. Our largest international sales markets are Canada, Japan and Spain, which have sizable company-owned bottling operations. Double-digit profit growth in Canada benefited from cost reduction initiatives, while strong double-digit profit growth in Japan was led by increased volume, favorable currency translation impacts and lower operating costs, partially offset by lower effective net prices. Profit in Spain was slightly lower, reflecting a higher level of promotional activity which was only partially offset by increased volume. These net gains were partially offset by significantly lower profits in Mexico and Argentina, primarily reflecting the adverse economic conditions in those countries. The ongoing operating profit margin was essentially unchanged at 6.3%.

As discussed on pages 12 and 13, results in Mexico have been adversely impacted by economic difficulties resulting from the significant devaluation of the Mexican peso. Net sales in Mexico declined 37%, while operating profit declined $32 million or 73% to $12 million. Mexico represented approximately 5% and 23% of 1995 and 1994 international beverage segment ongoing operating profit, respectively.

1994 vs. 1993

Worldwide net sales increased $1.0 billion or 12%. The fifty-third week contributed approximately 1 point to the worldwide net sales growth. International start-up operations and net acquisitions, principally in the U.S., contributed $73 million and $161 million, respectively, or 3 points on a combined basis to worldwide sales growth.

Worldwide operating profit increased $108 million or 10%. The fifty-third week enhanced the profit growth by approximately 2 points. International start-up operations reduced operating profit by $19 million or 2 points, while net acquisitions had no impact on profit growth.

Sales in the U.S rose $623 million or 11%. The fifty-third week aided the sales growth by approximately 2 points. Net acquisitions contributed $158 million or 3 points to sales growth. Volume growth contributed $510 million, driven by CSD packaged products. This benefit, combined with a mix shift to the higher-priced alternative beverage packaged products and higher concentrate and fountain syrup pricing, was partially offset by lower net pricing to retailers and a mix shift to The Cube, our value-priced 24-pack. The lower net pricing reflected increased price discounts and promotional allowances for CSD, in response to private label competition, and Lipton brand tea. See Note 1 for discussion concerning classification of promotional price allowances.

BCS in the U.S. increased 6%, reflecting strong double-digit growth in the Mountain Dew brand and solid gains in Brand Pepsi. BCS growth also benefited by strong double-digit growth in Lipton brand tea and gains in the Diet Pepsi brand. These advances, combined with the national distribution of All Sport and Ocean Spray Lemonade in 1994 and gains in the Slice brands, were partially offset by significant declines in the Crystal Pepsi brands. Alternative beverages contributed 2 points to the BCS growth. BCS of fountain syrup grew at a slower rate than packaged products.

Profit in the U.S. increased $85 million or 9%. The fifty-third week enhanced the profit growth by approximately 1 point. Volume gains, driven by packaged products, contributed $305 million ($250 million excluding the impact of the fifty-third week) to profit growth. This benefit, combined with the higher concentrate and fountain syrup pricing, was partially offset by higher operating expenses, the lower net pricing to retailers, the mix shift to The Cube and increased product costs. Selling and distribution expenses grew at a faster rate than sales, driven by higher volume-driven labor costs. Advertising and marketing costs grew at a slower rate than sales. Administrative expenses declined modestly, reflecting savings from a 1994 consolidation of headquarters and field operations and a reduction in the scope of the 1992 restructuring actions, both discussed below. These benefits were largely offset by normal increases in administrative expenses. The increased product costs reflected the mix shift to the higher cost alternative beverages and higher ingredient prices, partially offset by lower packaging prices. Alternative beverages, driven by Lipton brand tea, aided the profit growth. The profit margin declined slightly to 15.6%.

In the third quarter of 1994, U.S. beverages reversed into income $24 million of a $115 million restructuring accrual established in 1992 and, in the third and fourth quarters, recorded additional charges totaling $22 million, primarily reflecting management's decision to further consolidate headquarters and field operations. The 1994 charges cover severance costs associated with employee terminations and relocation costs for employees who, in 1994, accepted offers to relocate. The 1992 charge arose from an organizational restructuring designed to improve customer focus by realigning resources consistent with Pepsi-Cola's "Right Side Up" operating philosophy, as well as a redesign of key administrative and business processes. The charge included provisions for costs associated with redeployed and displaced employees, the redesign of core processes and office closures.

The $24 million reversal reflects both refinements of the estimates originally used to establish the accrual, principally for costs associated with displaced employees, and management's decision to reduce the scope of the restructuring. The organizational restructuring was completed in 1992. The nationwide implementation of several of the anticipated administrative and business process redesigns has been completed, with the balance of the redesigns projected to be completed over the next three years.

The benefits of the restructuring activities, when fully implemented, were originally projected to be approximately $105 million annually, based on reduced employee and facility costs. The current projection of annual benefits from these sources has decreased to approximately $40 million reflecting, in part, the reduced scope of the restructuring. While difficult to measure, in 1994 U.S. beverages estimated other sources of benefits from the restructuring of approximately $90 million annually, based on centralization of purchasing activities and incremental volume and pricing from improvements in administrative and business processes. These additional sources of benefits, although identified when the 1992 restructuring accrual was established, were not included in the projected annual benefits due to significant uncertainties and difficulties in quantifying the amounts, if any, of such benefits. Due to delays in implementing some of the restructuring actions, full realization of the expected benefits also has been delayed. Benefits in 1994 were offset by incremental costs associated with the continued development and implementation of the restructuring actions. This offset is expected to continue into 1995. Net benefits are expected to begin in 1996 and to increase annually until fully realized in 1998. All benefits derived from the restructuring actions will be reinvested in the business to strengthen our competitive position.

International sales rose $426 million or 16%. The fifty-third week enhanced the sales growth by approximately 1 point. This growth reflected higher volume of $300 million, the start-up of company-owned bottling and distribution operations, principally in Eastern Europe, and the first year of sales of Stolichnaya vodka under the 1994 appointment of an affiliate of Grand Metropolitan as the exclusive U.S. and Canadian distributor. Higher concentrate pricing was offset by an unfavorable currency translation impact and lower net pricing on packaged products. The unfavorable currency translation impact reflected a weaker Canadian dollar, Spanish peseta and Mexican peso, partially offset by a stronger Japanese yen.

International case sales increased 9%, reflecting strong double-digit growth in Asia, led by China and India, and solid advances in Latin America, as growth in Mexico more than offset declines in Venezuela. Latin America and Mexico represent our largest international BCS region and country, respectively. Double-digit advances in Eastern Europe and the Middle East, combined with single-digit growth in Western Europe and Canada, were partially offset by declines in Africa. Pepsi Max, a new low-calorie cola, aided BCS growth.

International profit increased $23 million or 13%. The fifty-third week enhanced the profit growth by approximately 2 points. Net acquisitions reduced profit by $9 million or 5 points. The increased profit reflected volume growth of $75 million, led by concentrate shipments. This benefit, combined with a decline in advertising and marketing expenses not attributed to volume growth, was partially offset by increased field and headquarters administrative expenses, start-up losses, principally in Eastern Europe, and an unfavorable currency translation impact, primarily from the Mexican peso and the Canadian dollar. The increased administrative expenses reflected costs to support expansion in Growth Markets. The higher concentrate pricing was partially offset by a decline in finished product sales to franchised bottlers, principally in Japan, and the lower net pricing on packaged products. Increased profit from the first year of sales of Stolichnaya, under the 1994 appointment of an affiliate of Grand Metropolitan as the exclusive U.S. and Canadian distributor, aided profit growth. The new Pepsi Max product significantly contributed to profit growth. Profit increased in Latin America, led by Mexico, and in Western Europe, reflecting significantly reduced losses in Germany. Profit also grew in Asia, reflecting advances in Japan. The profit growth was restrained by start-up losses in Eastern Europe and declines in Canada, reflecting private label competition. The profit margin remained relatively unchanged at 6.2%.

The 1992 restructuring actions to streamline the acquired Spanish franchised bottling operation were substantially completed in 1994. These actions have resulted in total savings approximating $15 million in 1994, with total annual savings expected to grow to about $20 million in 1995, consistent with our original projection. These savings will continue to be reinvested in our businesses to strengthen our competitive position.

The significant devaluation of the Mexican peso in late 1994 and early 1995 did not materially impact 1994 international beverage operating profit. However, because Mexico, our largest profit country, represented approximately 23% of international beverage operating profit in 1994, the devaluation and its related effects were expected to have an unfavorable impact on 1995 operating profit. The operations in Mexico had begun to take actions to increase volume, enhance net pricing and reduce costs, including evaluating alternative sourcing of raw materials. Nonetheless, significant uncertainties remained in Mexico and, as a result, it was not possible to quantify the impact. International beverages had also begun to take actions in several other countries in 1995 to help mitigate the impact.

SNACK FOODS

($ in millions)	1995	1994	1993	% Growth Rates 1995	% Growth Rates 1994
Net Sales					
U.S.	$5,495	$5,011	$4,365	10	15
International	3,050	3,253	2,662	(6)	22
	$8,545	$8,264	$7,027	3	18
Operating Profit					
U.S.	$1,132	$1,025	$ 901	10	14
International	300	352	289	(15)	22
	$1,432	$1,377	$1,190	4	16

[Note: Net sales and operating profit comparisons within the following discussions include the impact of the fifty-third week in 1994 (see Note 19), while pound and kilo growth have been adjusted to exclude its impact.]

1995 vs. 1994

Worldwide net sales rose $281 million or 3%. Worldwide operating profit increased $55 million or 4%. The fifty-third week in 1994 reduced both worldwide net sales and operating profit growth by approximately 2 points.

Sales in the U.S. grew $484 million or 10%. The fifty-third week in 1994 reduced the sales growth by approximately 2 points. The sales increase reflected volume growth of $411 million and increased pricing across all major brands. The volume growth reflected gains in almost all major brands, led by our low-fat and no-fat snacks, which accounted for over 45% of the total sales growth. Volume growth was further aided by increased promotional price allowances and merchandising programs to retailers, which are reported as marketing expenses and therefore do not reduce reported sales. See Note 1 for further discussion concerning classification of promotional allowances.

Pound volume in the U.S. advanced 11%, reflecting exceptional performance from the low-fat and no-fat categories. These categories contributed over 45% of the total pound growth, driven by Rold Gold brand pretzels, Baked Tostitos brand tortilla chips, Tostitos brand salsa and Ruffles Light and Baked Lay's brand potato chips. Doritos brand tortilla chips, driven by new flavor extensions and packaging, had solid single-digit pound growth. Lay's brand potato chips and other Ruffles brand products grew single-digits, benefiting from new flavor extensions like Hidden Valley Ranch Wavy Lay's brand potato chips, Lay's and Ruffles KC Masterpiece Barbecue Flavor brand potato chips, French Onion Flavored Ruffles and Lay's Salsa & Cheese Flavored brand potato chips. Chee.tos brand cheese flavored snacks, fueled by fried Chee.tos, had single-digit growth, while Fritos brand corn chips declined slightly reflecting lower promotional spending.

Profit in the U.S. grew $107 million or 10%. The fifty-third week in 1994 reduced the profit growth by approximately 3 points. The low-fat and no-fat categories contributed about 40% of the total profit growth. The total profit increase reflected strong volume growth, which contributed $193 million ($244 million excluding the impact of the fifty-third week) and higher pricing that exceeded increased promotional price allowances and merchandising support. This growth was partially offset by increased operating costs, which were driven by higher selling, distribution and administrative expenses and increased investment in brand marketing to support and maintain strong volume momentum. The higher administrative expenses reflected investment spending to maintain volume growth and a competitive advantage, including new manufacturing and delivery systems, feasibility studies related to a joint venture arrangement with Sara Lee Bakery and a reorganization of field operations to improve customer service. The profit growth was also hampered by higher manufacturing costs, reflecting increased capacity costs and an unfavorable sales mix shift to lower-margin value-oriented packages. Increased carton and packaging prices were partially offset by favorable potato and oil prices. Although difficult to forecast, 1996 potato and oil prices are expected to remain about even with 1995, while prices of corn and potato flakes, used in Baked Lay's, are expected to increase. However, due to extreme weather conditions in recent years, potato prices have been less predictable. Carton and packaging prices in 1996 are expected to remain even with 1995. The profit margin remained about the same at 20.6%.

As discussed on pages 12 and 13, 1995 results in Mexico have been adversely impacted by economic difficulties resulting from the significant devaluation of the Mexican peso. This effect was particularly dramatic on international snack food results as Mexico represented approximately 64% of international snack food 1994 operating profit. Net sales in Mexico declined 39% in 1995, while operating profit declined $120 million or 53% to $106 million. As a result, Mexico represented only 35% of 1995 international snack food profit. Since the change in results of Mexico had such a distortive effect on international snack food results, net sales and operating profit discussions that follow exclude the effects of Mexico where noted. However, Sabritas and Gamesa, our operations in Mexico, are discussed separately below.

International sales decreased $203 million or 6%. Sweet snacks (primarily candy and cookies) accounted for approximately 25% of international snack food sales in 1995, compared to 30% in 1994. Excluding Mexico, international sales grew more than 25%; the fifty-third week in 1994 reduced the sales growth by approximately 2 points. This growth reflected increased volumes of $288 million, led by Brazil and the U.K. The sales growth also benefited from a favorable mix shift to higher-priced packages and products and acquisitions, which contributed $43 million.

International kilo growth is reported on a systemwide basis, which includes both consolidated businesses and joint ventures operating for at least one year. Salty snack kilos rose 9%, reflecting strong double-digit volume growth in Brazil, due to a more stable economy; the U.K., the Netherlands and Spain achieved double-digit growth fueled, in part, by in-bag promotions. These advances were partially offset by double-digit declines at Sabritas. Sweet snack kilos grew 12%, reflecting double-digit advances at Gamesa and in France, and single-digit advances at the Alegro sweet snack division (formerly Sonrics) of Sabritas.

International operating profit decreased $52 million or 15%. The fifty-third week in 1994 reduced the operating profit growth by approximately 1 point. Excluding Mexico, international operating profit increased $68 million or 54%; the fifty-third week in 1994 reduced the profit growth by approximately 1 point. This growth reflected the favorable mix shift to higher-priced packages and products and increased volumes of $48 million, partially offset by higher operating costs and increased administrative expenses. The increased operating costs reflected increased manufacturing costs due to higher commodity and packaging prices. The increased administrative costs reflected broad-based investment spending on regional business development initiatives and increased headquarters expenses. Including Mexico, the profit margin decreased 1 point to 9.8%.

The following discussions of profitability by key business exclude any allocation for division or corporate overhead.

Operating profit declined over 50% at Sabritas, reflecting an increase in operating costs, an unfavorable currency translation impact and lower volumes, partially offset by higher pricing. The increased operating costs reflected significantly higher manufacturing costs due to higher ingredient prices and wage rates, as well as increased selling and distribution expenses. Lower-margin sweet snack kilo volume from the Alegro division increased 7% despite lapping of a successful 1994 promotion. Although Sabritas maintained its high market share, higher-margin salty snack kilos declined almost 20% due, in part, to reduced demand, higher pricing and lapping strong volume gains in 1994 as a result of a successful in-bag promotion.

Gamesa's profit more than doubled, on a small base, despite the effects of the economic difficulties resulting from the devaluation of the Mexican peso, as higher pricing and increased volumes more than offset higher operating costs, the unfavorable currency translation impact and higher administrative costs. The increased operating costs primarily reflected higher manufacturing costs due to higher ingredient prices and wage rates, increased selling and distribution expenses, and higher advertising expenses. Sweet snack kilos grew 15%, driven by route expansion and successful promotions.

Walkers' profit grew 37%, driven by increased volume reflecting gains in the Walkers crisps brand as a result of successful in-bag promotions, and Doritos brand tortilla chips. Higher manufacturing costs, reflecting higher potato and packaging prices, were more than offset by favorable selling and distribution, administrative and advertising and marketing expenses. Increased sales of Doritos, introduced late in the second quarter of

1994, represented approximately 25% of the strong kilo growth in the U.K. Doritos generated a slight profit compared to a loss last year.

Brazil's profit more than doubled, on a small base, as increased volumes of core brands, reduced selling and distribution expenses and a favorable mix shift to higher-priced packages were partially offset by higher manufacturing costs, primarily potato prices. Brazil is operating at maximum capacity and therefore, investments are currently being made to expand production capacity to meet the strong consumer demand, due in part to the substantial improvement in the country's economy. These investments are expected to be completed early in the second quarter of 1996.

1994 vs. 1993

Worldwide net sales rose $1.2 billion or 18%. The fifty-third week contributed approximately 2 points to the worldwide net sales growth. Worldwide operating profits increased $187 million or 16%. The worldwide operating profit growth benefited from the fifty-third week by approximately 2 points.

Sales in the U.S. grew $646 million or 15%. The fifty-third week contributed about 2 points to the sales growth. The increase in sales reflected volume growth of $660 million. Volume gains reflected growth in most major brands and line extensions of existing products. Sales growth was further aided by increased promotional price allowances and marketing programs to retailers, which are reported as marketing expenses and therefore do not reduce reported sales. Higher gross pricing was offset by a sales mix shift to larger, value-oriented packages and products with lower gross prices.

Total U.S. pound volume advanced 13%. This performance was led by strong double-digit growth in Lay's brand potato chips, reflecting the successful promotion of Wavy Lay's brand potato chips and growth of Lay's KC Masterpiece Barbecue Flavor brand potato chips, Rold Gold and Rold Gold Fat Free Thins brand pretzels and Tostitos brand tortilla chips, driven by Restaurant Style Tostitos brand and the expanded distribution of Baked Tostitos brand. Doritos brand tortilla chips had solid single-digit volume growth while Fritos brand corn chips and Chee.tos brand cheese flavored snacks reflected low double-digit growth. Ruffles brand potato chips showed modest growth.

Profit in the U.S. grew $124 million or 14%. The fifty-third week contributed about 3 points to the profit growth. This performance reflected strong volume growth, which contributed $340 million ($289 million excluding the impact of the fifty-third week). This growth was partially offset by the impact of increased operating and manufacturing costs and an unfavorable sales mix shift to lower-margin packages and products. Increased operating costs were driven by higher selling, distribution and new system costs in addition to increased investment in marketing costs to maintain strong momentum in 1995. Increased capacity costs were partially offset by manufacturing efficiencies. Higher vegetable oil prices were substantially offset by lower packaging and potato prices. Increased promotional price allowances and merchandising support largely offset higher pricing on certain brands. The profit margin remained relatively unchanged at 20.5%.

Though difficult to forecast, there were no material changes expected in potato costs for 1995. However, potato prices have been less predictable in recent years due to weather conditions. Vegetable oil prices were expected to decline slightly from the high 1994 levels, while the cost of packaging was expected to increase.

International sales rose $591 million or 22%. The fifty-third week contributed approximately 1 point to the sales growth. Sweet snacks (primarily candy and cookies) accounted for approximately 30% of international snack food sales in both 1994 and 1993. Acquisitions contributed $67 million or 2 points to sales growth. The balance of the sales growth was driven by higher volume, which contributed $590 million, led by successful promotions by the Sabritas salty snack and sweet snack business in Mexico. A favorable brand mix shift to higher-priced products, primarily in Latin America and the U.K., and higher pricing were largely offset by the unfavorable currency translation impact of a stronger U.S. dollar, principally against the Mexican peso.

International systemwide salty snack kilos rose 16%, led by strong double-digit growth at Sabritas, in Spain and Brazil and solid gains in the U.K. Systemwide sweet snack kilos also grew 16%, reflecting double-digit advances at Gamesa and Sabritas and gains in Egypt and Poland.

International profit increased $63 million or 22%. The fifty-third week contributed about 1 point to the profit growth. Higher volume contributed $95 million ($87 million excluding the impact of the fifty-third week) to international profit growth, led by Sabritas. The combined impact of the favorable product and package mix shifts, primarily in the U.K. and Latin America, and modestly higher pricing were more than offset by higher direct and administrative costs and an unfavorable currency translation impact from the Mexican peso. Higher direct costs resulted primarily from investment initiatives to build brand equity and enhance distribution channels in Mexico. Profit growth was also dampened by the lapping oflast year's noncash credit of $6 million resulting from the decision to retain a small snack chip business in Japan previously held for sale. The profit margin remained relatively unchanged at 10.8%.

The international restructuring charge in 1992 related primarily to actions to consolidate and streamline the Walkers business in the U.K. that were substantially completed during 1994. These actions were estimated to result in annual savings of about $32 million, which continue to be reinvested in the business to strengthen our competitive position.

Following is a discussion of the results of our key international businesses.

Strong double-digit profit growth at Sabritas was driven by higher salty and sweet snack volumes. This benefit, combined with a favorable product mix shift to higher-margin snacks and lower manufacturing overhead and administrative costs, more than offset increased potato costs, higher promotional spending and an unfavorable currency translation impact.

Walkers' profit advanced at a strong double-digit rate, driven by a favorable product mix shift reflecting increased sales of higher-margin branded products and the elimination of most lower-margin private label products, increased volumes, lower raw material and packaging costs and lower manufacturing expenses resulting from the 1992 restructuring actions. These benefits offset start-up costs related to the launch of Doritos brand tortilla chips which exceeded incremental profit generated.

Gamesa posted strong profit growth on a relatively small base, reflecting a favorable package mix shift to higher-margin single-serve products and lower manufacturing overhead and administrative costs resulting from cost reduction initiatives. These benefits were partially offset by higher product costs, selling and distribution costs associated with the expansion of a direct delivery system and an unfavorable currency translation impact.

The significant devaluation of the Mexican peso in late 1994 and early 1995 did not materially impact 1994 international snack food operating profit. However, because Sabritas and Gamesa combined represented approximately 64% of international snack food operating profit in 1994, the devaluation and its related effects were expected to have an unfavorable impact on 1995 operating profit. Sabritas and Gamesa had begun to increase pricing and reduce costs, including evaluating alternative sourcing of raw materials. Nonetheless, significant uncertainties remained in Mexico and, as a result, it was not possible to quantify the impact. International snack foods had also begun to take actions in several of its other countries in 1995 to help mitigate the impact.

Restaurants

($ in millions)	1995	1994	1993	% Growth Rates 1995	% Growth Rates 1994
Net Sales					
U.S.	$ 9,202	$ 8,694	$8,026	6	8
International	2,126	1,827	1,330	16	37
	$11,328	$10,521	$9,356	8	12
Operating Profit					
Reported					
U.S.	$ 451	$ 659	$ 685	(32)	(4)
International	(21)	71	93	NM	(24)
	$ 430	$ 730	$ 778	(41)	(6)
Ongoing*					
U.S.	$ 753	$ 659	$ 685	14	(4)
International	114	71	93	61	(24)
	$ 867	$ 730	$ 778	19	(6)

* 1995 excluded the initial, noncash charge upon adoption of SFAS 121. See Notes 2 and 19.

NM = Not Meaningful.

[Note: Unless otherwise noted, operating profit comparisons within the 1995 vs. 1994 discussion are based on ongoing operating profit. Net sales and operating profit comparisons within the following discussions include the impact of the fifty-third week in 1994 (see Note 19), while same store sales growth has been adjusted to exclude its impact. For purposes of this discussion, net sales by PFS, PepsiCo's restaurant distribution operation, to the franchisee and licensee operations of each restaurant chain and the related estimated operating profit have been allocated to each restaurant chain.]

1995 vs. 1994

Worldwide net sales increased $807 million or 8%. Sales in the U.S. increased $508 million or 6%, while international sales increased $299 million or 16%. The fifty-third week in 1994 reduced the worldwide, U.S. and international net sales growth by approximately 2 points each.

Reported worldwide operating profit declined $300 million or 41%. Ongoing worldwide operating profit increased $137 million or 19%; U.S. increased $94 million or 14% and international increased $43 million or 61%. The fifty-third week in 1994 reduced the ongoing worldwide operating profit growth by approximately 4 points. U.S. and international profit growth were reduced by 4 and 7 points, respectively.

As discussed in Notes 2 and 19, PepsiCo recorded the initial, noncash charge upon adoption of SFAS 121 in 1995, which had a significant effect on restaurant results. Historically, PepsiCo had evaluated and measured impairment on a total division basis. As a result of adopting SFAS 121, PepsiCo now evaluates each individual restaurant for impairment. This change resulted in a charge of $437 million to reduce the carrying amount of 1,247 or 10% of PepsiCo's company-operated restaurants. The charge represented approximately 7% of the total carrying amount of restaurant long-lived assets. The reduced carrying amount of restaurant assets is expected to reduce 1996 depreciation and amortization expense by approximately $45 million. Also, because PepsiCo now evaluates each restaurant for impairment, future charges, though not of the magnitude of the initial charge recorded in 1995, are reasonably possible although not currently estimable. These charges will generally arise as estimates used in the evaluation and measurement of impairment upon adoption of SFAS 121 are refined based upon new information or as a result of future events or changes in circumstances that cause other restaurants to be impaired. Also, any future expenditures for impaired stores that would normally be capitalized will have to be immediately evaluated for recoverability. The initial impact of adopting SFAS 121, as well as its ongoing application, will also generally result in lower closure costs or increased gains for impaired restaurants that are closed or sold, respectively.

As disclosed in our 1994 Annual Report and updated in our 1995 reports on Form 10-Q, we have evaluated and begun to execute actions in 1995 in an effort to improve total restaurant operating results and returns on our restaurant investments. Our overall strategy is to leverage the collective strength of our three restaurant concepts by strengthening our brand leadership, leveraging our business systems and restaurant development activities, and achieving operational excellence.

Brand leadership contemplates, in part, the need to be innovative by providing new products and programs to respond to consumer needs while maintaining a value orientation. This year, for example, we have introduced several new products such as Pizza Hut's Stuffed Crust Pizza and Buffalo Wings, KFC's Tumble Marinated Original Recipe product Colonel's, Crispy Strips and Chunky Chicken Pot Pies and Taco Bell's Double Decker Taco, Texas Taco and new line of Sizzlin' Bacon products. In addition, we have also offered new programs to respond to consumer needs such as "You'd Be Crazy to Cook" promotion, delivery service and the Mega Meal value offering at KFC and Extreme Value Meals, Kids' meals and the low-fat Border Lights menu at Taco Bell. We believe our ability to develop and bring to market new products that attract and maintain our customer base is an important factor for continued profit growth in the restaurant segment.

With respect to leveraging our business systems, consolidation of international headquarters administration of our three concepts was completed this year and consolidation of international regional and country administration is well under way. The consolidation of administrative operations in the U.S., such as payroll and accounts payable, has begun and is expected to be completed over the next few years. Also, consolidation of restaurant procurement on a worldwide basis is substantially completed with significant annual savings anticipated beginning in 1996. As we move forward, our concepts will share restaurant facilities where appropriate. For example, early indications are that our combined Taco Bell - KFC units in the U.S. are performing well, as the Taco Bell lunch business complements the strong KFC dinner business. In fact, the current plan calls for us to approximately triple the current number of combined U.S. units to over 300 units during 1996.

In addition, we plan to continue to selectively use franchisees and licensees in certain markets where their expertise can be leveraged to improve the overall operational excellence of our concepts systemwide. In 1995, we began to refranchise (sell company-operated restaurants to franchisees) and license company-operated restaurants and more aggressively close stores that do not meet our performance expectations. These unit-related actions aided worldwide restaurant operating profit growth by $61 million, reflecting a net gain of $51 million in 1995 ($88 million of refranchising gains offset by $37 million of costs of closing other restaurants) as compared to $10 million of store closure costs in 1994. Included in the $37 million are costs associated with 185 stores scheduled to be closed in 1996. Operating profit in 1996 is not expected to be significantly affected by the estimated net impact of the absence of profits attributed to those units sold in 1995 and those units currently anticipated to be sold in 1996 compared to the additional franchise royalty revenues related to those units and the losses avoided for restaurants closed in 1995 and scheduled to be closed in 1996. Though difficult to forecast, management anticipates a favorable impact from these kinds of unit-related actions over the next few years as we continue the implementation of our strategies to improve restaurant returns.

We expect that total system units will, on average, continue to expand at 1995's annual rate of approximately 6%, though only about 1% of the net growth will be company-operated. As a result, although our overall ownership percentage of total system units declined by about 2 1/2 points in 1995, we continue to anticipate that our percentage ownership will decline on average by 1 to 2 points annually over the next 3 to 5 years, driven by declines in the U.S.

1995 RESTAURANT UNIT ACTIVITY

	Company-Operated	Joint Venture	Franchised	Licensed	Total
Worldwide Restaurants					
Beginning of Year	12,742	933	11,364	1,830	26,869
New Builds & Acquisitions	678	96	553	1,016	2,343
Refranchising & Licensing	(308)	(6)	269	45	-
Closures	(293)	(19)	(161)	(143)	(616)
End of Year	12,819*	1,004	12,025	2,748	28,596
U.S. Restaurants**					
Beginning of Year	10,520	70	7,238	1,693	19,521
New Builds & Acquisitions	416	11	217	951	1,595
Refranchising & Licensing	(302)	-	257	45	-
Closures	(269)	(3)	(113)	(138)	(523)
End of Year	10,365*	78	7,599	2,551	20,593

* As of year-end 1995, closure costs have been recorded for 185 of these units (141 in the U.S.), which are expected to close in 1996.

** The U.S. joint venture units represent California Pizza Kitchen.

[Note: A summary of the 1995 restaurant unit activity for each U.S. concept and for international restaurant operations is included in each of the following discussions.]

Restaurants generated cash flows of nearly $600 million in 1995 compared to marginally positive cash flows in 1994. This primarily reflected reduced capital spending and acquisitions of $322 million and $78 million, respectively, and proceeds of $165 million from our refranchising efforts. We currently estimate that our level of capital spending in 1996 will approximate the $750 million invested in 1995; however, we expect more of the spending to be used for refurbishing our existing restaurants and less on new store development.

With respect to operational excellence, we have made investments in a number of initiatives during the past year targeted at consistently providing our customers with high quality products, courteous and timely service and clean and attractive restaurants. We believe this is an important factor in maintaining our current customer base as well as attracting new customers. We have implemented customer satisfaction measures to evaluate the success of these initiatives.

1994 vs. 1993

Worldwide net sales increased $1.2 billion or 12%. The fifty-third week contributed approximately 1 point to the sales growth, with U.S. and international operations benefiting by about 1 point and 2 points, respectively. Sales in the U.S. increased $668 million or 8% and international sales rose $497 million or 37%.

Worldwide operating profit declined $48 million or 6%. The fifty-third week mitigated the profit decline by approximately 3 points, with U.S. and international operations benefiting at the same rate. Profit in the U.S. declined $26 million or 4% and international profit fell $22 million or 24%, which included a $7 million charge to consolidate the U.S. headquarters for the three international restaurant concepts into one.

The significant devaluation of the Mexican peso in late 1994 and early 1995 did not materially impact 1994 international restaurant operating profit. Results from Mexico constituted an immaterial portion of international restaurant profit. However, the devaluation and its related effects were expected to have an unfavorable impact on 1995 results. The operations in Mexico had begun increasing pricing and reducing costs, including evaluating alternative sourcing of raw materials. In addition, further expansion of company-operated units was temporarily halted pending stabilization of the economy. Nonetheless, significant uncertainties remained in Mexico and, as a result, it was not possible to quantify the impact.

Late in 1994, Roger Enrico was named Chairman, PepsiCo Worldwide Restaurants. He began to evaluate several options to improve their operating results and returns on our total restaurant investments. Examples of options considered to improve investment returns included a reduced company share of future new restaurant development and sale of some existing company restaurants to franchisees. The cash generated from these options would most likely be reinvested in our nonrestaurant businesses or used to repurchase PepsiCo capital stock. We expected to begin making decisions on these and other options during 1995 as we continued to refine our restaurant operating strategies.

PIZZA HUT - U.S.

The tables of operating results and unit activity presented below include Pizza Hut as well as D'Angelo Sandwich Shops (D'Angelo) and East Side Mario's concepts, which are managed by Pizza Hut. As D'Angelo is generally fully integrated within Pizza Hut units, the elements in the year-over-year discussion of net sales and operating profit that follows relate to Pizza Hut as well as D'Angelo and excludes East Side Mario's, unless otherwise indicated.

($ in millions)				% Growth Rates	
	1995	1994	1993	1995	1994
Net Sales	$3,977	$3,712	$3,595	7	3
Operating Profit					
Reported	$ 308	$ 285	$ 338	8	(16)
Ongoing*	$ 376	$ 285	$ 338	32	(16)

* 1995 excluded the initial, noncash charge upon adoption of SFAS 121. See Notes 2 and 19.

1995 RESTAURANT UNIT ACTIVITY

	Company-Operated	Franchised	Licensed	Total
Beginning of Year	5,249	2,708	661	8,618
New Builds & Acquisitions	213	89	257	559
Refranchising & Licensing	(88)	88	-	-
Closures	(173)	(66)	(55)	(294)
End of Year	5,201*	2,819	863	8,883

* As of year-end 1995, closure costs have been recorded for 104 of these units, which are expected to be closed in 1996.

1995 vs. 1994

Net sales increased $265 million or 7%. The fifty-third week in 1994 reduced the sales growth by approximately 2 points. The sales growth reflected $148 million from additional units (units constructed and acquired, principally from franchisees, net of units closed or sold, principally to franchisees) and growth in same store sales for company-operated units of 4%. The improved same store sales performance was driven by Stuffed Crust Pizza, introduced nationally early in the second quarter, and reflected strong growth in carryout and delivery, and modest growth in dine-in. Same store sales increases were also fueled by a higher average guest check resulting from less promotional pricing than in 1994 and the early 1995 national introduction of Buffalo Wings.

Reported operating profit grew $23 million or 8%. Ongoing operating profit increased $91 million or 32%, in part, reflecting a weak profit performance in 1994 combined with the exceptional performance of Stuffed Crust Pizza. The fifty-third week in 1994 reduced the profit growth by approximately 3 points. The profit growth reflected additional units that contributed $31 million, a net gain of $24 million in 1995 ($42 million of refranchising gains offset by $18 million of costs of closing other restaurants) as compared to $4 million of store closure costs in 1994, lower store operating costs and increased franchise royalty revenues. The lower store operating costs primarily reflected increased labor productivity, favorable food prices, led by lower cheese and meat prices, and reduced advertising expenses, partially offset by increased spending for our customer satisfaction program. The profit growth was depressed by a net $17 million charge in 1995 composed of a $20 million charge recorded in the second quarter for the relocation of certain functions of Pizza Hut's U.S. headquarters from Wichita to Dallas, partially offset by net favorable adjustments of $3 million primarily as a result of better than expected costs. The ongoing profit margin increased almost 2 points to 9.5%.

1994 vs. 1993

Net sales increased $117 million or 3%. The fifty-third week contributed approximately 1 point to the sales growth. The increased sales were driven by additional units that contributed $271 million, including $80 million from the acquisition of D'Angelo late in 1993. This benefit was partially offset by lower volumes of $105 million, primarily due to lapping the successful national roll-out of Bigfoot Pizza in 1993, and lower net pricing.

Same store sales for company-operated units declined 6%, though volume decreased at a slightly slower rate. The decline was primarily in the delivery and carryout channels, reflecting the lapping of the national roll-out of Bigfoot Pizza in 1993.

Operating profit decreased $53 million or 16%. The fifty-third week mitigated the profit decline by approximately 2 points. The profit decline reflected lower volumes of $49 million ($60 million excluding the impact of the fifty-third week), lower net pricing and increased overhead costs, due in part to increased store closure costs, partially offset by additional units that contributed $17 million. Store operating costs were essentially unchanged primarily reflecting lower advertising and favorable food costs, as slightly higher cheese prices were more than offset by favorable meat prices, offset by increased depreciation attributable to new equipment related to Bigfoot Pizza. Though difficult to forecast, the prices of these key ingredients were expected to decrease in 1995. The profit decline was also mitigated by a favorable impact of $14 million from extending depreciable lives on certain U.S. delivery assets and the absence of last year's start-up costs associated with Bigfoot Pizza. The profit margin declined almost 2 points to 7.7%.

TACO BELL - U.S.

The tables of operating results and unit activity presented below include Taco Bell as well as the Hot `n Now (HNN) and Chevys concepts, which are managed by Taco Bell. The elements in the year-over-year discussion of net sales and operating profit that follows do not include HNN and Chevys, unless otherwise indicated.

($ in millions)	1995	1994	1993	% Growth Rates 1995	% Growth Rates 1994
Net Sales	$3,503	$3,340	$2,855	5	17
Operating Profit					
Reported	$ 105	$ 273	$ 256	(62)	7
Ongoing*	$ 274	$ 273	$ 256	-	7

* 1995 excluded the initial, noncash charge upon adoption of SFAS 121. See Notes 2 and 19.

1995 RESTAURANT UNIT ACTIVITY

	Company-Operated	Franchised	Licensed	Total
Beginning of Year	3,232	1,523	929	5,684
New Builds & Acquisitions	190	98	668	956
Refranchising & Licensing	(214)	169	45	-
Closures	(75)	(11)	(64)	(150)
End of Year	3,133	1,779	1,578	6,490

1995 vs. 1994

Net sales increased $163 million or 5%. The fifty-third week in 1994 reduced the sales growth by approximately 2 points. The sales growth was led by additional units which contributed $228 million. A decline in restaurant volume of $143 million, reflecting a 4% decline in same store sales for company-operated units, was partially offset by increased PFS sales to franchisees of $50 million. A decline in sales at HNN, primarily reflecting the absence of sales associated with company-operated units licensed in 1995 (see below for additional discussion), was substantially offset by increased sales at Chevys, primarily reflecting additional units.

Reported operating profit declined $168 million or 62%. Ongoing operating profit increased $1 million. Absent the fifty-third week in 1994, ongoing operating profit for 1995 would have increased 4 points. The slight increase in profit reflected a net gain of $40 million in 1995 ($42 million of refranchising gains offset by $2 million of costs of closing other restaurants). This net gain was offset by $12 million in 1995 for the write-off of costs associated with sites that will not be developed (undeveloped sites), compared to $6 million of undeveloped sites costs in 1994. Profit growth was also aided by additional units which contributed $23 million and lower store operating costs. The decrease in store operating costs primarily reflected favorable food costs, as lower meat and bean prices were partially offset by higher lettuce prices experienced in the second quarter. Although difficult to forecast, food prices for the full year 1996 are expected to be favorable as compared to 1995, led by lower meat prices. Profit growth also reflected increased franchise royalty revenues, in part reflecting initial franchise fees related to refranchised restaurants, and increased license fees. These benefits were substantially offset by net volume declines of $44 million ($34 million excluding the impact of the fifty-third week) and a net unfavorable product mix shift to lower-margin products. The net volume declines resulted from the reduced same store sales partially offset by the lower-margin PFS increases. Operating profit was also adversely impacted by roll-out costs incurred during the first half of the year for the low-fat Border Lights products. Increased field training costs were offset by reduced headquarters administrative expenses.

HNN and Chevys incurred $103 million of the initial charge upon adoption of SFAS 121, with HNN responsible for almost all of the charge. Excluding the initial charge, operating losses at Chevys increased, primarily reflecting costs associated with a curtailment of company-operated restaurant development activities. Excluding the initial charge, HNN's losses declined, primarily reflecting the absence of costs associated with undeveloped sites in 1994. As disclosed in our 1994 Annual Report and updated in our 1995 reports on Form 10-Q, during 1995, Taco Bell initiated a plan to license or franchise all of its HNN units in an effort to eliminate HNN's operating losses over time. Through the end of the third quarter, almost 75% of HNN's 200 units had been licensed or franchised. Late in the fourth quarter, certain of the HNN licensees returned 42 of their units to Taco Bell as a result of poor operating results. Almost all of these units were closed, de-identified as HNN units and are held for sale. Subsequent to year-end, our largest licensee closed and returned its 23 remaining units to Taco Bell. In addition, there are some indications that the current operating performance of the majority of the remaining licensed units is also below expectations. It is reasonably possible that some or all of these underperforming units may be returned during 1996 by the licensees. Any costs associated with units returned in 1996 are expected to be immaterial to Taco Bell's results. Taco Bell will continue its efforts to license or sell the remaining company-operated HNN units and undeveloped sites.

The Taco Bell ongoing profit margin declined nearly one-half point to 7.8%.

1994 vs. 1993

Net sales increased $485 million or 17%. The fifty-third week benefited the sales growth by approximately 2 points. The sales growth was led by additional units which contributed $267 million and volume gains that provided $121 million, half of which was the result of PFS food and paper sales to additional franchisees. The sales growth also reflected $84 million due to the acquisition of Chevys in the third quarter of 1993 and new Chevys units. Same store sales for company-operated units grew 2%, though volume grew at a slower rate.

Operating profit rose $17 million or 7%. The fifty-third week enhanced the profit growth by approximately 4 points. The profit growth reflected lower food costs, additional units which contributed $25 million, volume gains of $25 million ($15 million excluding the impact of the fifty-third week), higher soft drink prices and increased franchise royalty revenues. These benefits were partially offset by higher store operating costs, driven by increased labor costs, an unfavorable mix shift to lower-margin products and higher headquarters administrative expenses. Profit growth was restrained by increased losses posted by HNN. Taco Bell planned to transition HNN during 1995 from primarily a company-operated to a licensee/franchisee-operated business. This was expected to significantly reduce HNN's operating losses in 1995. The profit margin fell almost 1 point to 8.2%.

KFC - U.S.

($ in millions)	1995	1994	1993	% Growth Rates 1995	% Growth Rates 1994
Net Sales	$1,722	$1,642	$1,576	5	4
Operating Profit					
Reported	$ 38	$ 101	$ 91	(62)	11
Ongoing*	$ 103	$ 101	$ 91	2	11

* 1995 excluded the initial, noncash charge upon adoption of SFAS 121. See Notes 2 and 19.

1995 RESTAURANT UNIT ACTIVITY

	Company-Operated	Franchised	Licensed	Total
Beginning of Year	2,039	3,007	103	5,149
New Builds & Acquisitions	13	30	26	69
Refranchising & Licensing	-	-	-	-
Closures	(21)	(36)	(19)	(76)
End of Year	2,031*	3,001	110	5,142

* As of year-end 1995, closure costs have been recorded for 31 of these units, which are expected to be closed in 1996.

1995 vs. 1994

Net sales rose $80 million or 5%. The fifty-third week in 1994 reduced the sales growth by approximately 2 points. The increased sales were driven by volume gains of $61 million and higher effective net pricing. The volume gains benefited from new product offerings during the year such as Colonel's Crispy Strips, Chunky Chicken Pot Pies and a Tumble Marinated Original Recipe product as well as the national introduction of the value-oriented Mega Meal late in 1994, which was complemented by the 1995 high-end "You'd Be Crazy To Cook" offerings. Same store sales for company-operated units advanced 7%, primarily reflecting strong volume growth.

Reported operating profit decreased $63 million or 62%. Ongoing operating profit increased $2 million or 2%. The fifty-third week in 1994 reduced the ongoing profit growth by approximately 4 points. The profit growth reflected volume gains of $18 million ($24 million excluding the impact of the fifty-third week) and the higher effective net pricing. Almost fully offsetting these gains were increased store operating costs, increased overhead costs, primarily for new product development, reduced favorable actuarial adjustments for casualty claims liabilities and losses attributed to expanding delivery service. The higher store operating costs reflected increased labor costs, primarily as a result of efforts to improve restaurant quality and service. The profit growth was also mitigated by $7 million of store closure costs in 1995 compared to $5 million in 1994. The ongoing profit margin decreased slightly to 6.0%.

1994 vs. 1993

Net sales rose $66 million or 4%. The fifty-third week contributed approximately 2 points to the sales growth. The increased sales reflected an increase in volume of $49 million, as gains from the Colonel's Rotisserie Gold roasted chicken product and accompanying side items (collectively, "CRG"), and the value-oriented Mega Meal were partially offset by lower volumes of existing products, and higher net pricing. Same store sales for company-operated units advanced 2%, though volumes grew at a slightly slower rate.

Operating profit increased $10 million or 11%. The fifty-third week contributed approximately 4 points to the profit growth. The increased profit benefited from the absence of last year's start-up costs associated with CRG. Higher net pricing and volume gains of $16 million ($10 million excluding the impact of the fifty-third week) were offset by a mix shift to the lower-margin CRG and Mega Meal offerings. Reduced store operating costs, including lower product costs, primarily due to reformulation of side items late in the second quarter, and the 1994 impact of favorable actuarial adjustments to prior years workers' compensation claim accruals, were partially offset by increased administrative costs. Profit growth was depressed by lapping last year's $3 million favorable adjustment to a 1991 reorganization accrual. The profit margin increased nearly one-half point to 6.2%.

INTERNATIONAL

($ in millions)	1995	1994	1993	% Growth Rates 1995	% Growth Rates 1994
Net Sales	$2,126	$1,827	$1,330	16	37
Operating Profit					
Reported	$ (21)	$ 71	$ 93	NM	(24)
Ongoing*	$ 114	$ 71	$ 93	61	(24)

* 1995 excluded the initial, noncash charge upon adoption of SFAS 121. See Notes 2 and 19.
NM = Not Meaningful.

1995 RESTAURANT UNIT ACTIVITY

	Company-Operated	Joint Venture	Franchised	Licensed	Total
Beginning of Year	2,222	863	4,126	137	7,348
New Builds & Acquisitions	262	85	336	65	748
Refranchising & Licensing	(6)	(6)	12	-	-
Closures	(24)	(16)	(48)	(5)	(93)
End of Year	2,454*	926	4,426	197	8,003

* As of year-end 1995, closure costs have been recorded for 44 of these units, which are expected to be closed in 1996.

1995 vs. 1994

The KFC, Pizza Hut and Taco Bell concepts represented approximately 55%, 40% and 5%, respectively, of total international restaurant sales in 1995 and 1994.

Net sales increased $299 million or 16%, with Pizza Hut representing approximately 65% of the increased sales. The fifty-third week in 1994 reduced the sales growth by approximately 2 points. The sales increase primarily reflected additional units of $244 million.

Reported operating profit declined $92 million to a loss of $21 million. Excluding the initial charge upon adoption of SFAS 121, with Spain, Canada and Mexico accounting for almost three quarters of the charge, operating profit increased $43 million or 61%. Excluding shared overhead costs, Pizza Hut and KFC contributed about equally to the increased operating profit. The fifty-third week in 1994 reduced the ongoing operating profit growth rate by approximately 7 points. The increased profit reflected higher effective net pricing, additional units that contributed $22 million, increased franchise royalty revenues and net favorable currency translation impacts. These gains were partially offset by higher store operating costs, led by increased food prices, increased administrative and support costs, and a $17 million reduction in volumes ($14 million excluding the impact of the fifty-third week). The increased administrative and support costs reflected spending to support country development strategies, partially offset by lapping a $7 million charge late in 1994 to consolidate the international headquarters operations in the U.S. of the three concepts and the related savings in 1995 from this consolidation as well as savings from a consolidation of regional and country headquarter operations. The ongoing profit margin increased 1 1/2 points to 5.4%.

Following is a discussion of ongoing operating profit by key international market. Increased profit in Australia, our largest international sales market, was primarily driven by the full implementation of its value strategy, the adoption of store cost control measures and a gain resulting from the sale of several store properties leased to a franchisee as well as the refranchising of a few stores. Profit gains in Korea primarily reflected additional units, while higher profit in New Zealand primarily reflected volume growth and acquired units. Profit also rose in Canada and the U.K., reflecting higher guest check averages and acquired units, respectively. Partially offsetting these profit gains were significantly increased losses in Spain, Mexico and Brazil. Spain reflected closure costs for a significant number of stores scheduled to be closed in 1996, poor performance by new units, volume declines and increased costs. As discussed on pages 12 and 13, results in Mexico have been adversely impacted by the economic difficulties resulting from the significant devaluation of the Mexican peso. Net sales in Mexico declined 44%, while operating losses increased $8 million to $17 million, reflecting lower volumes and higher costs, which were only partially offset by higher effective pricing and the favorable currency translation impact on increased local currency operating losses. Brazil's increased losses were primarily due to higher administrative and support costs.

1994 vs. 1993

KFC, Pizza Hut and Taco Bell represented approximately 55%, 40% and 5%, respectively, of total international sales in 1994 and 1993.

Net sales increased $497 million or 37%, with KFC and Pizza Hut each contributing about equally to the sales increase. The fifty-third week contributed approximately 2 points to the sales growth. The sales growth primarily reflected additional units of $398 million and volume growth of $121 million, partially offset by lower net pricing.

Operating profit declined $22 million or 24%. The decline in operating profit was due to Pizza Hut. The fifty-third week mitigated the rate of profit decline by approximately 3 points. The decreased profit reflected lower net pricing, increased administrative and support costs, primarily to support an extraordinary rate of unit development, higher store operating costs and a $7 million charge to consolidate the headquarters operations in the U.S. for the three international restaurant concepts into one. These were partially offset by increased volumes of $52 million ($49 million excluding the impact of the fifty-third week), additional units that contributed $29 million and higher franchise royalty revenues.

Following is a discussion of operating profit by key international market. Australia, our largest international sales market, had slightly lower profit. Korea's operating profit increased significantly, driven by additional units and volume gains. Profit declined sharply in Mexico and Canada, due in part to increased administrative costs. Brazil incurred an operating loss as a result of losses on acquired units. Poland experienced additional start-up losses from new operations. Profit increases in New Zealand and the U.K. reflected volume gains and acquired units, respectively. The profit margin declined more than 3 points to 3.9%.

CONSOLIDATED FINANCIAL CONDITION

ASSETS increased $640 million or 3% to $25.4 billion. The increase reflected the normal growth of the businesses, partially offset by the impact of the initial charge of $520 million upon adoption of SFAS 121 (see Note 2) primarily affecting property, plant and equipment, intangible assets and, to a much lesser extent, investments in unconsolidated affiliates and other noncurrent assets. Increased accounts and notes receivable reflected slower collections and volume advances in worldwide beverages and snack foods. Short-term investments largely represent high-grade marketable securities portfolios held outside the U.S. Our portfolio in Puerto Rico, which totaled $816 million at year-end 1995 and $853 million at year-end 1994, arises from the operating cash flows of a centralized concentrate manufacturing facility that operates under a tax incentive grant. The grant provides that the portfolio funds may be remitted to the U.S. without any additional tax. PepsiCo remitted $792 million of the portfolio to the U.S. in 1995 and $380 million in 1994. PepsiCo continually reassesses its alternatives to redeploy its maturing investments in this and other portfolios held outside the U.S., considering other investment opportunities and risks, tax consequences and overall financing strategies.

LIABILITIES rose $183 million or 1% to $18.1 billion. The $643 million increase in other long-term liabilities was partially offset by a $304 million reduction in debt. The increase in other long-term liabilities primarily reflected normal growth and a reclassification of amounts to current liabilities.

At year-end 1995 and 1994, $3.5 billion and $4.5 billion, respectively, of short-term borrowings were classified as long-term, reflecting PepsiCo's intent and ability, through the existence of its unused revolving credit facilities, to refinance these borrowings. PepsiCo's unused credit facilities with lending institutions, which exist largely to support the issuances of short-term borrowings, were $3.5 billion at year-end 1995 and 1994. Effective January 3, 1995, PepsiCo replaced its existing credit facilities with revolving credit facilities aggregating $4.5 billion, of which $1.0 billion was to expire in 1996 and $3.5 billion was to expire in 2000. Effective December 8, 1995, PepsiCo terminated the $1.0 billion due to expire in 1996 based upon a current assessment of the amount of credit facilities required compared to its related cost. The expiration of the remaining credit facilities of $3.5 billion was extended to 2001. Annually, these facilities can be extended an additional year upon the mutual consent of PepsiCo and the lending institutions.

FINANCIAL LEVERAGE is measured by PepsiCo on both a market value and historical cost basis. PepsiCo believes that the most meaningful measure of debt is on a net basis, which takes into account its large investment portfolios held outside the U.S. These portfolios are managed as part of PepsiCo's overall financing strategy and are not required to support day-to-day operations. Net debt reflects the pro forma remittance of the portfolios (net of related taxes) as a reduction of total debt. Total debt includes the present value of operating lease commitments.

	1995	1994	1993
Graph: MARKET NET DEBT RATIO	18%	26%	22%

	1995	1994	1993
Graph: HISTORICAL COST NET DEBT RATIO	46%	49%	50%

PepsiCo believes that market leverage (defined as net debt as a percent of net debt plus the market value of equity, based on the year-end stock price) is an appropriate measure of PepsiCo's long-term financial leverage. Unlike historical cost measures, the market value of equity primarily reflects the estimated net present value of expected future cash flows that will both support debt and provide returns to shareholders. PepsiCo has established a long-term target range of 20%-25% for its market net debt ratio to optimize its cost of capital.

The market net debt ratio declined 8 points to 18% at year-end 1995 due primarily to a 54% increase in PepsiCo's stock price. The 4 point increase to 26% at year-end 1994 was due to a 13% decline in PepsiCo's stock price as well as an 8% increase in net debt.

As measured on an historical cost basis, the ratio of net debt to net capital employed (defined as net debt, other liabilities, deferred income taxes and shareholders' equity) declined 3 points to 46%, reflecting a 2% decline in net debt and a 4% increase in net capital employed. The 1 point decline to 49% at year-end 1994 was due to a 9% increase in net capital employed, partially offset by the increase in net debt.

Because of PepsiCo's strong cash generating capability and its strong financial condition, PepsiCo has continued access to capital markets throughout the world.

At year-end 1995, about 62% of PepsiCo's net debt portfolio, including the effects of interest rate and currency swaps (see Note 8), was exposed to variable interest rates, compared to about 60% in 1994. In addition to variable rate long-term debt, all net debt with maturities of less than one year is categorized as variable. PepsiCo prefers funding its operations with variable rate debt because it believes that, over the long-term, variable rate debt provides more cost effective financing than fixed rate debt. PepsiCo will issue fixed rate debt if advantageous market opportunities arise. A 1 point change in interest rates on variable rate net debt would impact annual interest expense, net of interest income, by approximately $36 million ($19 million after-tax or $0.02 per share) assuming the level and mix of the December 30, 1995 net debt portfolio were maintained.

PepsiCo's negative operating working capital position, which principally reflects the cash sales nature of its restaurant operations, effectively provides additional capital for investment. Operating working capital, which excludes short-term investments and short-term borrowings, was a negative $94 million and $677 million at year-end 1995 and 1994, respectively. The $583 million decline in negative working capital primarily reflected the reclassification of amounts from long-term to current liabilities, base business growth in the more working capital intensive bottling and snack food operations exceeding the growth in restaurant operations and an increase in prepaid taxes.

SHAREHOLDERS' EQUITY increased $457 million or 7% to $7.3 billion. This change reflected a 13% increase in retained earnings due to $1.6 billion in net income less dividends declared of $615 million. This growth was reduced by a $337 million unfavorable change in the currency translation adjustment account (CTA) and a $322 million increase in treasury stock, reflecting repurchases of 12 million shares offset by 10 million shares used for stock option exercises. The CTA change primarily reflected the effects of the Mexican peso devaluation.

RETURN ON AVERAGE SHAREHOLDERS' EQUITY

Based on income before cumulative effect of accounting changes, PepsiCo's return on average shareholders' equity was 23% and 27% in 1995 and 1994, respectively. Excluding the initial charge upon adoption of SFAS 121 in 1995 (see Note 2) and the 1994 BAESA gain (see Note 16), the return on average shareholders' equity was 27% in 1995 and 1994.

CONSOLIDATED CASH FLOWS

Cash flow activity in 1995 reflected strong cash flows from operations of $3.7 billion which were used to fund capital spending of $2.1 billion, dividend payments of $599 million, purchases of treasury stock totaling $541 million and acquisition and investment activity of $466 million.

Graph: Net Cash Provided by Operating Activities vs. Capital Spending, Dividends Paid, Acquisitions and Purchases of Treasury Stock
($ in millions)

	1995	1994	1993
Net Cash Provided By Operating Activities	$3,742	$3,716	$3,134
Capital spending	$2,104	$2,253	$1,982
Dividends paid	599	540	462
Acquisitions	466	316	1,011
Treasury stock	541	549	463
	$3,710	$3,658	$3,918

One of PepsiCo's most significant financial strengths is its internal cash generation capability. In fact, after capital spending and acquisitions, each of our three industry segments generated positive cash flows in 1995, led by restaurants, which generated nearly $600 million in cash flow compared to marginally positive cash flows in 1994. Net cash flows from PepsiCo's U.S. businesses were partially offset by international uses of cash, reflecting strategies to accelerate growth of international operations.

CASH FLOWS - SUMMARY OF OPERATING ACTIVITIES
($ in millions)

	1995	1994	1993
Income before cumulative effect of accounting changes	$1,606	$1,784	$1,588
Impairment of long-lived assets	520	-	-
Other noncash charges, net	2,027	1,901	1,872
Income before noncash charges and credits	4,153	3,685	3,460
Net change in operating working capital	(411)	31	(326)
Net Cash Provided by Operating Activities	$3,742	$3,716	$3,134

Net cash provided by operating activities in 1995 rose $26 million or 1% over 1994, and in 1994, grew $582 million or 19% over 1993. Income before noncash charges and credits rose 13% in 1995 and 7% in 1994. Increased noncash charges of $646 million in 1995 reflected the $520 million initial, noncash impact of adopting SFAS 121 and increased depreciation and amortization charges of $163 million, partially offset by increased deferred income tax benefits of $44 million, primarily resulting from the adoption of SFAS 121. The $29 million increase in 1994 reflected increased depreciation and amortization charges of $133 million and a decrease of $150 million in the deferred income tax provision, primarily due to the effect in 1994 of converting from premium-based casualty insurance to self-insurance for most of these risks, and adopting SFAS 112 for accounting for postemployment benefits. The working capital net cash outflows of $411 million in 1995 compared to cash inflows of $31 million in 1994 primarily reflected increased growth in accounts and notes receivable, a decrease in income taxes payable in 1995 compared to an increase in 1994 and reduced growth in other current liabilities in 1995 compared to 1994, partially offset by increased growth in accounts payable, led by U.S. beverages, and a reduction in the amounts prefunded in 1995 for employee benefits. The growth in accounts and notes receivable was driven by worldwide beverages, which reflected slower collections and volume growth. The 1994 over 1993 net increase of $357 million reflected normal increases in accrued liabilities across all of our businesses, lapping the effect of higher income tax payments and a lower provision in 1993, and improved trade receivable collections, partially offset by the impact on accounts payable of the timing of a large year-end payment to prefund employee benefits.

CASH FLOWS - SUMMARY OF INVESTING ACTIVITIES
($ in millions)

	1995	1994	1993
Acquisitions and investments in unconsolidated affiliates	$(466)	$ (316)	$(1,011)
Capital spending	(2,104)	(2,253)	(1,982)
Sales of restaurants	165	-	7
Net short-term investments	64	421	259
Other investing activities, net	(109)	(213)	(44)
Net Cash Used for Investing Activities	$(2,450)	$(2,361)	$(2,771)

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Investing activities over the past three years reflected strategic investments in all three industry segments through capital spending, and acquisitions and investments in unconsolidated affiliates. PepsiCo's investments are expected to generate cash returns in excess of its long-term cost of capital, which is estimated to be approximately 10% at year-end 1995. See Note 17 for a discussion of acquisitions and investments in unconsolidated affiliates. About 85% of the total acquisition and investment activity in 1995 represented international transactions compared to 75% in 1994. PepsiCo continues to seek opportunities to strengthen its position in its industry segments, particularly in beverages and snack foods, through strategic acquisitions.

Graph: Capital Spending
($ in millions)

	Beverages	Snack Foods	Restaurants	Corporate	TOTAL
1995	27%	37%	35%	1%	$2,104
1994	30	23	47	0	2,253
1993	25	25	50	0	1,982

The $149 million decline in capital spending in 1995 reflected substantially reduced spending in restaurants, consistent with our restaurant strategy discussed on page 33. Increased U.S. snack food spending, primarily for capacity expansion and new products, was partially offset by a decline in beverages. Increased capital spending of $271 million in 1994 reflected beverage investments in equipment for new packaging and new products in the U.S. and emerging international markets, primarily Eastern Europe. International capital spending represented 29%, 35% and 31% of total segment spending in 1995, 1994 and 1993, respectively. Beverages, snack foods and restaurants represent about 30%, 40% and 30%, respectively, of the $2.5 billion of planned spending in 1996. This reflects the continued shift from restaurants to snack foods. Snack food and beverage 1996 capital spending reflects production capacity expansion for both established and new products, and equipment replacements. Although restaurant spending in 1996 is expected to be about equal to 1995's level, we expect more of the spending in 1996 to be used for refurbishing our existing restaurants and less spent on new store development. Approximately 25% of the planned 1996 capital spending relates to international businesses.

Consistent with management's strategy to improve restaurant returns (see Management's Analysis - Restaurants on page 33), proceeds from sales of restaurants in 1995 were $165 million. Although difficult to forecast, management anticipates continued cash flow from this kind of activity over the next few years.

As discussed in Financial Leverage on page 46, PepsiCo manages the investment activity in its short-term portfolios, primarily held outside the U.S., as part of its overall financing strategy.

CASH FLOWS - SUMMARY OF FINANCING ACTIVITIES
($ in millions)

	1995	1994	1993
Net short and long-term debt	$ (303)	$ (205)	$ 590
Cash dividends paid	(599)	(540)	(462)
Purchases of treasury stock	(541)	(549)	(463)
Proceeds from exercises of stock options	252	97	69
Other, net	(42)	(43)	(37)
Net Cash Used for Financing Activities	$(1,233)	$(1,240)	$(303)

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The net cash flow used for financing activities in 1995 was about even with 1994. In 1995, increased proceeds from exercises of stock options of $155 million were offset by increased net repayments of short and long-term debt of $98 million and higher cash dividends paid of $59 million. The 1994 over 1993 change in cash flows from financing activities was a use of $937 million, primarily reflecting net repayment of short and long-term debt of $205 million compared to net proceeds of $590 million in 1993.

Cash dividends declared were $615 million in 1995 and $555 million in 1994. PepsiCo targets a dividend payout of about one-third of the prior year's income from ongoing operations, thus retaining sufficient earnings to provide financial resources for growth opportunities.

Share repurchase decisions are evaluated considering management's target capital structure and other investment opportunities. PepsiCo expects to repurchase at least 1% to 2% of its outstanding shares each year for the next several years. During 1995, PepsiCo repurchased 1.6% of its shares outstanding at the beginning of 1995, or 12.3 million shares, at a cost of $541 million. Subsequent to year-end, PepsiCo repurchased 1.7 million shares through February 6, 1996 at a cost of $99 million. During 1994, PepsiCo repurchased 1.9% of the shares outstanding at the beginning of 1994, or 15.0 million shares, at a cost of $549 million. Through February 6, 1996, 29.4 million shares have been repurchased under the 50 million share repurchase authority granted by PepsiCo's Board of Directors in July 1993. In February 1996, PepsiCo's Board of Directors replaced the 1993 share repurchase authority with a new authority for 50 million shares.

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 reelection are contained under the caption "Election of Directors" in the Company's Proxy Statement for its 1996 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 directors retiring on May 1, 1996 and 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 1996 Annual Meeting of Shareholders under the caption "Executive Compensation" 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 1996 Annual Meeting of Shareholders and is incorporated herein by reference. As far as is known to the Company, no person owns beneficially 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 26, 1996

PEPSICO, INC.

By: /s/ D. WAYNE CALLOWAY
D. Wayne Calloway
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/ D. WAYNE CALLOWAY D. Wayne Calloway	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 26, 1996
/s/ ROBERT G. DETTMER Robert G. Dettmer	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 26, 1996
/s/ ROBERT L. CARLETON Robert L. Carleton	Senior Vice President and Controller (Principal Accounting Officer)	March 26, 1996
/s/ ROGER A. ENRICO Roger A. Enrico	Vice Chairman of the Board,Chairman and Chief Executive Officer, PepsiCo Worldwide Restaurants	March 26, 1996
/s/ JOHN F. AKERS John F. Akers	Director	March 26, 1996

/s/ ROBERT E. ALLEN - ------------------- Robert E. Allen	Director	March 26, 1996
/s/ JOHN J. MURPHY - ------------------ John J. Murphy	Director	March 26, 1996
/s/ ANDRALL E. PEARSON - --------------------- Andrall E. Pearson	Director	March 26, 1996
/s/ SHARON PERCY ROCKEFELLER -------------------------- Sharon Percy Rockefeller	Director	March 26, 1996
/s/ ROGER B. SMITH - ------------------ Roger B. Smith	Director	March 26, 1996
/s/ ROBERT H. STEWART, III - ------------------------- Robert H. Stewart, III	Director	March 26, 1996
/s/ FRANKLIN A. THOMAS - --------------------- Franklin A. Thomas	Director	March 26, 1996
/s/ P. ROY VAGELOS - ------------------ P. Roy Vagelos	Director	March 26, 1996
/s/ ARNOLD R. WEBER - ------------------- Arnold R. Weber	Director	March 26, 1996

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 4(a) to PepsiCo's Registration Statement on Form S-3 (Registration No. 33-57181).
3.2	Copy of By-Laws of PepsiCo, Inc., as amended to February 22, 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	Copy of PepsiCo, Inc. 1987 Incentive Plan (the "1987 Plan"), which is incorporated by reference from Exhibit 10(b) to PepsiCo's Annual Form 10-K for the Fiscal Year ended December 26, 1992.
10.3	Copy of PepsiCo, Inc. 1979 Incentive Plan (the "Plan"), which is incorporated by reference from Exhibit 10(c) to PepsiCo's Annual Report on Form 10-K for the Fiscal year ended December 28, 1991.
10.4	Copy of 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.
10.5	Copy of 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	Amended and Restated PepsiCo Long Term Savings Program, dated June 29, 1994, which is incorporated herein by reference from Exhibit 10(f) to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.
10.7	Amendment to Amended and Restated PepsiCo Long Term Savings Program, dated September 14, 1994 which is incorporated herein by reference from Exhibit 10(g) to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.

10.8	Amendment to Amended and Restated PepsiCo Long Term Savings Program, dated November 9, 1995.
10.9	Amendment to Amended and Restated PepsiCo Long Term Savings Program, dated December 21, 1995.
10.10	Copy of PepsiCo, Inc. 1995 Stock Option Incentive Plan, which is incorporated herein by reference from PepsiCo's Registration Statement on Form S-8 (Registration No. 33-61731).
10.11	Copy of PepsiCo, Inc. 1994 Long-Term Incentive Plan, which is incorporated herein by reference from Exhibit A to PepsiCo's Proxy Statement for its 1994 Annual Meeting of Shareholders.
10.12	Copy of 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.
10.13	Copy of PepsiCo, Inc. Restaurant Deferred Compensation Plan, which is incorporated herein by reference from PepsiCo's Registration Statement on Form S-8 (Registration No. 333-01377).
11	Computation of Net Income Per Share of Capital Stock -- Primary and Fully Diluted.
12	Computation of Ratio of Earnings to Fixed Charges.
21	Active Subsidiaries of PepsiCo, Inc.
23	Report and Consent of KPMG Peat Marwick 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 30, 1995

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 present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the above listed financial statements or the notes thereto.

CONSOLIDATED STATEMENT OF INCOME
(in millions except per share amounts)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 30, 1995, December 31, 1994
and December 25, 1993

	1995 (52 Weeks)	1994 (53 Weeks)	1993 (52 Weeks)
NET SALES............................	$30,421	$28,472	$25,021
COSTS AND EXPENSES, NET			
Cost of sales........................	14,886	13,715	11,946
Selling, general and administrative expenses..............	11,712	11,244	9,864
Amortization of intangible assets.....	316	312	304
Impairment of long-lived assets.......	520	-	-
OPERATING PROFIT	2,987	3,201	2,907
Gain on stock offering by an unconsolidated affiliate............	-	18	-
Interest expense.....................	(682)	(645)	(573)
Interest income......................	127	90	89
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGES........	2,432	2,664	2,423
PROVISION FOR INCOME TAXES...........	826	880	835
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES.................	1,606	1,784	1,588
CUMULATIVE EFFECT OF ACCOUNTING CHANGES			
Postemployment benefits (net of income tax benefit of $29).................	-	(55)	-
Pension assets (net of income tax expense of $15).....................	-	23	-
NET INCOME...........................	$ 1,606	$ 1,752	$ 1,588
INCOME (CHARGE) PER SHARE			
Before cumulative effect of accounting changes............................	$ 2.00	$ 2.22	$ 1.96
Cumulative effect of accounting changes			
Postemployment benefits..............	-	(0.07)	-
Pension assets.......................	-	0.03	-
NET INCOME PER SHARE.................	$ 2.00	$ 2.18	$ 1.96
Average shares outstanding...........	804	804	810

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET
(in millions except per share amount)
PepsiCo, Inc. and Subsidiaries
December 30, 1995 and December 31, 1994

	1995	1994
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 382	$ 331
Short-term investments, at cost	1,116	1,157
	1,498	1,488
Accounts and notes receivable, less allowance: $150 in 1995 and $151 in 1994	2,407	2,051
Inventories	1,051	970
Prepaid expenses, taxes and other current assets	590	563
TOTAL CURRENT ASSETS	5,546	5,072
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	1,635	1,295
PROPERTY, PLANT AND EQUIPMENT, NET	9,870	9,883
INTANGIBLE ASSETS, NET	7,584	7,842
OTHER ASSETS	797	700
TOTAL ASSETS	$25,432	$24,792
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 1,556	$ 1,452
Accrued compensation and benefits	815	753
Short-term borrowings	706	678
Accrued marketing	469	546
Income taxes payable	387	672
Other current liabilities	1,297	1,169
TOTAL CURRENT LIABILITIES	5,230	5,270
LONG-TERM DEBT	8,509	8,841
OTHER LIABILITIES	2,495	1,852
DEFERRED INCOME TAXES	1,885	1,973
SHAREHOLDERS' EQUITY		
Capital stock, par value 1 2/3 cents per share: authorized 1,800 shares, issued 863 shares	14	14
Capital in excess of par value	1,060	935
Retained earnings	8,730	7,739
Currency translation adjustment and other	(808)	(471)
	8,996	8,217
Less: Treasury stock, at cost: 75 shares and 73 shares in 1995 and 1994, respectively	(1,683)	(1,361)
TOTAL SHAREHOLDERS' EQUITY	7,313	6,856
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$25,432	$24,792

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 30, 1995, December 31, 1994 and December 25, 1993

	1995 (52 Weeks)	1994 (53 Weeks)	1993 (52 Weeks)
CASH FLOWS - OPERATING ACTIVITIES			
Income before cumulative effect of accounting changes	$ 1,606	$ 1,784	$ 1,588
Adjustments to reconcile income before cumulative effect of accounting changes to net cash provided by operating activities			
Depreciation and amortization	1,740	1,577	1,444
Impairment of long-lived assets	520	-	-
Deferred income taxes	(111)	(67)	83
Other noncash charges and credits, net	398	391	345
Changes in operating working capital, excluding effects of acquisitions			
Accounts and notes receivable	(434)	(112)	(161)
Inventories	(129)	(102)	(90)
Prepaid expenses, taxes and other current assets	76	1	3
Accounts payable	133	30	143
Income taxes payable	(97)	55	(125)
Other current liabilities	40	159	(96)
Net change in operating working capital	(411)	31	(326)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,742	3,716	3,134
CASH FLOWS - INVESTING ACTIVITIES			
Acquisitions and investments in unconsolidated affiliates	(466)	(316)	(1,011)
Capital spending	(2,104)	(2,253)	(1,982)
Sales of property, plant and equipment	138	55	73
Sales of restaurants	165	-	7
Short-term investments, by original maturity			
More than three months-purchases	(289)	(219)	(579)
More than three months-maturities	335	650	846
Three months or less, net	18	(10)	(8)
Other, net	(247)	(268)	(117)
NET CASH USED FOR INVESTING ACTIVITIES	(2,450)	(2,361)	(2,771)

(Continued on following page)

CONSOLIDATED STATEMENT OF CASH FLOWS (PAGE 2 OF 2)
(in millions)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 30, 1995, December 31, 1994 and December 25, 1993

	1995 (52 Weeks)	1994 (53 Weeks)	1993 (52 Weeks)
CASH FLOWS - FINANCING ACTIVITIES			
Proceeds from issuances of long-term debt	2,030	1,285	711
Payments of long-term debt	(928)	(1,180)	(1,202)
Short-term borrowings, by original maturity			
More than three months-proceeds	2,053	1,304	3,034
More than three months-payments	(2,711)	(1,728)	(2,792)
Three months or less, net	(747)	114	839
Cash dividends paid	(599)	(540)	(462)
Purchases of treasury stock	(541)	(549)	(463)
Proceeds from exercises of stock options	252	97	69
Other, net	(42)	(43)	(37)
NET CASH USED FOR FINANCING ACTIVITIES	(1,233)	(1,240)	(303)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(8)	(11)	(3)
NET INCREASE IN CASH AND CASH EQUIVALENTS	51	104	57
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	331	227	170
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 382	$ 331	$ 227
SUPPLEMENTAL CASH FLOW INFORMATION			
CASH FLOW DATA			
Interest paid	$ 671	591	550
Income taxes paid	$ 790	663	676
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Liabilities assumed in connection with acquisitions	$ 66	224	897
Issuance of treasury stock and debt for acquisitions	$ 9	39	365
Book value of net assets exchanged for investments in unconsolidated affiliates	$ 39	-	61

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (PAGE 1 OF 2)
(in millions except per share amounts)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 30, 1995, December 31, 1994
and December 25, 1993

	Capital Stock			
	Issued		Treasury	
	Shares	Amount	Shares	Amount
Shareholders' Equity, December 26, 1992	863	$14	(64)	$ (667)
1993 Net income	-	-	-	-
Cash dividends declared (per share-$0.61)	-	-	-	-
Currency translation adjustment	-	-	-	-
Purchases of treasury stock	-	-	(12)	(463)
Shares issued in connection with acquisitions	-	-	9	170
Stock option exercises, including tax benefits of $23	-	-	3	46
Pension liability adjustment, net of deferred taxes of $5	-	-	-	-
Other	-	-	-	1
Shareholders' Equity, December 25, 1993	863	$14	(64)	$ (913)
1994 Net income	-	-	-	-
Cash dividends declared (per share-$0.70)	-	-	-	-
Currency translation adjustment	-	-	-	-
Purchases of treasury stock	-	-	(15)	(549)
Stock option exercises, including tax benefits of $27	-	-	5	81
Shares issued in connection with acquisitions	-	-	1	15
Pension liability adjustment, net of deferred taxes of $5	-	-	-	-
Other	-	-	-	5
Shareholders' Equity, December 31, 1994	863	$14	(73)	$(1,361)
1995 Net income	-	-	-	-
Cash dividends declared (per share-$0.78)	-	-	-	-
Currency translation adjustment	-	-	-	-
Purchases of treasury stock	-	-	(12)	(541)
Stock option exercises, including tax benefits of $91	-	-	10	218
Other	-	-	-	1
Shareholders' Equity, December 30, 1995	863	$14	(75)	$(1,683)

(Continued on next page)

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (PAGE 2 OF 2)
(in millions except per share amounts)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 30, 1995, December 31, 1994
and December 25, 1993

	Capital in Excess of Par Value	Retained Earnings	Currency Translation Adjustment and Other	Total
Shareholders' Equity, December 26, 1992	$ 668	$5,440	$ (99)	$5,356
1993 Net income	-	1,588	-	1,588
Cash dividends declared (per share-$0.61)	-	(486)	-	(486)
Currency translation adjustment	-	-	(77)	(77)
Purchases of treasury stock	-	-	-	(463)
Shares issued in connection with acquisitions	165	-	-	335
Stock option exercises, including tax benefits of $23	46	-	-	92
Pension liability adjustment, net of deferred taxes of $5	-	-	(8)	(8)
Other	1	-	-	2
Shareholders' Equity, December 25, 1993	$ 880	$6,542	$(184)	$6,339
1994 Net income	-	1,752	-	1,752
Cash dividends declared (per share-$0.70)	-	(555)	-	(555)
Currency translation adjustment	-	-	(295)	(295)
Purchases of treasury stock	-	-	-	(549)
Stock option exercises, including tax benefits of $27	44	-	-	125
Shares issued in connection with acquisitions	14	-	-	29
Pension liability adjustment, net of deferred taxes of $5	-	-	8	8
Other	(3)	-	-	2
Shareholders' Equity, December 31, 1994	$ 935	$7,739	$(471)	$6,856
1995 Net income	-	1,606	-	1,606
Cash dividends declared (per share-$0.78)	-	(615)	-	(615)
Currency translation adjustment	-	-	(337)	(337)
Purchases of treasury stock	-	-	-	(541)
Stock option exercises, including tax benefits of $91	125	-	-	343
Other	-	-	-	1
Shareholders' Equity, December 30, 1995	$1,060	$8,730	$(808)	$7,313

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(tabular dollars in millions except per share amounts)

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

To facilitate the closing process, certain of PepsiCo's international operations close their fiscal year up to one month earlier than PepsiCo's fiscal year.

Certain reclassifications were made to prior year amounts to conform with the 1995 presentation.

ACCOUNTING CHANGES. As discussed below and in Note 2, in 1995 PepsiCo early adopted Statement of Financial Accounting Standards No. 121 (SFAS 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." In 1994, PepsiCo adopted Statement of Financial Accounting Standards No. 112, "Accounting for Postemployment Benefits," (see Note 14) and a preferred method of calculating the market-related value of plan assets used in determining pension expense (see Note 13).

Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation," permits stock compensation cost to be measured using either the intrinsic value-based method or the fair value-based method. When adopted in 1996, PepsiCo intends to continue to use the intrinsic value-based method and will provide the expanded disclosures required by SFAS 123.

PRINCIPLES OF CONSOLIDATION. The financial statements reflect the consolidated accounts of PepsiCo, Inc. and its controlled affiliates. Intercompany accounts and transactions have been eliminated. Investments in unconsolidated affiliates in which PepsiCo exercises significant influence but not control are accounted for by the equity method and PepsiCo's share of the net income or loss of its affiliates is included in selling, general and administrative expenses.

FISCAL YEAR. PepsiCo's fiscal year ends on the last Saturday in December and, as a result, a fifty-third week is added every five or six years. The fiscal year ending December 31, 1994 consisted of 53 weeks.

MARKETING COSTS. Marketing costs are reported in selling, general and administrative expenses and include costs of advertising, marketing and promotional programs. Promotional discounts are expensed as incurred and other marketing costs not deferred at year-end are charged to expense ratably in relation to sales over the year in which incurred. Marketing costs deferred at year-end, which are classified in prepaid expenses in the Consolidated Balance Sheet, consist of media and personal service advertising prepayments, promotional materials in inventory and production costs of future media advertising; these assets are expensed in the year first used.

Promotional discounts to retailers in the beverage segment are classified as a reduction of sales; in the snack food segment, such discounts are generally classified as marketing costs. The difference in classification reflects our view that promotional discounts are so pervasive in the beverage industry, compared to the snack food industry, that they are effectively price discounts and should be classified accordingly. A current survey of the accounting practice of others in the beverage and snack food industries confirmed that our beverage classification is consistent with others in that industry while practice in the snack food industry is mixed.

Advertising expense was $1.8 billion, $1.7 billion and $1.6 billion in 1995, 1994 and 1993, respectively. Prepaid advertising as of year-end 1995 and 1994 was $78 million and $70 million, respectively.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses, which are expensed as incurred, were $96 million, $152 million and $113 million in 1995, 1994 and 1993, respectively.

STOCK-BASED COMPENSATION. PepsiCo uses the intrinsic value-based method for measuring stock-based compensation cost which measures compensation cost as the excess, if any, of the quoted market price of PepsiCo's capital stock at the grant date over the amount the employee must pay for the stock. PepsiCo's policy is to grant stock options at fair market value at the date of grant.

NET INCOME PER SHARE. Net income per share is computed by dividing net income by the weighted average number of shares and dilutive share equivalents (primarily stock options) outstanding during each year ("average shares outstanding").

DERIVATIVE INSTRUMENTS. PepsiCo's policy prohibits the use of derivative instruments for trading purposes and PepsiCo has procedures in place to monitor and control their use.

PepsiCo enters into interest rate and currency swaps with the objective of reducing borrowing costs. Interest rate and currency swaps are used to effectively change the interest rate and currency of specific debt issuances. In general, the terms of these swaps match the terms of the related debt and the swaps are entered into concurrently with the issuance of the debt they are intended to modify. 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 was 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 or would be recognized immediately if the underlying debt instrument was settled prior to maturity. The differential to be paid or received on a currency swap 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 related non-U.S. dollar denominated 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 was to be terminated prior to maturity, the gain or loss realized upon termination would be immediately recognized in income.

A seven-year put option, issued in connection with the formation of a joint venture with the principal shareholder of GEMEX, an unconsolidated franchised bottling affiliate in Mexico (see Note 17), is marked-to-market with gains or losses recognized currently as an adjustment to PepsiCo's share of the net income of unconsolidated affiliates. The offsetting amount adjusts the carrying amount of the put obligation, classified in other liabilities in the Consolidated Balance Sheet.

Gains and losses on futures contracts designated as hedges of future commodity purchases are deferred and included in the cost of the related raw materials when purchased. Changes in the value of futures contracts that PepsiCo uses 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 purchase contracts were to diminish such that the two were no longer considered highly correlated, subsequent changes in the value of the futures contracts would be recognized in income.

CASH EQUIVALENTS. Cash equivalents represent funds temporarily invested (with original maturities not exceeding three months) as part of PepsiCo's management of day-to-day operating cash receipts and disbursements. All other investment portfolios, largely held outside the U.S., 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 [LIFO] method) or net realizable value.

PROPERTY, PLANT AND EQUIPMENT. Property, plant and equipment (PP&E) are stated at cost except for PP&E that have been impaired, for which the carrying amount is reduced to estimated fair value. Depreciation is calculated principally 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. As noted above, PepsiCo early adopted SFAS 121 in 1995 for purposes of determining and measuring impairment of certain long-lived assets to be held and used in the business. See Note 2.

PepsiCo reviews most long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used in the business for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or a group of assets may not be recoverable. PepsiCo considers a history of operating losses to be its primary indicator of potential impairment. Assets are grouped and evaluated for impairment at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets ("Assets"). PepsiCo has identified the appropriate grouping of Assets to be individual restaurants for the restaurant segment and, for each of the snack food and beverage segments, Assets are generally grouped at the country level. PepsiCo deems an Asset to be impaired if a forecast of undiscounted future operating cash flows directly related to the Asset, including disposal value if any, is less than its carrying amount. If an Asset is determined to be impaired, the loss is measured as the amount by which the carrying amount of the Asset exceeds its fair value. Fair value is based on quoted market prices in active markets, if available. If quoted market prices are not available, an estimate of fair value is based on the best information available, including prices for similar assets or the results of valuation techniques such as discounting estimated future cash flows as if the decision to continue to use the impaired Asset was a new investment decision. PepsiCo generally measures fair value by discounting estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual results could vary significantly from such estimates.

Recoverability of other long-lived assets, primarily investments in unconsolidated affiliates and identifiable intangibles and goodwill not identified with impaired Assets covered by the above paragraph, will continue to be evaluated on a recurring basis. The primary indicators of recoverability are current or forecasted profitability over the estimated remaining life of these assets, based on the operating profit of the businesses directly related to these assets. If recoverability is unlikely based on the evaluation, the carrying amount is reduced by the amount it exceeds the forecasted operating profit and any estimated disposal value.

NOTE 2 -IMPAIRMENT OF LONG-LIVED ASSETS

PepsiCo early adopted Statement of Financial Accounting Standards No. 121 (SFAS 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," as of the beginning of the fourth quarter of 1995. This date was chosen to allow adequate time to collect and analyze data related to the long-lived assets of each of our worldwide operations for purposes of identifying, measuring and reporting any impairment in 1995.

The initial, noncash charge upon adoption of SFAS 121 was $520 million ($384 million after-tax or $0.48 per share), which included $68 million ($49 million after-tax or $0.06 per share) related to restaurants for which closure decisions were made during the fourth quarter. This initial charge resulted from PepsiCo grouping assets at a lower level than under its previous accounting policy for evaluating and measuring impairment. Under PepsiCo's previous accounting policy, each of PepsiCo's operating divisions' ("Division") long-lived assets to be held and used by the Division, other than intangible assets, were evaluated as a group for impairment if the Division was incurring operating losses or was expected to incur operating losses in the future. Because of the strong operating profit history and prospects of each Division, no impairment evaluation had been required for 1994 or 1993 under PepsiCo's previous accounting policy. The initial charge represented a reduction of the carrying amounts of the impaired Assets (as defined in Note 1) to their estimated fair value, as determined by using discounted estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual results could vary significantly from such estimates. This charge affected worldwide restaurants, international beverages and, to a much lesser extent, international snack foods and certain unconsolidated affiliates. See Note 19.

As a result of the reduced carrying amount of the impaired Assets, depreciation and amortization expense for the fourth quarter of 1995 was reduced by $21 million ($15 million after-tax or $0.02 per share) and full-year 1996 depreciation and amortization expense is expected to be reduced by approximately $58 million ($39 million after-tax or $0.05 per share). See Management's Analysis - Restaurants on page 33 for a discussion of other possible future effects related to this change in accounting.

SFAS 121 also requires, among other provisions, that long-lived assets and certain identifiable intangibles to be disposed of that are not covered by APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," be reported at the lower of the asset's carrying amount or its fair value less cost to sell. Under PepsiCo's previous accounting policy, PepsiCo reported an asset to be disposed of at the lower of its carrying amount or its estimated net realizable value. There were no material adjustments to the carrying amounts of assets to be disposed of in 1995, 1994 or 1993 under PepsiCo's previous accounting policy. The impact of adopting SFAS 121 on assets held for disposal during 1995 was immaterial.

NOTE 3 - ITEMS AFFECTING COMPARABILITY

The effect on comparability of 1995 net gains from sales of restaurants to franchisees in excess of the cost of closing other restaurants is provided under Net Refranchising Gains in Note 19.

The fifty-third week in 1994, as described under Fiscal Year in Note 1, increased 1994 net sales by an estimated $434 million and earnings by approximately $54 million ($35 million after-tax or $0.04 per share). See Fiscal Year in Note 19 for the estimated impact of the fifty-third week on comparability of segment net sales and operating profit.

The effects of unusual items on comparability of operating profit, primarily restructuring charges and accounting changes, are provided under Unusual Items and Accounting Changes, respectively, in Note 19.

Information regarding the 1994 gain from a public share offering by BAESA, an unconsolidated franchised bottling affiliate in South America, and a 1993 charge to increase net deferred tax liabilities as of the beginning of 1993 for a 1% statutory income tax rate increase due to 1993 U.S. Federal tax legislation is provided in Notes 16 and 11, respectively.

NOTE 4 - INVENTORIES

	1995	1994
Raw materials and supplies............	$ 550	$455
Finished goods........................	501	515
	$1,051	$970

The cost of 32% of 1995 inventories and 38% of 1994 inventories was computed using the LIFO method. The carrying amount of total LIFO inventories was lower than the approximate current cost of those inventories by $11 million at year-end 1995, but higher by $6 million at year-end 1994.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT, NET

	1995	1994
Land..........................	$ 1,327	$ 1,322
Buildings and improvements.....	5,668	5,664
Capital leases, primarily buildings....................	531	451
Machinery and equipment........	8,598	8,208
Construction in progress.......	627	485
	16,751	16,130
Accumulated depreciation.......	(6,881)	(6,247)
	$ 9,870	$ 9,883

Depreciation expense in 1995, 1994 and 1993 was $1.3 billion, $1.2 billion and $1.1 billion, respectively. The adoption of SFAS 121 reduced the carrying amount of property, plant and equipment, net by $399 million. See Note 2.

NOTE 6 - INTANGIBLE ASSETS, NET

	1995	1994
Reacquired franchise rights....	$3,826	$3,974
Trademarks.....................	711	768
Other identifiable intangibles...................	286	250
Goodwill.......................	2,761	2,850
	$7,584	$7,842

Identifiable intangible assets primarily arose from the allocation of purchase prices of businesses acquired and consist principally of reacquired franchise rights and trademarks. Reacquired franchise rights relate to acquisitions of franchised bottling and restaurant operations and trademarks principally relate to acquisitions of international snack food and beverage businesses. Amounts assigned to such identifiable intangibles were based on independent appraisals or internal estimates. Goodwill represents the residual purchase price after allocation to all identifiable net assets.

Accumulated amortization, included in the amounts above, was $1.8 billion and $1.6 billion at year-end 1995 and 1994, respectively. The adoption of SFAS 121 reduced the carrying amount of intangible assets, net by $86 million. See Note 2.

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

PepsiCo's policy prohibits the use of derivative instruments for trading purposes and PepsiCo has procedures in place to monitor and control their use.

PepsiCo's use of derivative instruments is primarily limited to interest rate and currency swaps, which are entered into with the objective of reducing borrowing costs. PepsiCo enters into interest rate and foreign currency swaps to effectively change the interest rate and currency of specific debt issuances. These swaps are generally entered into concurrently with the issuance of the debt they are intended to modify. The notional amount, interest payment dates and maturity dates of the swaps match the principal, interest payment dates and maturity dates of the related debt. Accordingly, any market impact (risk or opportunity) associated with these swaps is fully offset by the opposite market impact on the related debt. PepsiCo's credit risk related to interest rate and currency swaps is considered low because they are only entered into with strong creditworthy counterparties, are generally settled on a net basis and are of relatively short duration. See Note 8 for the notional amounts, related interest rates and maturities of the interest rate and currency swaps along with the original terms of the related debt and Note 9 for the fair value of these instruments.

In 1995, PepsiCo issued a seven-year put option in connection with the formation of a joint venture with the principal shareholder of GEMEX, an unconsolidated franchised bottling affiliate in Mexico. The put option allows the principal shareholder to sell up to 150 million GEMEX shares to PepsiCo at 66 2/3 cents per share. PepsiCo accounts for this put option by marking it to market with gains or losses recognized currently. The put option liability, which was valued at $26 million at the date of the original transaction, increased to $30 million by year-end, resulting in a $4 million charge to earnings.

NOTE 8 - SHORT-TERM BORROWINGS AND LONG-TERM DEBT

	1995	1994
SHORT-TERM BORROWINGS		
Commercial paper (5.7% and 5.4%)(A)............	$ 2,006	$ 2,254
Current maturities of long-term debt issuances (A)(B).........................	1,405	988
Notes (6.9% and 5.4%) (A)......................	252	1,492
Other borrowings (7.9% and 6.5%) (C)...........	543	444
Amount reclassified to long-term debt (D).........................	(3,500)	(4,500)
	$ 706	$ 678
LONG-TERM DEBT		
Short-term borrowings, reclassified (D)........	$ 3,500	$ 4,500
Notes due 1996 through 2010 (6.3% and 6.6%) (A)....................................	3,886	3,725
Euro notes due 1997 through 1998 (7.5% and 8.0%) (A)...........................	550	250
Zero coupon notes, $780 million due 1996 through 2012 (14.4% annual yield to maturity) (A)................................	234	219
Swiss franc perpetual Foreign Interest Payment bonds (E)............................	214	213
Australian dollar 6.3% bonds due 1997 through 1998 with interest payable in Japanese yen (A)(C)..........................	212	-
Japanese yen 3.3% bonds due 1997 (C)...........	194	201
Zero coupon notes, $200 million due 1999 (6.4% annual yield to maturity) (A)...........	161	-
Swiss franc 5.0% notes due 1999 (A)(C).........	108	-
Italian lira 11.4% notes due 1998 (A)(C).......	95	-
Luxembourg franc 6.6% notes due 1998 (A)(C)....	68	-
Swiss franc 5 1/4% bearer bonds due 1995 (C).................................	-	100
Capital lease obligations (See Note 10)................................	294	298
Other, due 1996-2020 (6.8% and 8.1%)...........	398	323
	9,914	9,829
Less current maturities of long-term debt issuances (B)...........................	(1,405)	(988)
	$ 8,509	$ 8,841

The interest rates in the above table indicate, where applicable, the weighted average of the stated rates at year-end 1995 and 1994, respectively, prior to the effects of any interest rate swaps. See (A) below for PepsiCo's weighted average interest rates after giving effect to the impact of the interest rate swaps.

The carrying amount of long-term debt includes any related discount or premium and unamortized debt issuance costs. The debt agreements include various restrictions, none of which are currently significant to PepsiCo.

The annual maturities of long-term debt through 2000, excluding capital lease obligations and the reclassified short-term borrowings, are: 1996-$1.4 billion, 1997-$1.5 billion, 1998-$1.5 billion, 1999-$572 million and 2000-$651 million.

See Note 7 for a discussion of PepsiCo's use of interest rate and currency swaps and its management of the inherent credit risk and Note 9 for fair value information related to debt and interest rate and currency swaps.

(A) The following table indicates the notional amount and weighted average interest rates, by category, of interest rate swaps outstanding at year-end 1995 and 1994, respectively. The weighted average variable interest rates that PepsiCo pays, which are primarily indexed to either commercial paper or LIBOR rates, are based on rates as of the respective balance sheet date and are subject to change. Terms of interest rate swaps generally match the terms of the debt they modify and the swaps terminate in 1996 through 2010.

	1995	1994
Receive fixed-pay variable		
Notional amount.......................	$2,657	$1,557
Weighted average receive rate.........	6.8%	5.9%
Weighted average pay rate.............	5.7%	6.1%
Receive variable-pay variable		
Notional amount.......................	$ 577	$1,009
Weighted average receive rate.........	5.7%	4.9%
Weighted average pay rate.............	5.8%	6.0%
Receive variable-pay fixed		
Notional amount.......................	$ 215	$ 215
Weighted average receive rate.........	5.8%	6.6%
Weighted average pay rate.............	8.2%	8.2%

The following table identifies the composition of total debt (excluding capital lease obligations and before the reclassification of amounts from short-term borrowings) after giving effect to the impact of interest rate swaps. All short-term borrowings are considered variable interest rate debt for purposes of this table.

	1995		1994	
	Carrying Amount	Weighted Average Interest Rate	Carrying Amount	Weighted Average Interest Rate
Variable interest rate debt				
Short-term borrowings..........	$4,177	6.4%	$5,149	6.2%
Long-term debt.......	2,103	5.8%	937	6.1%
	6,280	6.2%	6,086	6.2%
Fixed interest rate debt...................	2,641	7.4%	3,135	7.4%
	$8,921	6.6%	$9,221	6.6%

(B) Included certain long-term notes aggregating $248 million which are reasonably expected to be called, without penalty, by PepsiCo in 1996. The expectation is based upon the belief of PepsiCo management that, based upon projected yield curves, our counterparties to interest rate swaps, which were entered into to modify these notes, will exercise their option to early terminate the swaps without penalty. Also included the $214 million carrying amount of the Swiss franc perpetual Foreign Interest Payment bonds (see (E) below).

(C) PepsiCo has entered into currency swaps to hedge its foreign currency exposure on non-U.S. dollar denominated debt. At year-end 1995, the aggregate carrying amount of the debt was $696 million and the receivables and payables under related currency swaps were $5 million and $12 million, respectively, resulting in a net effective U.S. dollar liability of $703 million with a weighted average interest rate of 5.8%, including the effects of related interest rate swaps. At year-end 1994, the carrying amount of this debt aggregated $301 million and the receivables and payables under related currency swaps aggregated $50 million and $2 million, respectively, resulting in a net effective U.S. dollar liability of $253 million with a weighted average interest rate of 7.9%, including the effects of related interest rate swaps.

(D) At year-end 1995 and 1994, PepsiCo had unused revolving credit facilities covering potential borrowings aggregating $3.5 billion. Effective January 3, 1995, PepsiCo replaced its existing credit facilities with new revolving credit facilities aggregating $4.5 billion, of which $1.0 billion was to expire in 1996 and $3.5 billion was to expire in 2000. Effective December 8, 1995, PepsiCo terminated the $1.0 billion due to expire in 1996 based upon a current assessment of the amount of credit facilities required compared to its related cost. The expiration of the remaining credit facilities of $3.5 billion was extended to 2001. At year-end 1995 and 1994, $3.5 billion and $4.5 billion, respectively, of short-term borrowings were classified as long-term debt, reflecting PepsiCo's intent and ability, through the existence of the unused credit facilities, to refinance these borrowings. These credit facilities exist largely to support the issuances of short-term borrowings and are available for acquisitions and other general corporate purposes.

(E) The coupon rate of the Swiss franc 400 million perpetual Foreign Interest Payment bonds issued in 1986 is 7 1/2% through 1996. The bonds have no stated maturity date. At the end of each 10-year period after the issuance of the bonds, PepsiCo and the bondholders each have the right to cause redemption of the bonds. If not redeemed, the coupon rate will be adjusted based on the prevailing yield of 10-year U.S. Treasury Securities. The principal of the bonds is denominated in Swiss francs. PepsiCo can, and intends to, limit the ultimate redemption amount to the U.S. dollar proceeds at issuance, which is the basis of the carrying amount. Interest payments are made in U.S. dollars and are calculated by applying the coupon rate to the original U.S. dollar principal proceeds of $214 million. Although PepsiCo does not currently intend to cause redemption of this debt, this debt has been included in current maturities of long-term debt (see (B) above) at year-end 1995 because the bondholders may exercise their right to cause PepsiCo to redeem the debt in 1996 on its 10-year anniversary date. Since the redemption feature is only available on each 10-year anniversary date, the bonds will be reclassified to long-term if redemption does not occur in 1996.

NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS

	1995		1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and cash equivalents	$ 382	$ 382	$ 331	$ 331
Short-term investments	$1,116	$1,116	$1,157	$1,157
Other assets (noncurrent investments)	$ 23	$ 23	$ 48	$ 48
Liabilities				
Debt				
Short-term borrowings and long-term debt, net of capital leases	$8,921	$9,217	$9,221	$9,266
Debt-related derivative instruments				
Open contracts in asset position	(25)	(96)	(52)	(52)
Open contracts in liability position	13	26	8	54
Net debt	$8,909	$9,147	$9,177	$9,268
Other liabilities (GEMEX put option)	$ 30	$ 30	-	-
Guarantees	-	$ 4	-	$ 3

The carrying amounts in the above table 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 amount approximates fair value. The fair value of noncurrent investments is based upon market quotes. The fair value of debt, debt-related derivative instruments and guarantees is estimated using market quotes, valuation models and calculations based on market rates. The fair value of the GEMEX put option is based upon a valuation model.

See Note 7 for more information regarding PepsiCo's use of derivative instruments and its management of the inherent credit risk related to those instruments.

NOTE 10 - LEASES

PepsiCo has noncancelable commitments under both capital and long-term operating leases, primarily for restaurant units. In addition, PepsiCo is lessee under noncancelable leases covering vehicles, equipment and nonrestaurant real estate. Capital and operating lease commitments expire at various dates through 2088 and, in many cases, provide for rent escalations and renewal options. Most leases require payment of related executory costs, which include property taxes, maintenance and insurance. Sublease income and sublease receivables are insignificant.

Future minimum commitments under noncancelable leases are set forth below:

	1996	1997	1998	1999	2000	Later Years	Total
Capital	$ 57	49	68	37	38	299	$ 548
Operating	$350	297	269	240	218	1,170	$2,544

At year-end 1995, the present value of minimum payments under capital leases was $294 million, after deducting $1 million for estimated executory costs and $253 million representing imputed interest.

The details of rental expense are set forth below:

	1995	1994	1993
Minimum	$439	$433	$392
Contingent	40	32	28
	$479	$465	$420

Contingent rentals are based on sales by restaurants in excess of levels stipulated in the lease agreements.

NOTE 11 - INCOME TAXES

The details of the provision for income taxes on income before cumulative effect of accounting changes are set forth below:

		1995	1994	1993
Current:	Federal...........	$ 706	$642	$467
	Foreign...........	154	174	196
	State.............	77	131	89
		937	947	752
Deferred:	Federal...........	(92)	(64)	78
	Foreign...........	(18)	(2)	(13)
	State.............	(1)	(1)	18
		(111)	(67)	83
		$ 826	$880	$835

In 1993, a charge of $30 million ($0.04 per share) was recorded to increase net deferred tax liabilities as of the beginning of 1993 for a 1% statutory income tax rate increase under 1993 U.S. Federal tax legislation.

U.S. and foreign income before income taxes and cumulative effect of accounting changes are set forth below:

	1995	1994	1993
U.S...........................	$1,792	$1,762	$1,633
Foreign.......................	640	902	790
	$2,432	$2,664	$2,423

PepsiCo operates centralized concentrate manufacturing facilities in Puerto Rico and Ireland under long-term tax incentives. The U.S. amount in the above table included approximately 70% in 1995 and 50% in 1994 and 1993 (consistent with the income subject to U.S. tax) of the income from sales of concentrate manufactured in Puerto Rico. The increase in 1995 reflected the effects of the 1993 Federal income tax legislation, which limited the U.S. Federal tax credit on income earned in Puerto Rico. See Management's Analysis - Significant U.S. Tax Changes Affecting Historical and Future Results on page 15 for a discussion of the reduction of the U.S. Federal tax credit associated with beverage concentrate operations in Puerto Rico.

A reconciliation of the U.S. Federal statutory tax rate to PepsiCo's effective tax rate is set forth below:

	1995	1994	1993
U.S. Federal statutory tax rate....	35.0%	35.0%	35.0%
State income tax, net of Federal tax benefit.....................	2.0	3.2	2.9
Effect of lower taxes on foreign income (including Puerto Rico and Ireland).....................	(3.0)	(5.4)	(3.3)
Adjustment to the beginning-of-the-year deferred tax assets valuation allowance..............	-	(1.3)	-
Reduction of prior years' foreign accruals..................	-	-	(2.0)
Settlement of prior years' audit issues......................	(4.1)	-	-
Effect of 1993 tax legislation on deferred income taxes.............	-	-	1.1
Effect of adopting SFAS 121........	1.4	-	-
Nondeductible amortization of U.S. goodwill.....................	1.0	0.8	0.8
Other, net.........................	1.7	0.7	-
Effective tax rate.................	34.0%	33.0%	34.5%

The details of the 1995 and 1994 deferred tax liabilities (assets) are set forth below:

	1995	1994
Intangible assets other than nondeductible goodwill	$ 1,631	$ 1,628
Property, plant and equipment	496	506
Safe harbor leases	165	171
Zero coupon notes	100	111
Other	257	337
Gross deferred tax liabilities	2,649	2,753
Net operating loss carryforwards	(418)	(306)
Postretirement benefits	(248)	(248)
Casualty claims	(119)	(71)
Various accrued liabilities and other	(790)	(637)
Gross deferred tax assets	(1,575)	(1,262)
Deferred tax assets valuation allowance	498	319
Net deferred tax liability	$ 1,572	$ 1,810
Included in		
Prepaid expenses, taxes and other current assets	$ (313)	$ (167)
Other current liabilities	-	4
Deferred income taxes	1,885	1,973
	$ 1,572	$ 1,810

The valuation allowance related to deferred tax assets increased by $179 million in 1995, primarily resulting from additions related to current year operating losses in a number of state and foreign jurisdictions and the adoption of SFAS 121.

In accordance with generally accepted accounting principles, deferred tax liabilities have not been recognized for bases differences that are essentially permanent in duration related to investments in foreign subsidiaries and joint ventures. These differences, which consist primarily of unremitted earnings intended to be indefinitely reinvested, aggregated approximately $4.5 billion at year-end 1995 and $3.8 billion at year-end 1994, exclusive of amounts that if remitted in the future would result in little or no tax under current tax laws and the Puerto Rico tax incentive grant. Determination of the amount of unrecognized deferred tax liabilities is not practicable.

Net operating loss carryforwards totaling $2.3 billion at year-end 1995 are available to reduce future tax of certain subsidiaries and are related to a number of state and foreign jurisdictions. Of these carryforwards, $16 million expire in 1996, $2.1 billion expire at various times between 1997 and 2010 and $173 million may be carried forward indefinitely.

Tax benefits associated with exercises of stock options of $91 million in 1995, $27 million in 1994 and $23 million in 1993 were credited to shareholders' equity. A change in the functional currency of operations in Mexico from the U.S. dollar to local currency in 1993 resulted in a $19 million decrease in the net deferred foreign tax liability that was credited to shareholders' equity.

NOTE 12 - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

PepsiCo provides postretirement health care benefits to eligible retired employees and their dependents, principally in the U.S. Retirees who have 10 years of service and attain age 55 while in service with PepsiCo are eligible to participate in the postretirement benefit plans. The plans are not funded and were largely noncontributory through 1993.

Effective in 1993 and 1994, PepsiCo implemented programs intended to stem rising costs and introduced retiree cost-sharing, including adopting a provision that limits its future obligation to absorb health care cost inflation. These amendments resulted in an unrecognized prior service gain of $191 million, which is being amortized on a straight-line basis over the average remaining employee service period of approximately 10 years as a reduction in postretirement benefit expense beginning in 1993.

The components of postretirement benefit expense for 1995, 1994 and 1993 are set forth below:

	1995	1994	1993
Service cost of benefits earned	$ 13	$ 19	$ 15
Interest cost on accumulated postretirement benefit obligation	46	41	41
Amortization of prior service cost (gain)	(20)	(20)	(20)
Amortization of net (gain) loss	(1)	6	-
	$ 38	$ 46	$ 36

The components of the 1995 and 1994 postretirement benefit liability recognized in the Consolidated Balance Sheet are set forth below:

	1995	1994
Actuarial present value of postretirement benefit obligation:		
Retirees	$(344)	$(289)
Fully eligible active plan participants	(96)	(88)
Other active plan participants	(171)	(148)
Accumulated postretirement benefit obligation	(611)	(525)
Unrecognized prior service cost (gain)	(132)	(152)
Unrecognized net loss	68	12
	$(675)	$(665)

The discount rate assumptions used in computing the information above are set forth below:

	1995	1994	1993
Postretirement benefit expense	9.1%	6.8	8.2
Accumulated postretirement benefit obligation	7.7%	9.1	6.8

The year-to-year fluctuations in the discount rate assumptions primarily reflect changes in U.S. interest rates. The discount rate represents the expected yield on a portfolio of high-grade (AA rated or equivalent) fixed-income investments with cash flow streams sufficient to satisfy benefit obligations under the plans when due.

As a result of the plan amendments discussed above, separate assumed health care cost trend rates are used for employees who retire before and after the effective date of the amendments. The assumed health care cost trend rate for employees who retired before the effective date is 9.0% for 1996, declining gradually to 5.5% in 2005 and thereafter. For employees retiring after the effective date, the trend rate is 7.5% for 1996, declining gradually to 0% in 2001 and thereafter. A 1 point increase in the assumed health care cost trend rate would have increased the 1995 postretirement benefit expense by $2 million and would have increased the 1995 accumulated postretirement benefit obligation by $24 million.

NOTE 13 - PENSION PLANS

PepsiCo sponsors noncontributory defined benefit pension plans covering substantially all full-time U.S. employees as well as contributory and noncontributory defined benefit pension plans covering certain international employees. Benefits generally are based on years of service and compensation or stated amounts for each year of service. PepsiCo funds the U.S. plans in amounts not less than minimum statutory funding requirements nor more than the maximum amount that can be deducted for U.S.

income tax purposes. International plans are funded in amounts sufficient to comply with local statutory requirements. The plans' assets consist principally of equity securities, government and corporate debt securities and other fixed income obligations. The U.S. plans' assets included 6.9 million shares of PepsiCo capital stock for 1995 and 1994, with a market value of $350 million and $227 million, respectively. Dividends on PepsiCo capital stock of $5 million were received by the U.S. plans in both 1995 and 1994.

The components of net pension expense for U.S. company-sponsored plans are set forth below:

	1995	1994	1993
Service cost of benefits earned...........	$ 60	$ 70	$ 57
Interest cost on projected benefit obligation..............................	92	84	76
Return on plan assets			
Actual (gain) loss......................	(338)	20	(162)
Deferred gain (loss)....................	221	(131)	71
	(117)	(111)	(91)
Amortization of net transition gain.......	(19)	(19)	(19)
Net other amortization....................	5	9	9
	$ 21	$ 33	$ 32

Reconciliations of the funded status of the U.S. plans to the pension liability recognized in the Consolidated Balance Sheet are set forth below:

	Assets Exceed Accumulated Benefits		Accumulated Benefits Exceed Assets	
	1995	1994	1995	1994
Actuarial present value of benefit obligation				
Vested benefits.............	$ (824)	$ (774)	$(270)	$(22)
Nonvested benefits..........	(110)	(98)	(30)	(1)
Accumulated benefit obligation...................	(934)	(872)	(300)	(23)
Effect of projected compensation increases.......	(155)	(111)	(78)	(48)
Projected benefit obligation..	(1,089)	(983)	(378)	(71)
Plan assets at fair value.....	1,152	1,134	267	3
Plan assets in excess of (less than) projected benefit obligation..........	63	151	(111)	(68)
Unrecognized prior service cost.................	37	31	51	30
Unrecognized net (gain) loss	(20)	(72)	34	4
Unrecognized net transition (gain) loss.......	(51)	(73)	(3)	-
Adjustment required to recognize minimum liability.	-	-	(26)	-
Prepaid (accrued) pension liability...................	$ 29	$ 37	$ (55)	$(34)

The assumptions used to compute the U.S. information above are set forth below:

	1995	1994	1993
Discount rate - pension expense...........	9.0%	7.0	8.2
Expected long-term rate of return on plan assets...........................	10.0%	10.0	10.0
Discount rate - projected benefit obligation...............................	7.7%	9.0	7.0
Future compensation growth rate...........	3.3%-6.6%	3.3-7.0	3.3-7.0

The components of net pension expense for international company-sponsored plans are set forth below:

	1995	1994	1993
Service cost of benefits earned...........	$ 11	$ 15	$ 12
Interest cost on projected benefit obligation...............................	16	15	15
Return on plan assets			
Actual (gain) loss.......................	(31)	8	(41)
Deferred gain (loss)....................	6	(32)	21
	(25)	(24)	(20)
Net other amortization....................	-	2	2
	$ 2	$ 8	$ 9

Reconciliations of the funded status of the international plans to the pension liability recognized in the Consolidated Balance Sheet are set forth below:

	Assets Exceed Accumulated Benefits		Accumulated Benefits Exceed Assets	
	1995	1994	1995	1994
Actuarial present value of benefit obligation				
Vested benefits	$(144)	$(125)	$(34)	$(23)
Nonvested benefits	(2)	(2)	(1)	(7)
Accumulated benefit obligation	(146)	(127)	(35)	(30)
Effect of projected compensation increases	(23)	(24)	(12)	(10)
Projected benefit obligation	(169)	(151)	(47)	(40)
Plan assets at fair value	235	213	18	15
Plan assets in excess of (less than) projected benefit obligation	66	62	(29)	(25)
Unrecognized prior service cost	3	4	-	-
Unrecognized net loss (gain)	16	14	4	(3)
Unrecognized net transition (gain) loss	(1)	(2)	4	5
Adjustment required to recognize minimum liability	-	-	(2)	-
Prepaid (accrued) pension liability	$ 84	$ 78	$(23)	$(23)

The assumptions used to compute the international information above are set forth below:

	1995	1994	1993
Discount rate - pension expense...........	9.2%	7.3	9.0
Expected long-term rate of return on plan assets...........................	11.3%	11.3	10.8
Discount rate - projected benefit obligation...............................	8.8%	9.3	7.4
Future compensation growth rate...........	3.0%-11.8%	3.0-8.5	3.5-8.5

The discount rates and rates of return for the international plans represent weighted averages.

The year-to-year fluctuations in the discount rate assumptions primarily reflect changes in interest rates. The discount rates represent the expected yield on a portfolio of high-grade (AA rated or equivalent) fixed-income investments with cash flow streams sufficient to satisfy benefit obligations under the plans when due. The lower assumed discount rates used to measure the 1995 projected benefit obligation compared to the assumed discount rates used to measure the 1994 projected benefit obligation changed the funded status of certain plans from overfunded to underfunded.

In 1994, PepsiCo changed the method for calculating the market-related value of plan assets used in determining the return-on-assets component of annual pension expense and the cumulative net unrecognized gain or loss subject to amortization. Under the previous accounting method, the calculation of the market-related value of assets reflected amortization of the actual capital return on assets on a straight-line basis over a five-year period. Under the new method, the calculation of the market-related value of assets reflects the long-term rate of return expected by PepsiCo and amortization of the difference between the actual return (including capital, dividends and interest) and the expected return over a five-year period. PepsiCo believes the new method is widely used in practice and preferred because it results in calculated plan asset values that more closely approximate fair value, while still mitigating the effect of annual market-value fluctuations. Under both methods, only the cumulative net unrecognized gain or loss that exceeds 10% of the greater of the projected benefit obligation or the market-related value of plan assets is subject to amortization. This change resulted in a noncash benefit in 1994 of $38 million ($23 million after-tax or $0.03 per share) representing the cumulative effect of the change related to years prior to 1994 and $35 million in lower pension expense ($22 million after-tax or $0.03 per share) related to 1994 as compared to the previous accounting method. Had this change been applied retroactively, 1993 pension expense would have been reduced by $16 million ($11 million after-tax or $0.01 per share).

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN TO RETIREES

Effective the beginning of 1994, PepsiCo adopted Statement of Financial Accounting Standards No. 112 (SFAS 112), "Employers' Accounting for Postemployment Benefits." SFAS 112 requires PepsiCo to accrue the cost of certain postemployment benefits to be paid to terminated or inactive employees other than retirees. The principal effect to PepsiCo results from accruing severance benefits to be provided to employees of certain business units who are terminated in the ordinary course of business over the expected service lives of the employees. Previously, these benefits were accrued upon the occurrence of an event. Severance benefits resulting from actions not in the ordinary course of business will continue to be accrued when those actions occur. The cumulative effect charge upon adoption of SFAS 112, which relates to years prior to 1994, was $84 million ($55 million after-tax or $0.07 per share). As compared to the previous accounting method, the ongoing impact of adopting SFAS 112 was immaterial to 1994 operating profits. PepsiCo's cash flows have been unaffected by this accounting change as PepsiCo continues to largely fund postemployment benefit costs as incurred.

NOTE 15 - EMPLOYEE STOCK OPTIONS

PepsiCo grants stock options to employees pursuant to three different incentive plans -- the SharePower Stock Option Plan (SharePower), the Long-Term Incentive Plan (LTIP) and the Stock Option Incentive Plan (SOIP). All stock option grants are authorized by the Compensation Committee of PepsiCo's Board of Directors (the Committee), which is comprised of outside directors. In each case, a stock option represents the right to purchase a share of PepsiCo capital stock (Stock) in the future at a price equal to the fair market value of the Stock on the date of the grant.

Under SharePower, approved by the Board of Directors and effective in 1989, essentially all employees, other than executive officers and short-service employees, may be granted stock options annually. The number of options granted is based on each employee's annual earnings. The options generally become exercisable ratably over 5 years from the grant date and must be exercised within 10 years of the grant date. SharePower options of 8 million were granted to approximately 134,000 employees in 1995; 12 million to 128,000 employees in 1994; and 9 million to 118,000 employees in 1993.

The shareholder-approved 1994 Long-Term Incentive Plan succeeds and continues the principal features of the shareholder approved 1987 Long-Term Incentive Plan (the 1987 Plan). PepsiCo ceased making grants under the 1987 Plan at the end of 1994. Together, these plans comprise the LTIP. At year-end 1995 and 1994, there were 74 million and 75 million shares, respectively, available for future grants under the LTIP.

Most LTIP stock options are granted every other year to senior management employees. Most of these options become exercisable after 4 years and must be exercised within 10 years from their grant date. In 1995, 1994 and 1993, 1 million, 16 million and 3 million stock options, respectively, were granted under the LTIP. In addition, the LTIP allows for grants of performance share units (PSUs). The value of a PSU is fixed at the value of a share of Stock at the grant date and vests for payment 4 years from the grant date, contingent upon attainment of prescribed Corporate performance goals. PSUs are not directly granted, as certain stock options granted may be surrendered by employees for a specified number of PSUs within 60 days of the option grant date. At year-end 1995, 1994 and 1993, there were 599,100, 629,200 and 491,200 PSUs outstanding, respectively. Payment of PSUs are made in cash and/or Stock as approved by the Committee. Amounts expensed for PSUs were $5 million, $7 million and $3 million in 1995, 1994 and 1993, respectively.

In 1995, the Committee approved the 1995 Stock Option Incentive Plan for middle management employees, under which a maximum of 25 million stock options may be granted. SOIP stock options are expected to be granted annually and are exercisable after 1 year and must be exercised within 10 years after their grant date. In 1995, 4 million stock options were granted resulting in 21 million shares available for future grants at year-end. In 1994 and 1993, grants similar to those under the SOIP were made under the LTIP to a more limited number of middle management employees.

Stock option activity for 1993, 1994 and 1995 is set forth below:

(options in thousands)	SharePower	LTIP/SOIP
Outstanding at December 26, 1992	28,796	32,990
Granted	9,121	2,834
Exercised	(1,958)	(1,412)
Surrendered for PSUs	-	(96)
Canceled	(2,524)	(966)
Outstanding at December 25, 1993	33,435	33,350
Granted	11,633	16,237
Exercised	(1,820)	(3,052)
Surrendered for PSUs	-	(1,541)
Canceled	(3,443)	(2,218)
Outstanding at December 31, 1994	39,805	42,776
Granted	8,218	4,977
Exercised	(5,722)	(4,868)
Surrendered for PSUs	-	(101)
Canceled	(2,939)	(1,815)
Outstanding at December 30, 1995	39,362	40,969
Exercisable at December 30, 1995	16,932	15,804
Option prices per share		
Exercised during 1993	$17.58 to $36.75	$4.11 to $36.31
Exercised during 1994	$17.58 to $36.75	$4.11 to $38.75
Exercised during 1995	$17.58 to $46.00	$7.69 to $41.81
Outstanding at year-end 1995	$17.58 to $46.00	$7.69 to $51.19

NOTE 16 - STOCK OFFERING BY AN UNCONSOLIDATED AFFILIATE

In 1993, PepsiCo entered into an arrangement with the principal shareholders of Buenos Aires Embotelladora S.A. (BAESA), a franchised bottler which currently has operations in Brazil, Argentina, Chile, Uruguay and Costa Rica, to form a joint venture. PepsiCo contributed certain assets, primarily bottling operations in Chile and Uruguay, while the principal shareholders contributed all of their shares in BAESA, representing 73% of the voting control and 43% of the ownership interest. Through this arrangement, PepsiCo's beneficial ownership in BAESA, which is accounted for by the equity method, was 26%. Under PepsiCo's partnership agreement with the principal shareholders of BAESA, voting control of BAESA will be transferred to PepsiCo no later than December 31, 1999.

On March 24, 1994, BAESA completed a public offering of 3 million American Depositary Shares (ADS) at $34.50 per ADS, which are traded on the New York Stock Exchange. In conjunction with the offering, PepsiCo and certain other shareholders exercised options for the equivalent of 2 million ADS. As a result of these transactions, PepsiCo's ownership in BAESA declined to 24%. The transactions generated cash proceeds for BAESA of $136 million. The resulting onetime, noncash gain to PepsiCo was $18 million ($17 million after-tax or $0.02 per share).

NOTE 17 - ACQUISITIONS AND INVESTMENTS IN UNCONSOLIDATED AFFILIATES

During 1995, PepsiCo completed acquisitions and investments in unconsolidated affiliates aggregating $475 million, principally for cash. In addition, approximately $15 million of debt was assumed in these transactions. This activity included equity investments in international franchised bottling operations, primarily Grupo Embotellador de Mexico, S.A. (GEMEX) in Mexico, and in Simba, a snack food operation in South Africa. In addition, acquisitions included worldwide restaurant operations, primarily in New Zealand and the buyout of a joint venture partner in Singapore, and worldwide bottling operations.

PepsiCo formed a joint venture with the principal shareholder of GEMEX, an unconsolidated franchised bottling affiliate in Mexico. PepsiCo acquired a 27% interest for $207 million in cash and the contribution of a small company-owned bottling operation and our interest in an existing small franchised bottling joint venture with GEMEX. In addition, PepsiCo provided the principal shareholder of GEMEX a seven-year put option which allows the shareholder to sell up to 150 million GEMEX shares (which represented about 11% of GEMEX's outstanding shares at the date of the transaction) to PepsiCo at 66 2/3 cents per share, which approximated the market value at the date of the transaction. This is equivalent to 8.3 million of GEMEX American Depository Receipts (ADRs) at $12 per ADR. This option was valued at $26 million at the date of the transaction. Under PepsiCo's agreement with the principal shareholder of GEMEX, voting control of GEMEX will be transferred to PepsiCo no later than December 31, 2002.

During 1994, PepsiCo completed acquisitions and investments in unconsolidated affiliates aggregating $355 million, principally for cash. In addition, approximately $41 million of debt was assumed in these transactions, most of which was subsequently retired. This activity included equity investments in international franchised bottling operations, primarily in Thailand and China, and acquisitions of international and U.S. franchised restaurant operations and franchised and independent bottling operations, primarily in India and Mexico.

During 1993, PepsiCo completed acquisitions and investments in unconsolidated affiliates aggregating $1.4 billion, principally comprised of $1.0 billion in cash and $335 million in PepsiCo capital stock.

Approximately $307 million of debt was assumed in these transactions, more than half of which was subsequently retired. This activity included acquisitions of U.S. and international franchised restaurant operations, the buyout of PepsiCo's joint venture partners in a franchised bottling operation in Spain and the related acquisition of their fruit-flavored beverage concentrate operation, the acquisition of the remaining 85% interest in a large franchised bottling operation in the Northwestern U.S., the acquisition of Chevys, a regional Mexican-style casual dining restaurant chain in the U.S., and equity investments in certain franchised bottling operations in Argentina and Mexico.

The acquisitions have been accounted for by the purchase method; accordingly, their results are included in the Consolidated Financial Statements from their respective dates of acquisition. The aggregate impact of acquisitions was not material to PepsiCo's net sales, net income or net income per share; accordingly, no related pro forma information is provided.

NOTE 18 - CONTINGENCIES

PepsiCo is 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, in excess of amounts already recognized arising from such claims or contingencies is not likely to have a material adverse effect on PepsiCo's annual results of operations or financial condition. At year-end 1995 and 1994, PepsiCo was contingently liable under guarantees aggregating $283 million and $187 million, respectively. The guarantees are primarily issued to support financial arrangements of certain PepsiCo joint ventures, and bottling and restaurant franchisees. PepsiCo manages the risk associated with these guarantees by performing appropriate credit reviews in addition to retaining certain rights as a joint venture partner or franchisor. See Note 9 for information related to the fair value of the guarantees.

NOTE 19 - BUSINESS SEGMENTS

PepsiCo operates on a worldwide basis within three industry segments: beverages, snack foods and restaurants.

Beverages

The beverage segment ("Beverages") markets and distributes its Pepsi-Cola, Diet Pepsi, Mountain Dew and other brands worldwide, and 7UP, Diet 7UP, Mirinda, Pepsi Max and other brands internationally. Beverages manufactures concentrates of its brands for sale to franchised bottlers worldwide. Beverages operates bottling plants and distribution facilities located in the U.S. and in various international markets for the production of company-owned and non-company-owned brands. Beverages also manufactures and distributes ready-to-drink Lipton tea products in the U.S. and Canada.

Beverages products are available in 193 countries outside the U.S., including emerging markets such as China, Hungary, India, Poland and Russia. Principal international markets include Argentina, Brazil, Canada, China, Japan, Mexico, Saudi Arabia, Spain, Thailand, the U.K. and Venezuela. Beverages' joint venture ("JV") investments are primarily in franchised bottling and distribution operations. Internationally, the largest JVs are GEMEX (Mexico), BAESA (South America) and Serm Suk (Thailand), as well as the aggregate of several JVs in China. The primary JV in the U.S. is General Bottlers.

Snack Foods

The snack food segment ("Snack Foods") manufactures, distributes and markets salty and sweet snacks worldwide, with Frito-Lay representing the U.S. business. Products manufactured and distributed in the U.S. (primarily salty snacks) include Lay's and Ruffles brand potato chips, Doritos and Tostitos brand tortilla chips, Fritos brand corn chips, Chee.tos brand cheese flavored snacks, Rold Gold brand pretzels, a variety of dips and salsas and other brands. Snack Foods products are available in 39 countries outside the U.S. Principal international markets include Australia, Brazil, Canada, France, Mexico, the Netherlands, Poland, Spain and the U.K. International snack foods manufactures and distributes salty snacks in all countries and sweet snacks in certain countries, primarily in France, Mexico and Poland. Snack Foods has investments in several JVs outside the U.S., the largest of which are Snack Ventures Europe (SVE), a JV with General Mills, Inc., which has operations on most of the European continent, and a recent investment in Simba, a snack food operation in South Africa.

Restaurants

The restaurant segment ("Restaurants") is engaged principally in the operation, development, franchising and licensing of the worldwide Pizza Hut, Taco Bell and KFC concepts. Restaurants also operates other smaller U.S. concepts which are managed by Taco Bell (Hot `n Now and Chevys) and Pizza Hut (East Side Mario's). PFS, PepsiCo's restaurant distribution operation, provides food, supplies and equipment to company-operated, franchised and licensed units, principally in the U.S. Net sales and the related estimated operating profit of PFS' franchisee and licensee operations have been allocated to each restaurant chain.

Pizza Hut, Taco Bell and KFC operate throughout the U.S. Pizza Hut, KFC and, to a lesser extent, Taco Bell operate in 93 countries outside the U.S. Principal international markets include Australia, Canada, Japan, Korea, Mexico, New Zealand, Spain and the U.K. Restaurants has investments in several JVs outside the U.S., the most significant of which are located in Japan and the U.K. PepsiCo also participates in a JV which operates California Pizza Kitchen (CPK), a U.S. casual dining restaurant chain.

In 1995, PepsiCo changed the presentation of its restaurant segment to provide information by each of PepsiCo's major U.S. concepts, which include the smaller concepts managed by Pizza Hut and Taco Bell, and in total for the international operations, to more closely reflect how we currently manage the business. Prior year amounts have been restated.

Unallocated expenses, net included corporate headquarters expenses, minority interests, primarily in the Gamesa (Mexico) and Wedel (Poland) snack food businesses, foreign exchange translation and transaction gains and losses and other items not allocated to the business segments. Corporate identifiable assets consist principally of cash and cash equivalents and short-term investments, primarily held outside the U.S.

PepsiCo has invested in about 80 joint ventures in which it exercises significant influence but not control. As noted above, the JVs are primarily international and principally within PepsiCo's three industry segments. Equity in net (loss) income of these unconsolidated affiliates was ($3) million, $38 million, and $30 million in 1995, 1994 and 1993, respectively. Excluding the initial charge upon adoption of SFAS 121 (see Accounting Changes below), 1995 equity in net income was $14 million. The $24 million decline in 1995 primarily reflected increased losses in our international beverages affiliates in Mexico, reflecting the devaluation of the Mexican peso, costs related to the formation of the GEMEX JV and an unrealized loss on a put option issued in connection with the formation of the GEMEX JV (see Notes 7 and 17). This decline was partially offset by increased equity in net income from our Pepsi-Lipton Tea partnership and SVE. The increase in 1994 primarily reflected increased profit at SVE. Dividends received from these unconsolidated affiliates totaled $29 million, $33 million and $16 million in 1995, 1994 and 1993, respectively.

PepsiCo's year-end investments in unconsolidated affiliates totaled $1.6 billion in 1995 and $1.3 billion in 1994. The increase in 1995 reflected the acquisition of a 27% interest in GEMEX and the investment in Simba (see Note 17), advances to BAESA and investments in international franchised bottling operations in China, partially offset by dividends received and equity in net loss that are discussed above. Significant investments in unconsolidated affiliates at year-end 1995 included $244 million in General Bottlers, $201 million in GEMEX, $168 million in BAESA, $157 million in a KFC Japan JV, $147 million in CPK and $107 million in SVE.

ITEMS AFFECTING COMPARABILITY

NET REFRANCHISING GAINS

Restaurant operating profit in 1995 included net gains of $51 million from sales of restaurants to franchisees by Pizza Hut, Taco Bell and International in excess of the cost of closing other restaurants in all of our concepts (net gains at Pizza Hut-$24 million and Taco Bell-$38 million; net losses at KFC-($7) million and International-($4) million).

FISCAL YEAR

Fiscal year 1994 consisted of 53 weeks and the years 1990 through 1993 and 1995 consisted of 52 weeks. The fifty-third week increased 1994 net sales by an estimated $434 million, increasing beverage, snack food and restaurant net sales by $119 million, $143 million and $172 million, respectively. The estimated impact of the fifty-third week on 1994 operating profit was $65 million, increasing beverage, snack food and restaurant operating profit by $17 million, $26 million and $23 million, respectively, and increasing unallocated expenses, net by $1 million.

UNUSUAL ITEMS

Unusual charges totaled $193 million in 1992 and $170 million in 1991. These unusual items were as follows:

Beverages - 1992 included $145 million in charges consisting of $115 million and $30 million to reorganize and streamline U.S. and international operations, respectively.

Snack Foods - 1992 included a $40 million charge, principally to consolidate the Walkers businesses in the U.K. 1991 included $127 million in charges consisting of $91 million and $24 million to streamline U.S. and U.K. operations, respectively, and $12 million to dispose of all or part of a small unprofitable business in Japan.

Restaurants - 1991 included $43 million in charges at KFC primarily to streamline operations.

Unallocated expenses, net - 1992 included an $8 million charge to streamline operations of the SVE joint venture.

See Management's Analysis - Beverages performance on pages 22 through 27 for additional information on the 1992 beverage restructurings.

ACCOUNTING CHANGES

PepsiCo adopted SFAS 121 as of the beginning of the fourth quarter of 1995. See Note 2. The initial, noncash charge upon adoption reduced operating profit as follows:

International Beverages	$ 62
International Snack Foods	4
Restaurants	
Pizza Hut U.S.	68
Taco Bell U.S. (a)	169
KFC U.S.	65
Total U.S. Restaurants	302
International Restaurants	135
Combined Segments	503
Equity (Loss) Income (b)	17
	$520

(a) Hot `n Now and Chevys incurred $103 of this charge, with Hot `n Now responsible for almost all of the charge.

(b) Primarily related to CPK.

Included in the initial charge above was $68 million related to restaurants for which closure decisions were made during the fourth quarter (Pizza Hut-$21 million, Taco Bell-$16 million, KFC-$6 million, International-$21 million and equity (loss) income-$4 million). As a result of the reduced carrying amount of certain of PepsiCo's assets used in the business, depreciation and amortization expense for the fourth quarter of 1995 was reduced by $21 million, affecting international beverages by $4 million, restaurants by $16 million and equity (loss) income by $1 million.

In 1994, PepsiCo adopted a preferred method for calculating the market-related value of plan assets used in determining annual pension expense (see Note 13) and extended the depreciable lives on certain Pizza Hut U.S. delivery assets. As compared to the previous accounting methods, these changes increased 1994 operating profit by $49 million, increasing beverage, snack food and restaurant segment operating profit by $12 million, $15 million and $20 million, respectively, and decreasing 1994 unallocated expenses, net by $2 million.

In 1992, PepsiCo adopted Statements of Financial Accounting Standards No. 106 and 109, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and "Accounting for Income Taxes," respectively. As compared to the previous accounting methods, these changes reduced 1992 operating profit by $73 million, decreasing beverage, snack food and restaurant segment operating profit by $22 million, $31 million and $16 million, respectively, and increasing 1992 unallocated expenses, net by $4 million.

INDUSTRY SEGMENTS - NET SALES (page 1 of 5)

	Growth Rate 1990-1995(a)	1995	1994	1993	1992	1991
Beverages:						
U.S.	7%	$ 6,977	$ 6,541	$ 5,918	$ 5,485	$ 5,171
International	19%	3,571	3,146	2,720	2,121	1,744
	10%	10,548	9,687	8,638	7,606	6,915
Snack Foods:						
U.S.	10%	5,495	5,011	4,365	3,950	3,738
International	19%	3,050	3,253	2,662	2,182	1,512
	12%	8,545	8,264	7,027	6,132	5,250
Restaurants:						
U.S.	11%	9,202	8,694	8,026	7,115	6,258
International	25%	2,126	1,827	1,330	1,117	869
	13%	11,328	10,521	9,356	8,232	7,127
COMBINED SEGMENTS						
U.S.	9%	21,674	20,246	18,309	16,550	15,167
International	20%	8,747	8,226	6,712	5,420	4,125
	12%	$30,421	$28,472	$25,021	$21,970	$19,292
BY U.S. RESTAURANT CHAIN						
Pizza Hut	8%	$ 3,977	$ 3,712	$ 3,595	$ 3,183	$ 2,937
Taco Bell	15%	3,503	3,340	2,855	2,426	2,017
KFC	9%	1,722	1,642	1,576	1,506	1,304
	11%	$ 9,202	$ 8,694	$ 8,026	$ 7,115	$ 6,258

(a) Five-year compounded annual growth rate.

INDUSTRY SEGMENTS - OPERATING PROFIT (b)

	Growth Rate 1990-1995(a)	1995	1994	1993	1992	1991
Beverages:						
U.S.	11%	$1,145	$1,022	$ 937	$ 686	$ 746
International	19%	164	195	172	113	117
	12%	1,309	1,217	1,109	799	863
Snack Foods:						
U.S.	9%	1,132	1,025	901	776	617
International	14%	300	352	289	209	140
	10%	1,432	1,377	1,190	985	757
Restaurants:						
U.S.	10%	451	659	685	598	480
International	8%	(21)	71	93	120	96
	9%	430	730	778	718	576
Combined Segments						
U.S.	10%	2,728	2,706	2,523	2,060	1,843
International	14%	443	618	554	442	353
	10%	3,171	3,324	3,077	2,502	2,196
Equity (Loss) Income		(3)	38	30	40	32
Unallocated Expenses, net		(181)	(161)	(200)	(171)	(116)
Operating Profit	11%	$2,987	$3,201	$2,907	$2,371	$2,112
BY U.S. RESTAURANT CHAIN						
Pizza Hut	9%	$ 308	$ 285	$ 338	$ 300	$ 286
Taco Bell	12%	105	273	256	214	183
KFC	7%	38	101	91	84	11
	10%	$ 451	$ 659	$ 685	$ 598	$ 480

(a) Five-year compounded annual growth rate. Growth rates exclude the impacts of the initial, noncash charge upon adoption of SFAS 121 in 1995 (see Accounting Changes on page F-35) and the previously disclosed 1990 unusual items affecting U.S. beverages and snack foods, worldwide restaurants and unallocated expenses, net.

(b) The amounts for the years 1991-1995 represent reported amounts. See page F-34 for Items Affecting Comparability.

GEOGRAPHIC AREAS (c) (page 3 of 5)

	NET SALES		
	1995	1994	1993
United States	$21,674	$20,246	$18,309
Europe	2,783	2,177	1,819
Mexico	1,228	2,023	1,614
Canada	1,299	1,244	1,206
Other	3,437	2,782	2,073
COMBINED SEGMENTS	$30,421	$28,472	$25,021

	SEGMENT OPERATING PROFIT (LOSS)		
	1995(d)	1994	1993
United States	$ 2,728	$ 2,706	$ 2,523
Europe	(65)	17	47
Mexico	80	261	223
Canada	86	82	102
Other	342	258	182
COMBINED SEGMENTS	$ 3,171	$ 3,324	$ 3,077

	IDENTIFIABLE ASSETS		
	1995	1994	1993
United States	$14,505	$14,218	$13,590
Europe	3,127	3,062	2,666
Mexico	637	995	1,217
Canada	1,344	1,342	1,364
Other	2,629	2,196	1,675
COMBINED SEGMENTS	22,242	21,813	20,512
Investments in Unconsolidated Affiliates	1,635	1,295	1,091
Corporate	1,555	1,684	2,103
	$25,432	$24,792	$23,706

(c) The results of centralized concentrate manufacturing operations in Puerto Rico and Ireland have been allocated based upon sales to the respective geographic areas.

(d) The initial charge upon adoption of SFAS 121 (see Accounting Changes on page F-35) reduced combined segment operating profit by $503 (United States - $302, Europe - $119, Mexico - $21, Canada - $30, Other - $31).

INDUSTRY SEGMENTS (page 4 of 5)

	Growth Rate 1990-1995 (a)	AMORTIZATION OF INTANGIBLE ASSETS 1995	1994	1993
Beverages	7%	$ 166	$ 165	$ 157
Snack Foods	2%	41	42	41
Restaurants	23%	109	105	106
	10%	$ 316	$ 312	$ 304
By U.S. Restaurant Chain				
Pizza Hut	14%	$ 36	$ 38	$ 35
Taco Bell	24%	23	27	23
KFC	18%	18	22	23
Total U.S.	16%	77	87	81
International	61%	32	18	25
	23%	$ 109	$ 105	$ 106

	Growth Rate 1990-1995 (a)	DEPRECIATION EXPENSE 1995	1994	1993
Beverages	15%	$ 445	$ 385	$ 359
Snack Foods	9%	304	297	279
Restaurants	17%	579	539	457
Corporate		7	7	7
	14%	$ 1,335	$ 1,228	$ 1,102
By U.S. Restaurant Chain				
Pizza Hut	13%	$ 189	$ 178	$ 159
Taco Bell	21%	179	153	122
KFC	11%	101	107	101
Total U.S.	15%	469	438	382
International	27%	110	101	75
	17%	$ 579	$ 539	$ 457

	Growth Rate 1990-1995 (a)	IDENTIFIABLE ASSETS 1995	1994	1993
Beverages	9%	$10,032	$ 9,566	$ 9,105
Snack Foods	7%	5,451	5,044	4,995
Restaurants	14%	6,759	7,203	6,412
Investments in Unconsolidated Affiliates	9%	1,635	1,295	1,091
Corporate		1,555	1,684	2,103
	8%	$25,432	$24,792	$23,706
By U.S. Restaurant Chain				
Pizza Hut	8%	$ 1,700	$ 1,832	$ 1,733
Taco Bell	19%	2,276	2,327	2,060
KFC	7%	1,111	1,253	1,265
Total U.S.	12%	5,087	5,412	5,058
International	27%	1,672	1,791	1,354
	14%	$ 6,759	$ 7,203	$ 6,412

(a) Five-year compounded annual growth rate.

INDUSTRY SEGMENTS (page 5 of 5)

	Growth Rate 1990-1995 (a)	CAPITAL SPENDING (e) 1995	1994	1993
Beverages	11%	$ 566	$ 677	$ 491
Snack Foods	15%	769	532	491
Restaurants	10%	750	1,072	1,005
Corporate		34	7	21
	12%	$2,119	$2,288	$2,008
U.S.	12%	$1,496	$1,492	$1,388
International	13%	623	796	620
	12%	$2,119	$2,288	$2,008
By U.S. Restaurant Chain:				
Pizza Hut	1%	$ 168	$ 225	$ 209
Taco Bell	17%	305	442	442
KFC	-%	93	69	106
Total U.S.	8%	566	736	757
International	20%	184	336	248
	10%	$ 750	$1,072	$1,005

	ACQUISITIONS AND INVESTMENTS IN UNCONSOLIDATED AFFILIATES (f) 1995	1994	1993
Beverages	$ 323	$ 195	$ 711
Snack Foods	82	12	76
Restaurants	70	148	589
	$ 475	$ 355	$1,376
U.S.	$ 73	$ 88	$ 757
International	402	267	619
	$ 475	$ 355	$1,376
By U.S. Restaurant Chain			
Pizza Hut	$ 3	$ 52	$ 219
Taco Bell	34	32	187
KFC	-	-	30
Total U.S.	37	84	436
International	33	64	153
	$ 70	$ 148	$ 589

(a) Five-year compounded annual growth rate.
(e) Included immaterial, noncash amounts related to capital leases, largely in the restaurant segment.
(f) Included noncash amounts related to treasury stock and debt issued of $9 in 1995, $39 in 1994 and $365 in 1993. Of these noncash amounts, 100%, 86% and 35%, respectively, related to the restaurant segment and the balance related to the beverage segment.

Management's Responsibility for Financial Statements

To Our Shareholders:

Management is responsible for the reliability of the consolidated financial statements and related notes, which have been 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 and reported on by our independent auditors, KPMG Peat Marwick 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 management representations made to the independent auditors were valid and appropriate.

PepsiCo maintains a system of internal control over financial reporting, 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. PepsiCo's 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, which is composed solely of outside directors, provides oversight to our financial reporting process and our controls to safeguard assets through periodic meetings with our independent auditors, internal auditors and management. 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 30, 1995 provide reasonable assurance that the financial statements are reliable and that our assets are reasonably safeguarded.

Wayne Calloway
Chairman of the Board
and Chief Executive Officer

Robert L. Carleton
Senior Vice President
and Controller

Robert G. Dettmer
Executive Vice President
and Chief Financial Officer

February 6, 1996

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 30, 1995 and December 31, 1994, and the related consolidated statements of income, cash flows and shareholders' equity for each of the years in the three-year period ended December 30, 1995. 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 30, 1995 and December 31, 1994, and the results of its operations and its cash flows for each of the years in the three-year period ended December 30, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, PepsiCo, Inc. in 1995 adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." As discussed in Notes 13 and 14 to the consolidated financial statements, PepsiCo, Inc. in 1994 changed its method for calculating the market-related value of pension plan assets used in the determination of pension expense and adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits," respectively.

KPMG Peat Marwick LLP

New York, New York
February 6, 1996

SELECTED QUARTERLY FINANCIAL DATA
($ in millions except per share amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

	First Quarter (12 Weeks) 1995	1994
Net sales	$ 6,191	5,729
Gross profit	$ 3,169	2,944
Operating profit	$ 629	550
Income before income taxes and cumulative effect of accounting changes	$ 496	438
Provision for income taxes	$ 175	155
Income before cumulative effect of accounting changes	$ 321	283
Cumulative effect of accounting changes (e)	$ -	(32)
Net income	$ 321	251
Income (charge) per share		
Income before cumulative effect of accounting changes	$ 0.40	0.35
Cumulative effect of accounting changes (e)	$ -	(0.04)
Net income per share	$ 0.40	0.31
Cash dividends declared per share	$ 0.18	0.16
Stock price per share (f)		
High	$ 41	42 1/2
Low	$33 7/8	35 3/4
Close	$40 1/4	37 5/8

(e) Represented the cumulative net effect related to years prior to 1994 of adopting SFAS 112, "Employers' Accounting for Postemployment Benefits," and the change to a preferred method for calculating the market-related value of pension plan assets. See Notes 14 and 13, respectively.

(f) Represented the high, low and closing prices for a share of PepsiCo capital stock on the New York Stock Exchange, as reported by The Dow Jones News/Retrieval Service, for each respective period.

SELECTED QUARTERLY FINANCIAL DATA (page 2 of 4)
($ in millions except per share amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

	Second Quarter (12 Weeks) 1995	1994(a)
Net sales	$ 7,286	6,557
Gross profit	$ 3,735	3,420
Operating profit	$ 869	785
Income before income taxes	$ 735	672
Provision for income taxes	$ 248	225
Net income	$ 487	447
Net income per share	$ 0.61	0.55
Cash dividends declared per share	$ 0.20	0.18
Stock price per share (f)		
High	$ 49	37 3/4
Low	$37 7/8	29 7/8
Close	$46 5/8	31 1/8

(a) Included an $18 gain ($17 after-tax or $0.02 per share) arising from a public share offering by BAESA, an unconsolidated franchised bottling affiliate in South America. See Note 16.

(f) Represented the high, low and closing prices for a share of PepsiCo capital stock on the New York Stock Exchange, as reported by The Dow Jones News/Retrieval Service, for each respective period.

SELECTED QUARTERLY FINANCIAL DATA (page 3 of 4)
($ in millions except per share amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

	Third Quarter (12 Weeks) 1995	1994
Net sales	$ 7,693	7,064
Gross profit	$ 3,942	3,684
Operating profit	$ 1,031	962
Income before income taxes	$ 901	830
Provision for income taxes	$ 284	289
Net income	$ 617	541
Net income per share	$ 0.77	0.68
Cash dividends declared per share	$ 0.20	0.18
Stock price per share (f)		
High	$47 7/8	34 5/8
Low	$43 1/4	29 1/4
Close	$45 3/4	33 3/4

	Fourth Quarter (16/17 Weeks) (d) 1995(b)(c)	1994
Net sales	$ 9,251	9,122
Gross profit	$ 4,689	4,709
Operating profit	$ 458	904
Income before income taxes	$ 300	724
Provision for income taxes	$ 119	211
Net income	$ 181	513
Net income per share	$ 0.22	0.64
Cash dividends declared per share	$ 0.20	0.18
Stock price per share (f)		
High	$58 3/4	37 3/8
Low	$45 5/8	32 1/4
Close	$55 7/8	36 1/4

(b) Included the initial, noncash charge of $520 ($384 after-tax or $0.48 per share) upon adoption of SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," at the beginning of the fourth quarter. As a result of the reduced carrying amount of certain long-lived assets to be held and used in the business, depreciation and amortization expense for the fourth quarter was reduced by $21 ($15 after-tax or $0.02 per share). See Note 2.

(c) Included a net gain of $51 ($27 after-tax or $0.03 per share), primarily in the fourth quarter, from sales of restaurants to franchisees in excess of the cost of closing other restaurants.

(d) Fiscal years 1995 and 1994 consisted of 52 and 53 weeks, respectively. The fifty-third week increased 1994 fourth quarter and full-year earnings by an estimated $54 ($35 after-tax or $0.04 per share).

(f) Represented the high, low and closing prices for a share of PepsiCo capital stock on the New York Stock Exchange, as reported by The Dow Jones News/Retrieval Service, for each respective period.

SELECTED QUARTERLY FINANCIAL DATA (page 4 of 4)
($ in millions except per share amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

	Full Year (52/53 Weeks)(d) 1995(b)(c)	1994(a)
Net sales	$30,421	28,472
Gross profit	$15,535	14,757
Operating profit	$ 2,987	3,201
Income before income taxes and cumulative effect of accounting changes	$ 2,432	2,664
Provision for income taxes	$ 826	880
Income before cumulative effect of accounting changes	$ 1,606	1,784
Cumulative effect of accounting changes (e)	$ -	(32)
Net income	$ 1,606	1,752
Income (charge) per share		
Income before cumulative effect of accounting changes	$ 2.00	2.22
Cumulative effect of accounting changes (e)	$ -	(0.04)
Net income per share	$ 2.00	2.18
Cash dividends declared per share	$ 0.78	0.70
Stock price per share (f)		
High	$58 3/4	42 1/2
Low	$33 7/8	29 1/4
Close	$55 7/8	36 1/4

(a) Included an $18 gain ($17 after-tax or $0.02 per share) arising from a public share offering by BAESA, an unconsolidated franchised bottling affiliate in South America. See Note 16.

(b) Included the initial, noncash charge of $520 ($384 after-tax or $0.48 per share) upon adoption of SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," at the beginning of the fourth quarter. As a result of the reduced carrying amount of certain long-lived assets to be held and used in the business, depreciation and amortization expense for the fourth quarter was reduced by $21 ($15 after-tax or $0.02 per share). See Note 2.

(c) Included a net gain of $51 ($27 after-tax or $0.03 per share), primarily in the fourth quarter, from sales of restaurants to franchisees in excess of the cost of closing other restaurants.

(d) Fiscal years 1995 and 1994 consisted of 52 and 53 weeks, respectively. The fifty-third week increased 1994 fourth quarter and full-year earnings by an estimated $54 ($35 after-tax or $0.04 per share).

(e) Represented the cumulative net effect related to years prior to 1994 of adopting SFAS 112, "Employers' Accounting for Postemployment Benefits," and the change to a preferred method for calculating the market-related value of pension plan assets. See Notes 14 and 13, respectively.

(f) Represented the high, low and closing prices for a share of PepsiCo capital stock on the New York Stock Exchange, as reported by The Dow Jones News/Retrieval Service, for each respective period.

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

	Growth Rates		
	Compounded		Annual
	10-Year 1985-95	5-Year 1990-95	1-Year 1994-95
SUMMARY OF OPERATIONS			
Net sales	15%	12%	7%
Operating profit	14%	8%	(7)%
Gain on stock offering by an unconsolidated affiliate (j)			
Interest expense, net			
Income from continuing operations before income taxes and cumulative effect of accounting changes	14%	8%	(9)%
Income from continuing operations before cumulative effect of accounting changes	14%	8%	(10)%
Cumulative effect of accounting changes (k)			
Net income (l)	11%	8%	(8)%
CASH FLOW DATA (m)			
Provided by operating activities	16%	12%	1%
Capital spending	11%	12%	(7)%
Operating free cash flow	43%	12%	12%
Dividends paid	14%	15%	11%
Purchases of treasury stock			
Acquisitions and investments in unconsolidated affiliates			
PER SHARE DATA AND OTHER SHARE INFORMATION			
Income from continuing operations before cumulative effect of accounting changes	15%	8%	(10)%
Cumulative effect of accounting changes (k)			
Net income (l)	12%	8%	(8)%
Cash dividends declared	15%	15%	11%
Book value per share at year-end	15%	8%	7%
Market price per share at year-end	22%	17%	54%
Number of shares repurchased			
Shares outstanding at year-end			
Average shares outstanding used to calculate income (charge) per share (n)			
BALANCE SHEET			
Total assets	16%	8%	1%
Long-term debt	22%	8%	(4)%
Total debt (o)	20%	4%	(3)%
Shareholders' equity			
STATISTICS			
Return on average shareholders' equity (p)			
Market net debt ratio (q)			
Historical cost net debt ratio (r)			
Employees	12%	9%	2%

SELECTED FINANCIAL DATA (Page 2 of 7)
(in millions except per share and employee amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

	1995(a)(b)	1994(c)(d)	1993(e)
SUMMARY OF OPERATIONS			
Net sales	$30,421	28,472	25,021
Operating profit	$ 2,987	3,201	2,907
Gain on stock offering by an unconsolidated affiliate (j)	-	18	-
Interest expense, net	(555)	(555)	(484)
Income from continuing operations before income taxes and cumulative effect of accounting changes	$ 2,432	2,664	2,423
Income from continuing operations before cumulative effect of accounting changes	$ 1,606	1,784	1,588
Cumulative effect of accounting changes (k)	$ -	(32)	-
Net income (l)	$ 1,606	1,752	1,588
CASH FLOW DATA (m)			
Provided by operating activities	$ 3,742	3,716	3,134
Capital spending	2,104	2,253	1,982
Operating free cash flow	$ 1,638	1,463	1,152
Dividends paid	$ 599	540	462
Purchases of treasury stock	$ 541	549	463
Acquisitions and investments in unconsolidated affiliates	$ 466	316	1,011
PER SHARE DATA AND OTHER SHARE INFORMATION			
Income from continuing operations before cumulative effect of accounting changes	$ 2.00	2.22	1.96
Cumulative effect of accounting changes (k)	$ -	(0.04)	-
Net income (l)	$ 2.00	2.18	1.96
Cash dividends declared	$ 0.780	0.700	0.610
Book value per share at year-end	$ 9.28	8.68	7.93
Market price per share at year-end	$55 7/8	36 1/4	41 7/8
Number of shares repurchased	12.3	15.0	12.4
Shares outstanding at year-end	788	790	799
Average shares outstanding used to calculate income (charge) per share (n)	804	804	810
BALANCE SHEET			
Total assets	$25,432	24,792	23,706
Long-term debt	$ 8,509	8,841	7,443
Total debt (o)	$ 9,215	9,519	9,634
Shareholders' equity	$ 7,313	6,856	6,339
STATISTICS			
Return on average shareholders' equity (p)	23%	27	27
Market net debt ratio (q)	18%	26	22
Historical cost net debt ratio (r)	46%	49	50
Employees	480,000	471,000	423,000

SELECTED FINANCIAL DATA (Page 3 of 7)
(in millions except per share and employee amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

	1992(f)(g)	1991(h)	1990(i)
SUMMARY OF OPERATIONS			
Net sales	$21,970	19,292	17,516
Operating profit	2,371	2,112	2,042
Gain on stock offering by an unconsolidated affiliate (j)	-	-	118
Interest expense, net	(472)	(452)	(506)
Income from continuing operations before income taxes and cumulative effect of accounting changes	$ 1,899	1,660	1,654
Income from continuing operations before cumulative effect of accounting changes	$ 1,302	1,080	1,091
Cumulative effect of accounting changes (k)	$ (928)	-	-
Net income (l)	$ 374	1,080	1,077
CASH FLOW DATA (m)			
Provided by operating activities	$ 2,712	2,430	2,110
Capital spending	1,550	1,458	1,180
Operating free cash flow	$ 1,162	972	930
Dividends paid	$ 396	343	294
Purchases of treasury stock	$ 32	195	148
Acquisitions and investments in unconsolidated affiliates	$ 1,210	641	631
PER SHARE DATA AND OTHER SHARE INFORMATION			
Income from continuing operations before cumulative effect of accounting changes	$ 1.61	1.35	1.37
Cumulative effect of accounting changes (k)	$ (1.15)	-	-
Net income (l)	$ 0.46	1.35	1.35
Cash dividends declared	$ 0.510	0.460	0.383
Book value per share at year-end	$ 6.70	7.03	6.22
Market price per share at year-end	$42 1/4	33 3/4	25 3/4
Number of shares repurchased	1.0	6.4	6.3
Shares outstanding at year-end	799	789	788
Average shares outstanding used to calculate income (charge) per share (n)	807	803	799
BALANCE SHEET			
Total assets	$20,951	18,775	17,143
Long-term debt	$ 7,965	7,806	5,900
Total debt (o)	$ 8,672	8,034	7,526
Shareholders' equity	$ 5,356	5,545	4,904
STATISTICS			
Return on average shareholders' equity (p)	24%	21	25
Market net debt ratio (q)	19%	21	24
Historical cost net debt ratio (r)	49%	51	51
Employees	372,000	338,000	308,000

SELECTED FINANCIAL DATA (Page 4 of 7)
(in millions except per share and employee amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

	1989	1988(d)	1987
SUMMARY OF OPERATIONS			
Net sales	$15,049	12,381	11,018
Operating profit	$ 1,773	1,342	1,128
Gain on stock offering by an unconsolidated affiliate (j)	-	-	-
Interest expense, net	(433)	(222)	(182)
Income from continuing operations before income taxes and cumulative effect of accounting changes	$ 1,340	1,120	946
Income from continuing operations before cumulative effect of accounting changes	$ 901	762	605
Cumulative effect of accounting changes (k)	$ -	-	-
Net income (l)	$ 901	762	595
CASH FLOW DATA (m)			
Provided by operating activities	$ 1,886	1,895	1,335
Capital spending	944	726	771
Operating free cash flow	$ 942	1,169	564
Dividends paid	$ 242	199	172
Purchases of treasury stock	$ -	72	19
Acquisitions and investments in unconsolidated affiliates	$ 3,297	1,416	372
PER SHARE DATA AND OTHER SHARE INFORMATION			
Income from continuing operations before cumulative effect of accounting changes	$ 1.13	0.97	0.77
Cumulative effect of accounting changes (k)	$ -	-	-
Net income (l)	$ 1.13	0.97	0.76
Cash dividends declared	$ 0.320	0.267	0.223
Book value per share at year-end	$ 4.92	4.01	3.21
Market price per share at year-end	$21 3/8	13 1/8	11 1/4
Number of shares repurchased	-	6.2	1.9
Shares outstanding at year-end	791	788	781
Average shares outstanding used to calculate income (charge) per share (n)	796	790	789
BALANCE SHEET			
Total assets	$15,127	11,135	9,023
Long-term debt	$ 6,077	2,656	2,579
Total debt (o)	$ 6,943	4,107	3,225
Shareholders' equity	$ 3,891	3,161	2,509
STATISTICS			
Return on average shareholders' equity (p)	26%	27	27
Market net debt ratio (q)	26%	24	22
Historical cost net debt ratio (r)	54%	43	41
Employees	266,000	235,000	225,000

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

	1986	1985
SUMMARY OF OPERATIONS		
Net sales	$ 9,017	7,585
Operating profit	829	782
Gain on stock offering by an unconsolidated affiliate (j)	-	-
Interest expense, net	(139)	(99)
Income from continuing operations before income taxes and cumulative effect of accounting changes	$ 690	683
Income from continuing operations before cumulative effect of accounting changes	$ 464	427
Cumulative effect of accounting changes (k)	$ -	-
Net income (l)	$ 458	544
CASH FLOW DATA (m)		
Provided by operating activities	$ 1,212	817
Capital spending	859	770
Operating free cash flow	$ 353	47
Dividends paid	$ 160	161
Purchases of treasury stock	$ 158	458
Acquisitions and investments in unconsolidated affiliates	$ 1,680	160
PER SHARE DATA AND OTHER SHARE INFORMATION		
Income from continuing operations before cumulative effect of accounting changes	$ 0.59	0.51
Cumulative effect of accounting changes (k)	$ -	-
Net income (l)	$ 0.58	0.65
Cash dividends declared	$ 0.209	0.195
Book value per share at year-end	$ 2.64	2.33
Market price per share at year-end	$ 8 3/4	7 7/8
Number of shares repurchased	20.2	66.0
Shares outstanding at year-end	781	789
Average shares outstanding used to calculate income (charge) per share (n)	787	842
BALANCE SHEET		
Total assets	$ 8,027	5,889
Long-term debt	$ 2,633	1,162
Total debt (o)	$ 2,865	1,506
Shareholders' equity	$ 2,059	1,838
STATISTICS		
Return on average shareholders' equity (p)	24%	23
Market net debt ratio (q)	28%	15
Historical cost net debt ratio (r)	46%	30
Employees	241,000	150,000

All share and per share amounts reflect three-for-one stock splits in 1990 and 1986. Additionally, PepsiCo made numerous acquisitions in most years presented and a few divestitures in certain years. Such transactions did not materially affect the comparability of PepsiCo's operating results for the periods presented, except for certain large acquisitions made in 1986, 1988 and 1989, and the divestiture discussed in (l) below.

(a) Included the initial, noncash charge of $520 ($384 after-tax or $0.48 per share) upon adoption of SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," at the beginning of the fourth quarter. As a result of the reduced carrying amount of certain long-lived assets to be held and used in the business, depreciation and amortization expense for the fourth quarter was reduced by $21 ($15 after-tax or $0.02 per share). See Note 2.

(b) Included a net gain of $51 ($27 after-tax or $0.03 per share) from sales of restaurants to franchisees in excess of the cost of closing other restaurants.

(c) Included a benefit of changing to a preferred method for calculating the market-related value of plan assets in 1994, which reduced full-year pension expense by $35 ($22 after-tax or $0.03 per share). See Note 13.

(d) Fiscal years 1994 and 1988 each consisted 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 $54 ($35 after-tax or $0.04 per share) and 1988 earnings by approximately $23 ($16 after-tax or $0.02 per share).

(e) Included a $30 charge ($0.04 per share) to increase net deferred tax liabilities as of the beginning of 1993 for a 1% statutory income tax rate increase due to 1993 U.S. Federal tax legislation. See Note 11.

(f) Included $193 in unusual charges for restructuring ($129 after-tax or $0.16 per share). See Note 19.

(g) Included increased postretirement benefits expense of $52 ($32 after-tax or $0.04 per share) as a result of adopting SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Included the impact of adopting SFAS 109, "Accounting for Income Taxes," which reduced pretax income by $21 and the provision for income taxes by $34.

(h) Included $170 in unusual charges ($120 after-tax or $0.15 per share). See Note 19.

(i) Included $83 in unusual charges ($49 after-tax or $0.06 per share) for costs of closing restaurants, U.S. trade receivables exposures, accelerated contributions to the PepsiCo Foundation and a reduction in the carrying amount of an unconsolidated international Pizza Hut affiliate.

(j) The $18 gain ($17 after-tax or $0.02 per share) in 1994 arose from a public share offering by BAESA, an unconsolidated franchised bottling affiliate in South America. See Note 16. The $118 gain ($53 after-tax or $0.07 per share) in 1990 arose from an initial public offering of new shares by an unconsolidated KFC joint venture in Japan and a sale by PepsiCo of a portion of its shares.

SELECTED FINANCIAL DATA (Page 7 of 7)
(in millions except per share and employee amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

(k) Represented the cumulative effect of adopting in 1994 SFAS 112, "Employers' Accounting for Postemployment Benefits," and changing to a preferred 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 (see Notes 14 and 13, respectively) and adopting in 1992 SFAS 106 ($575 ($357 after-tax or $0.44 per share)) and SFAS 109 ($571 tax charge ($0.71 per share)). Prior years were not restated for these changes in accounting.
(l) Included impacts of discontinued operations, the most significant of which were in 1985, which included income of $124 after-tax ($0.15 per share) resulting from PepsiCo disposing of its sporting goods and transportation segments.
(m) Cash flows from other investing and financing activities, which are not presented, are an integral part of total cash flow activity.
(n) See Net Income Per Share in Note 1.
(o) Total debt includes short-term borrowings and long-term debt, which for 1987 through 1990 included a nonrecourse obligation.
(p) The return on average shareholders' equity is calculated using income from continuing operations before cumulative effect of accounting changes.
(q) The market net debt ratio represents net debt as a percent of net debt plus the market value of equity, based on the year-end stock price. Net debt is total debt, which for this purpose includes the present value of long-term operating lease commitments, reduced by the pro forma remittance of investment portfolios held outside the U.S. For 1987 through 1990, total debt was also reduced by the nonrecourse obligation in the calculation of net debt.
(r) The historical cost net debt ratio represents net debt (see (q) above) as a percent of capital employed (net debt, other liabilities, deferred income taxes and shareholders' equity).

PEPSICO, INC. AND SUBSIDIARIES

SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FISCAL YEARS ENDED DECEMBER 30, 1995, DECEMBER 31, 1994 AND DECEMBER 25, 1993
(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
Deductions from assets:					
1995 (52 weeks)					
Allowance for doubtful accounts	$151	$ 49	$ 6	$ 56	$150
Deferred tax assets valuation allowance	$319	$150	$ 29	$ -	$498
1994 (53 weeks)					
Allowance for doubtful accounts	$128	$ 59	$ 8	$ 44	$151
Deferred tax assets valuation allowance	$249	$ 69	$ 1	$ -	$319
1993 (52 weeks)					
Allowance for doubtful accounts	$112	$ 44	$ 17	$ 45	$128
Deferred tax asstes valuation allowance	$181	$ 68	$ -	$ -	$249

(1) Other additions principally related to acquisitions and reclassifications.

(2) Principally accounts written-off.

PEPSICO, INC.

BY-LAWS

AS AMENDED TO FEBRUARY 22, 1996

ARTICLE I

Offices

Section 1.1 PRINCIPAL OFFICE. The principal office of PepsiCo, Inc. (hereinafter called the "Corporation") in the State of North Carolina shall be in the City of New Bern, County of Craven.

Section 1.2 OTHER OFFICES. The Corporation may also have an office or offices at such other place or places, either within or without the State of North Carolina, as the Board of Directors of the Corporation (hereinafter called the "Board") may from time to time by resolution determine or as may be appropriate to the business of the Corporation.

ARTICLE II

Meetings of Stockholders

Section 2.1 PLACE OF MEETINGS. All meetings of the stockholders of the Corporation shall be held at the principal office of the Corporation in the State of North Carolina, or at such other place within or without the State of North Carolina as may from time to time be fixed by resolution of the Board.

Section 2.2 ANNUAL MEETINGS. The annual meeting of the stockholders of the Corporation for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held on the first Wednesday of May in each year (or, if that day shall be a legal holiday under the laws of the State where such meeting is to be held, then on the next succeeding business day).

Section 2.3 SPECIAL MEETINGS. A special meeting of the stockholders of the Corporation may be called at any time by the Chairman or Vice Chairman of the Board or the Board, and shall be called by the Secretary upon the written request of stockholders holding of record in the aggregate at least thirty three and one third percent (33-1/3%) of the issued and outstanding shares of capital stock of the Corporation entitled to vote at such meeting. Such special meeting shall be held at such time and at such place within or without the State of North Carolina as may be fixed by the Chairman or Vice Chairman of the Board, in the case of meetings called by the Chairman of the Board, or by resolution of the Board, in the case of meetings called by the Board, and any meeting called at the request of stockholders pursuant hereto shall be held at the principal office of the Corporation in the State of North Carolina within seventy-five (75) days from the receipt by the Secretary of such request. Any request for a special meeting of the stockholders shall state the purpose or purposes of the proposed meeting, and such purpose or purposes shall be set forth in the notice of meeting, and the business transacted at any such special meeting of stockholders shall be limited to such purpose or purposes.

Section 2.4 NOTICE OF MEETINGS. Except as otherwise prescribed by statute, the Articles of Incorporation or these By-Laws, notice of each meeting of the stockholders of the Corporation, whether annual or special, shall be given at least ten (10) days before the day on which the meeting is to be held to each stockholder entitled to vote thereat, by mailing a written or printed notice thereof, postage prepaid, addressed to him at his address as it appears on the stock ledger of the Corporation or, in the absence of knowledge on the part of the Corporation of any such address, then at the principal office of the Corporation in the State of North Carolina. Except as otherwise prescribed by statute, notice of any adjourned meeting of stockholders need not be given.

Section 2.5 QUORUM, PRESIDING OFFICER. Except as otherwise prescribed by statute, the Articles of Incorporation or these By-Laws, at any meeting of the stockholders of the Corporation, the presence in person or by proxy of the holders of record of a majority of the issued and outstanding shares of capital stock of the Corporation entitled to vote thereat shall constitute a quorum for the transaction of business. In the absence of a quorum at such meeting or any adjournment or adjournments thereof, the holders of record of a majority of such shares so present in person or by proxy and entitled to vote thereat or, in the absence of all the stockholders, any officer entitled to preside at or act as Secretary of the meeting, may adjourn the meeting from time to time until a quorum shall be present. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called. Meetings of the stockholders shall be presided over by the Chairman or Vice Chairman of the Board, or, if neither is present, by another officer or director who shall be designated to serve in such event by the Board. The Secretary of the Corporation, or an Assistant Secretary designated by the officer presiding at the meeting, shall act as Secretary of the meeting.

Section 2.6 VOTING, INSPECTORS OF ELECTION. Except as otherwise prescribed by statute, the Articles of Incorporation or these By-Laws, at any meeting of the stockholders of the Corporation, each stockholder shall be entitled to one vote in person or by proxy for each share of the capital stock of the Corporation registered in the name of such stockholder on the books of the Corporation on the date fixed pursuant to Section 8.3 of these By-Laws as the record date for the determination of stockholders entitled to vote at such meeting. No proxy shall be voted after eleven (11) months from its date unless said proxy provides for a longer period. Shares of its own capital stock belonging to the Corporation shall not be voted either directly or indirectly. At all meetings of the stockholders of the Corporation, a quorum being present, all matters (except as otherwise expressly prescribed by statute, the Articles of Incorporation or these By-Laws) shall be decided by the vote of the holders of a majority of the stock of the Corporation, present in person or by proxy, and entitled to vote thereat. The vote for the election of directors, other matters expressly prescribed by statute, and, upon the direction of the presiding officer of the meeting, the vote on any other question before the meeting, shall be by ballot. At all meetings of stockholders, the polls shall be opened and closed, the proxies and ballots shall be received, taken in charge and examined, and all questions concerning the qualifications of voters, the validity of proxies and the acceptance or rejection of proxies and of votes shall be decided by three (3) inspectors of election. Such inspectors of election, together with one alternate, to serve in the event of death, inability or refusal by any of said inspectors of election to serve at the meeting, none of whom need be a stockholder of the Corporation, shall be appointed by the Board, or, if no such appointment or appointments shall have been made, then by the presiding officer at the meeting. If, for any reason, any inspector of election so appointed shall fail to attend, or refuse or be unable to serve, a substitute shall be appointed to serve as inspector of election, in his place or stead, by the presiding officer at the meeting. No director or candidate for the office of director shall be appointed as an inspector. Each inspector shall take and subscribe an oath or affirmation to execute faithfully the duties of inspector at such meeting with strict impartiality and according to the best of his ability. After the balloting, the inspectors shall make a certificate of the result of the vote taken.

Section 2.7 LISTS OF STOCKHOLDERS. It shall be the duty of the officer of the Corporation who shall have charge of the stock ledger of the Corporation, either directly or through another officer designated by him or through a transfer agent or transfer clerk appointed by the Board, to prepare and make, at least ten (10) days before every election of directors, a complete list of stockholders entitled to vote at said election, arranged in alphabetical order. Such list shall be open to the examination of any stockholder at the place where said election is to be held for said ten (10) days, and shall be produced and kept at the time and place of election, during the whole time thereof, subject to the inspection of any stockholder who may be present.

ARTICLE III

Board of Directors

Section 3.1 POWERS, NUMBER, TERM, ELECTION. The property, business and affairs of the Corporation shall be managed by the Board. The Board shall consist of fifteen (15) directors, but the number of directors may be increased, and may be decreased to any number not less than three (3), by resolution adopted by three-fourths of the whole Board; provided, however, that the number of directors which shall constitute the whole Board shall not be reduced to a number less than the number of directors then in office, unless such reduction shall become effective only at and after the next ensuing meeting of stockholders for the election of directors, or upon the resignation of an incumbent director. At all meetings of the stockholders of the Corporation for the election of directors at which a quorum shall be present, a majority of the votes cast shall elect. Each director shall hold office from the time of his election and qualification until the annual meeting of stockholders next succeeding his election and until his successor shall have been duly elected and shall have qualified, or until his death, resignation or removal. No director need be a stockholder.

Section 3.2 PLACE OF MEETINGS. The Board may hold its meetings at such place or places within or without the State of North Carolina as it may from time to time by resolution determine, or as shall be specified or fixed in the respective notices or waivers of notice thereof. Any regular or special meeting may be held by conference telephone or similar communications equipment so long as all persons participating in such meeting can hear one another, and participation in such a telephonic meeting shall constitute presence in person.

Section 3.3 FIRST MEETING. After each annual election of directors, on the same day and at the place where such election is held, the newly elected Board shall meet for the purpose of organization, the election of officers and the transaction of other business. Notice of such meeting need not be given. Such meeting may be held at any other time or place which shall be specified in a notice given as hereinafter provided for special meetings of the Board, or in a waiver of notice thereof signed by all the directors.

Section 3.4 REGULAR MEETINGS. Regular meetings of the Board may be held at such time and place and in such manner as the Board may from time to time by resolution determine. Except as otherwise expressly prescribed by statute, the Articles of Incorporation or these By-Laws, notice of regular meetings need not be given.

Section 3.5 SPECIAL MEETINGS. Special meetings of the Board shall be held whenever called by the Chairman or Vice Chairman of the Board, the President or by the Secretary upon the written request filed with the Secretary by any four (4) directors. Notice of the time, place and manner of each such special meeting shall be mailed to each director, at his residence or usual place of business, not later than the second day before the day on which such meeting is to be held, or shall be sent addressed to him at such place by telegraph or other electronic transmission, or shall be delivered personally or by telephone, not later than six o'clock in the afternoon of the day before the day on which such meeting is to be held. Except as otherwise prescribed by statute, the Articles of Incorporation or these By-Laws, and except in the case of a special meeting of the Board called for the purpose of removing an officer or officers of the Corporation or the filling of a vacancy or vacancies in the Board or of amending the By-Laws, notice or waivers of notice of any meeting of the Board need not set forth the purpose or purposes of the meeting.

Section 3.6 QUORUM. Except as otherwise prescribed by statute or by these By-Laws, the presence of a majority of the full Board shall constitute a quorum for the transaction of business at any meeting, and the act of a majority of the directors present at a meeting at which a quorum shall be present shall be the act of the Board. Any meeting of the Board may be adjourned by a majority vote of the directors present at such meeting. In the absence of a quorum, the Chairman or Vice Chairman of the Board or a majority of the directors present may adjourn such meeting until a quorum shall be present. Notice of any adjourned meeting need not be given. The directors shall act only as a board and the individual directors shall have no power as such.

Section 3.7 INDEMNIFICATION. Unless the Board of Directors shall determine otherwise, the Corporation shall indemnify, to the full extent permitted by law, any person who was or is, or who is threatened to be made, a party to an action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he, his testator or intestate, is or was a director, officer or employee of the Corporation, or is or was serving at the request of the Corporation as a director, officer or employee of another enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding. Such indemnification may, in the discretion of the Board, include advances of a director's, officer's or employee's expenses prior to final disposition of such action, suit or proceeding. The right of indemnification provided for in this Section 3.7 shall not exclude any rights to which such persons may otherwise be entitled by contract or as a matter of law.

Section 3.8 WRITTEN CONSENTS. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, if, prior to such action, a written consent thereto is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

ARTICLE IV

Committees

Section 4.1 Designation, Vacancies, etc. The Board may from time to time by resolution create committees of directors, officers, employees, or other persons, with such functions, duties and powers as the Board shall by resolution prescribe. A majority of all the members of any such committee may determine its actions and rules or procedure, and fix the time, place and manner of its meetings, unless the Board shall otherwise provide. The Board shall have power to change the members of any such committee at any time, to fill vacancies, and to discharge any such committee, either with or without cause, at any time.

Article V

Officers

Section 5.1 PRINCIPAL OFFICERS. The principal officers of the Corporation shall be a Chairman of the Board of Directors, a Vice Chairman of the Board of Directors, both of whom shall be chosen from among the directors, a President, one or more Vice Presidents, a Secretary, a Treasurer, and a Controller. One person may hold any two offices. The Board may require any such officer to give security for the faithful performance of his duties.

Section 5.2 ELECTION, TERM OF OFFICE, QUALIFICATION. The principal officers of the Corporation shall be elected annually by the Board and each shall hold office until his successor shall have been duly elected and shall have qualified, or until his death, or until he shall resign, or until he shall have been removed in the manner hereinafter provided.

Section 5.3 CHAIRMAN AND VICE CHAIRMAN OF THE BOARD. The Chairman or the Vice Chairman of the Board of Directors as shall be determined by the Board of Directors, shall be chief executive officer of the Corporation and, as such, shall have supervision of its policies, business, and affairs, and such other powers and duties as are commonly incident to the office of chief executive officer. The Chairman of the Board of Directors shall preside at the meetings of the Board and may call meetings of the Board and of any committee thereof, whenever he deems it necessary, and he shall call to order and preside at all meetings of the stockholders of the Corporation. In addition, he shall have such other powers and duties as the Board shall designate from time to time. The Chairman of the Board of Directors shall have power to sign all certificates of stock, bonds, deeds and contracts of the Corporation. The Vice Chairman of the Board shall, in the absence of the Chairman of the Board, perform all duties of the Chairman of the Board and any other duties assigned to him or for which he is designated by the Chairman of the Board. In addition, the Vice Chairman of the Board shall have such other powers and duties as the Board shall designate from time to time.

Section 5.4 CHIEF EXECUTIVE OFFICER. The Chief Executive Officer of the Corporation shall have supervision of its policies, business, and affairs, and such other powers and duties as are commonly incident to the office of chief executive officer.

Section 5.5 PRESIDENT. The President shall have such powers and duties as the Chairman or Vice Chairman of the Board shall designate from time to time. The President shall have power to sign all certificates of stock, bonds, deeds and contracts of the Corporation.

Section 5.6 VICE PRESIDENTS. Each Vice President shall have such powers and perform such duties as the Board or the Chairman of the Board may from time to time prescribe. The Board may elect or designate one or more of the Vice Presidents as Executive Vice Presidents, Senior Vice Presidents or with such other title as the Board may deem appropriate.

Section 5.7 THE TREASURER. The Treasurer shall keep, deposit, invest and disburse the funds and securities of the Corporation, shall keep full and accurate accounts of the receipts and disbursements of the Corporation, shall maintain insurance coverage on the Corporation's assets, and, in general, shall perform all the duties incident to the office of Treasurer and such other duties as may from time to time be assigned to him by the Chairman or Vice Chairman of the Board, the Chief Executive Officer or the Board.

Section 5.8 THE SECRETARY. The Secretary shall act as secretary of, and keep the minutes of, all meetings of the Board and of the stockholders, shall be custodian of the seal of the Corporation and shall affix and attest the seal to all documents the execution of which on behalf of the Corporation under its seal shall have been specifically or generally authorized by the Board, and, in general, shall perform all the duties incident to the office of Secretary and such other duties as may from time to time be assigned by the Chairman or Vice Chairman of the Board, the Chief Executive Officer or the Board.

Section 5.9 THE CONTROLLER. The Controller shall be the chief accounting officer of the Corporation, shall have charge of its accounting department and shall keep or cause to be kept full and accurate records of the assets, liabilities, business and transactions of the Corporation.

Section 5.10 ADDITIONAL OFFICERS. The Board may elect or appoint such additional officers as it may deem necessary or advisable, and may delegate the power to appoint such additional officers to any committee or principal officer. Such additional officers shall have such powers and duties and shall hold office for such terms as may be determined by the Board or such committee or officer.

Section 5.11 SALARIES. The Salaries of the officers of the Corporation shall be fixed from time to time in the manner prescribed by the Board.

ARTICLE VI

Removal, Resignations, Vacancies and Salaries

Section 6.1 REMOVAL OF DIRECTORS. Any director may be removed at any time, either with or without cause, by the affirmative vote of the holders of record of a majority of the stock of the Corporation entitled to vote at a special meeting of the stockholders called for the purpose, and the vacancy in the Board caused by any such removal may be filled by the stockholders at such meeting and, if not filled thereat, the vacancy caused by such removal may be filled by the directors as provided in Section 6.4 hereof.

Section 6.2 REMOVAL OF OFFICERS. Any officer of the Corporation elected or appointed by the Board, or appointed by any committee or principal officer of the Corporation pursuant to authority delegated by the Board, may be removed at any time, either with or without cause, by resolution adopted by a majority of the whole Board at a regular meeting of the Board or at a special meeting thereof called for such purpose.

Section 6.3 RESIGNATION. Any director or officer of the Corporation may at any time resign by giving written notice to the Board, the Chairman of the Board, the Vice Chairman of the Board, the Chief Executive Officer, the President or the Secretary. Any such resignation shall take effect at the time specified therein or, if no time shall be specified therein, at the time of the receipt thereof, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6.4 VACANCIES. Any vacancy in the Board caused by death, resignation, disqualification, an increase in the number of directors, or any other cause, may be filled by the majority vote of the remaining directors, though less than a quorum, at any regular meeting of the Board or any special meeting thereof called for the purpose, or by the stockholders of the Corporation at the next annual meeting or at any special meeting called for the purpose, and the directors so chosen shall hold office, subject to the provisions of these By-Laws, until the next annual meeting of stockholders for the election of directors and until his successor shall be duly elected and shall qualify. Any vacancy in any office, caused by death, resignation, removal, disqualification or any other cause, shall be filled for the unexpired portion of the term in the manner prescribed in these By-Laws for regular election or appointment to such office.

Section 6.5 COMPENSATION. Each director who shall not also be an executive officer of the Corporation or any of its subsidiary companies and receiving a regular salary for his services, in consideration of his serving as a director, shall be entitled to receive from the Corporation such fees for serving as a director as the Board shall from time to time determine, and each such director, who shall serve as a member of any committee of the Board, in consideration of his serving as a member of such committee, shall be entitled to such amount per annum or such fees for attendance at committee meetings as the Board shall from time to time determine. Nothing contained in this Section shall preclude any director from serving the Corporation or its subsidiaries in any other capacity and receiving compensation therefor.

ARTICLE VII

Contracts, Loans, Checks, Drafts, Deposits, Etc.

Section 7.1 CONTRACTS AND LOANS. Except as authorized pursuant to a resolution of the Board or these By-Laws, no officer, agent or employee of the Corporation shall have any power or authority to bind the Corporation by any contract or engagement, to effect any loan on its behalf, to issue any negotiable paper in its name, to pledge its credit, to render it pecuniarily liable for any purpose or for any amount, or to pledge, hypothecate or transfer any securities or other property of the Corporation as security for any loans or advances.

Section 7.2 CHECKS, DRAFTS, ETC. All checks, drafts, and other instruments or orders for the payment of monies out of the funds of the Corporation, and all notes or other evidences of indebtedness, bills of lading, warehouse receipts and insurance certificates of the Corporation shall be signed on behalf of the Corporation in such manner as shall from time to time be determined pursuant to a resolution of the Board. All checks, drafts and other instruments or orders for the payment of monies to or upon the order of the Corporation may be endorsed for deposit in such manner as shall be determined pursuant to a resolution of the Board.

Section 7.3 PROXIES. Unless otherwise provided by resolution of the Chairman or Vice Chairman of the Board, the Chief Executive Officer, the President or any Vice President or Secretary or Assistant Secretary designated by the Board, may from time to time appoint an attorney or attorneys or agent or agents of the Corporation to cast, in the name and on behalf of the Corporation, the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation, any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, all such written proxies or other instruments as he may deem necessary or proper in the premises.

ARTICLES VIII

Shares, Dividends, Etc.

Section 8.1 CERTIFICATES. Certificates for shares of the capital stock of the Corporation shall be in such form as shall be approved by the Board. Each such certificate shall be signed in the name of the Corporation by the Chairman of the Board, the Vice Chairman of the Board, the President or a Vice President, and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation; provided, however, that, where such certificate is signed (a) by a transfer agent or an assistant transfer agent or (b) by a transfer clerk acting on behalf of the Corporation, and a registrar, the signature of any such Chairman of the Board, Vice Chairman of the Board, Chief Executive Officer, President, Vice President, Treasurer, Assistant Treasurer, Secretary or Assistant Secretary may be a facsimile. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates shall be deemed to have been adopted by the Corporation and to have been issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures were used thereon had not ceased to be such officer or officers of the Corporation. Except as otherwise prescribed by statute, the Articles of Incorporation, or by these By-Laws, the person in whose name shares of stock shall be registered on the books of the Corporation shall be deemed to be the owner thereof for all purposes as regards the Corporation.

Section 8.2 TRANSFERS. The Board may make such rules and regulations as it may deem expedient concerning the issue, registration and transfer of certificates representing shares of the capital stock of the Corporation and may appoint one or more transfer agents or clerks and registrars thereof.

Section 8.3 CLOSING OF TRANSFER BOOKS, RECORD DATE. The Board may at any time by resolution direct the closing of the stock transfer books of the Corporation for a period of not exceeding sixty (60) days preceding the date of any meeting of stockholders, or the date for payment of any dividend, or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect or for a period of not exceeding sixty (60) days in connection with obtaining the consent of stockholders for any purpose; provided, however, that in lieu of closing the stock transfer books as aforesaid, the Board may fix in advance a date, not exceeding sixty (60) days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to give such consent, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment or rights, or exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid. Except where the stock transfer books of the Corporation shall have been closed or a date shall have been fixed as a record date for the determination of the stockholders entitled to vote, as hereinabove provided, no share of stock shall be voted on at any election of directors which shall have been transferred on the books of the Corporation within twenty (20) days next preceding such election of directors.

Section 8.4 LOST OR DESTROYED CERTIFICATES. In case of loss, theft, mutilation or destruction of any certificate evidencing shares of the capital stock of the Corporation, another may be issued in its place upon proof of such loss, theft, mutilation or destruction and upon the giving of an indemnity or other undertaking to the Corporation in such form and in such sum as the Board may direct.

Article IX

Seal, Fiscal Year, Waivers of Notice, Amendments

Section 9.1 CORPORATE SEAL. The seal of the Corporation shall be circular in form and shall bear the name of the Corporation and the inscription "Corporate Seal, North Carolina". Said seal may be used by causing it or a facsimile thereof to be impressed or reproduced or otherwise.

Section 9.2 FISCAL YEAR. Each fiscal year of the Corporation shall end on the last Saturday of December.

Section 9.3 WAIVERS OF NOTICE. Anything in these By-Laws to the contrary notwithstanding, notice of any meeting of the stockholders, the Board, or any committee constituted by the Board need not be given to any person entitled thereto, if such notice shall be waived by such person in writing or by telegraph, cable or wireless before, at or after such meeting, or if such person shall be present in person, or in the case of a meeting of the stockholders, be present in person or represented by proxy, at such meeting and without objecting to such lack of notice.

Section 9.4 AMENDMENTS. These By-Laws may be altered, amended or repealed or new By-Laws may be made either:

(a) by the affirmative vote of the holders of record of a majority of the outstanding stock of the Corporation entitled to vote thereon, at any annual or special meeting of the stockholders, provided that notice of the proposed alteration, amendment or repeal or of the proposed new By-Law or By-Laws be included in the notice of such meeting or waiver thereof, or

(b) by the affirmative vote of a majority of the whole Board at any regular meeting of the Board, or any special meeting thereof, provided that notice of the proposed alteration, amendment or repeal or of the proposed new By-Law or By-Laws be included in the notice of such special meeting or waiver thereof or all of the directors at the time in office be present at such special meeting. provided, however, that no change of the time or place for the election of directors shall be made within sixty (60) days next before the day on which such election is to be held, and that in case of any change of such time or place, notice thereof shall be given to each stockholder in accordance with Section 2.4 hereof at least twenty (20) days before the election is held.

By-Laws made or amended by the Board may be altered, amended or repealed by the stockholders.

AMENDMENTS TO

THE PEPSICO SALARIED EMPLOYEES RETIREMENT PLAN,

THE PEPSICO LONG TERM SAVINGS PROGRAM,

THE PEPSICO TRANSPORTATION EMPLOYEES RETIREMENT PLAN,

THE CHESAPEAKE PENSION PLAN,

THE SEVERANCE PLAN FOR PIZZA HUT, INC. HEADQUARTERS EMPLOYEES, and

THE ERIE BOTTLING CORPORATION SALARIED EMPLOYEES

401(K) WAGE REDUCTION AND PROFIT SHARING PLAN

The attached amendments to the PepsiCo Salaried Employees Retirement Plan (Attachment 1), the PepsiCo Long Term Savings Program (Attachment 2), the PepsiCo Transportation Employees Retirement Plan (Attachment 3) and the Chesapeake Pension Plan (Attachment 4) are hereby adopted and approved this 9th day of November , 1995. These amendments replace certain current pages of these plans with the corresponding attached pages.

In addition, the amendments to the Severance Plan for Pizza Hut, Inc. Headquarters Employees (Attachment 5), and the Erie Bottling Corporation Salaried Employees 401(k) Wage Reduction and Profit Sharing Plan (Attachment 6), are hereby ratified and adopted this 9th day of November, 1995.

PepsiCo, Inc.

By: /s/ J. Roger King

APPROVED:

By: /s/ Alan R. Rockoff

Law Department

By: /s/ Sylvester Holmes

Tax Department

ATTACHMENT 2

AMENDMENTS TO
THE PEPSICO LONG TERM SAIVNGS PROGRAM

The PepsiCo Long Term Savings Program ("Plan") is hereby amended by replacing the current pages of the Plan identified for deletion below with the attached replacement pages.

Article	Current Pages Deleted	Replacement Pages
II	II-17 to II-18	II-17 to II-18
IV	IV-1 to IV-2	IV-1 to IV-2
V	V-3 to V-11	V-3 to V-12
VII	VII-3	VII-3
IX	IX-1	IX-1
Appendix B	B-2 to B-3	B-2 to B-3

The revision to Article VII is effective as soon as practicable after October 20, 1995. The revision to Article IX is effective January 1, 1989. The revisions to Appendix B are effective as soon as practicable after September 30, 1995. The revisions to Article C are effective January 1, 1993. All other revisions are effective January 1, 1996.

(jj) Salary Deferral Contributions: Any Employer contributions made to the Plan at the election of a Participant, in lieu of cash compensation, pursuant to Section 4.1.

(kk) Severance from Service Date: An Employee's Severance from Service Date shall occur on the earlier of:

(1) The date the Employee quits, retires, is discharged or dies; or

(2) The first anniversary of the date the Employee is absent from service with an Employer (with or without pay) for any reason other than a quit, retirement, discharge or death, such as vacation, holiday, sickness, disability, leave of absence or layoff.

(ll) Termination of Employment: The cessation of an Employee's employment with an Employer or other member of the PepsiCo Organization, whether by quit, resignation, discharge, retirement, disability or indefinite layoff. However, such term shall not include an Authorized Leave of Absence or the transfer from the Employment of one Employer that maintains this Plan to another such Employer, or to employment with any other member of the PepsiCo Organization.

(mm) Trust (or Trust Fund): The fund established pursuant to the Trust instrument to receive and to invest amounts credited to Participants' Accounts and from which distributions will be made.

(nn) Trustee: The individual or corporation appointed by the Company pursuant to the Trust instrument to hold the Trust Fund.

(oo) Valuation Date: Each business day, except that the Trustee may temporarily suspend valuations when it deems it to be necessary in accordance with Section 5.2(b). In all cases, however, there shall be a Valuation Date on the last business day of the Plan Year.

(pp) Year of Service: Each 12-month period of service in the period of service commencing on an Employee's Employment Commencement Date and ending on his Severance from Service Date, subject to the following special rules.

(1) If an Employee has a Severance from Service Date as a result of a quit, discharge or retirement and then returns to the employment of the PepsiCo Organization within 12 months from his Severance from Service Date, the Employee's period of severance shall be counted as part of his period of service.

(2) If an Employee terminates employment because of a quit, discharge or retirement (during any other absence from service of 12 months or less) and then returns to the employment of the PepsiCo Organization within 12 months from the date on which he was first absent, the Employee's period of severance shall be counted as part of his period of service.

(3) If an Employee has a break in service (as defined below), his Years of Service prior to such break in service shall only be taken into account if he has a Year of Service following his rehire (determined under the preceding provisions of this subsection as if his employment first commenced on his date of rehire). A "break in service" is a 12-month period beginning on an Employee's Severance from Service Date during which the Employee is not credited with an Hour of Service.

2.2 Construction: The terms of this Plan shall be construed in accordance with this section.

(a) Gender and Number: The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender and the singular shall include the plural, unless the context clearly indicates to the contrary.

(b) Headings: The headings of sections and subsections are for ease of reference only and shall not be construed to limit or modify the detailed provisions thereof.

ARTICLE IV
Contributions and Deferral Amounts

4.1 Elective Deferrals: An Employee who is eligible under Section 3.1 and who has Eligible Pay may elect to defer a portion of his Eligible Pay in accordance with the following subsections.

(a) Deferral Amount: Subject to the limitations established by this Article, each Active Participant may defer in any Plan Year up to 10 percent (15 percent, effective January 1, 1996) of his Eligible Pay in accordance with this section. In the event a Participant elects to defer a portion of his Eligible Pay under the Plan, it will be designated for contribution by the Employer to the Trust on behalf of the Participant, and for deposit in his Salary Deferral Account. All amounts deposited to a Participant's Salary Deferral Account shall at all times be fully vested.

(b) Election to Defer: Each Employee who qualifies as an eligible Employee under Section 3.1 may elect to defer a portion of his Eligible Pay in accordance with subsection (d). An eligible Employee shall make this election by:

(1) Completing and returning the enrollment form, or utilizing the telephone enrollment system, provided by the Plan Administrator,

(2) Designating a portion of his Eligible Pay to be contributed by his Employer to the Plan, and

(3) Indicating how such amounts are to be invested under Section 5.2.

An eligible Employee's election under this subsection shall be effective as soon as practicable for his Employer and shall remain in effect until it is modified or terminated under subsection (c) below, or until his active participation terminates in accordance with Section 3.2(b).

(c) Changes in Deferral Election: Subject to subsection (d), an Active Participant may elect to increase, decrease or terminate the amount of his deferral at any time by completing and returning a change of election form, or using the telephone enrollment system to designate the revised deferral rate to be contributed to the Plan. A Participant's election under this subsection shall be effective as soon as practicable for his Employer.

(d) Election Procedures: To be effective, an election made pursuant to subsection (b) or (c) above must be made in the manner specified by the Plan Administrator. In addition, the election shall specify the amount of the deferral desired for each Plan Year in the form of a whole dollar amount, a percentage of Eligible Pay, or a combination of the two as specified by the Plan Administrator from time to time (effective prior to 1996, only the whole dollar amount form shall be available), subject to the limitation in subsection (a) above. Any election purporting to defer more than the maximum percentage of Eligible Pay permitted under subsection (a) shall be treated as an election to defer such maximum percentage of Eligible Pay. Notwithstanding the preceding sentence, the Plan Administrator shall not give effect to elections that do not meet the minimum standards for completeness and accuracy the Plan Administrator establishes from time to time.

(e) Payroll Deductions: A Participant's Salary Deferral Contributions shall be withheld from his Eligible Pay through automatic payroll deductions. The amount to be withheld in any pay period shall be a ratable share of the Participant's currently effective salary deferral election for the entire Plan Year. Salary Deferral Contributions may not be withheld after they have been actually or constructively received by the Participant.

4.2 Dollar Limits on Elective Deferrals: Notwithstanding Section 4.1, a Participant's Elective Deferrals shall be limited as provided in this section.

(a) Initial Limit: Effective for calendar years beginning on and after January 1, 1987, a Participant's Elective Deferrals under the Plan shall be limited to $7,000 or, if greater, the adjusted amount in effect under Code section 402(g) for the preceding calendar year.

(b) Additional Limit: Effective for Plan Years beginning after 1987, a Participant's Elective Deferrals, which are made in any calendar year to the Plan or any performance. Investments in this investment option are subject to fluctuations, and there is no guarantee of future performance. The Participant's interest in the Fund will be denominated as "units." The value of a unit in this Fund will fluctuate based on the performance of the Fund. The number of units credited to a Participant will not fluctuate based upon the performance of the Fund.

(3) The Equity-Income Fund: This Fund is primarily invested in the Fidelity Equity-Income Fund, which invests primarily in income-reducing stocks. The Fund's chief objective is to provide reasonable income, although some consideration is given to capital appreciation. Amounts invested in this investment option are subject to fluctuations, and there is no guarantee of future performance. The Participant's interest in the Fund will be denominated as "units." The value of a unit in this Fund will fluctuate based on the performance of the Fund. the number of units credited to a Participant will not fluctuate based upon the performance of the Fund.

(4) The PepsiCo Capital Stock Fund: This investment option is invested primarily in Company Stock. Earnings will be applied primarily to the purchase of additional share of Company Stock. The objective of the Fund is to parallel the total return (stock price appreciation/depreciation plus dividends) of Company Stock. Amounts invested in this investment option are subject to fluctuations and there is not guarantee of future performance.

A Participant's interest in the Fund will be denominated as "units." The initial value of a unit (as of February 29, 1992) in this Fund is $10.00 and thereafter the value of a unit will fluctuate in response to various factors including, but not limited to, the price of and dividends paid on Company Stock, earnings and losses on other investments in the Fund, the mix of assets in the Fund and Fund expenses. The number of units credited to a Participant's account will not fluctuate based upon the performance of the Fund. Shares of PepsiCo Capital Stock held in the Fund and dividends and other distributions on PepsiCo Capital Stock are not specifically allocated to Participant accounts. Each Participant's investment in the PepsiCo Capital Stock Fund will be based on the proportion of his investment in the Fund to the total investment in the Fund of all Plan Participants.

All dividends on shares of Company Stock in the Fund are paid to the Fund. Dividends on these shares are added to the Fund without the purchase of additional units in the Fund. The Trustee shall use the dividend income to purchase additional share of Company Stock for the Fund or to meet the cash demands of the Fund. Any Company Stock received by the Trustee as a stock split or dividend, or as a result of a reorganization or other recapitalization of PepsiCo, will be added to the assets of the Fund. Any other property (other than shares of Company Stock) received by the Trustee may be sold by the Trustee and the proceeds added to the fund. Any rights to subscribe to additional shares of Company Stock shall be sold by the Trustee and the proceeds credited to the Fund.

Participants who have invested in the Fund may direct the Trustee how to vote (or tender, if applicable) Company Stock. The Trustee will determine each Participant's proportional share of the Company Stock in the Fund (based on the number of units allocated to the Participant's Accounts) and solicit the Participant's instructions. The Trustee shall vote (and/or tender) this stock according to the Participant's directions. The Trustee shall not vote stock in the Fund for which it does not receive directions

The Company shall assist the Trustee in furnishing Participants investing in the PepsiCo Capital Stock Fund with proxy materials, notices and information statements at the time voting rights are to be exercised. In general, the materials to be furnished Participants shall be the same as those provided to security holders.

Shares of Company Stock will be purchased for the Fund in the open market or in privately negotiated transactions, at prices not in excess of the fair market value of the Company Stock on the date of purchase. Sales of shares will also be made in the open market or in privately negotiated transactions at prices not lower than the fair market value of Company Stock on the date of sale. The Trustee, or its designated agent, may limit the daily volume of purchases and sales to the extent it believes it will be in the interest of Participants to do so.

(5) The Brokerage Option:

(i) Description of Funds: This investment option will be administered by State Street Band and the agents it employs as securities brokers to execute Participants' trades. This option permits certain Participants and Beneficiaries to invest all or a portion of their interest in the Plan in additional choices for self-directed investment. The Plan Administrator shall publish written rules and procedures for the election of these additional choices by Participants and Beneficiaries, and may revise such rules and procedures at any time and for any reason. The investments expected to be available under the Brokerage Option are generally as follows: securities traded on the New York Stock Exchange, the American Stock Exchange and the NASDAQ exchange, and certain mutual funds as specified by the Plan Administrator.

(A) The following investments will not be available through the Brokerage Option: Non-taxable bonds; options; futures; commodities; limited partnerships which are unlisted on the New York or American Stock Exchange or the NASDAQ exchange; foreign securities which are unlisted on the New York or American Stock Exchange or the NASDAQ exchange; commercial paper; bank investments (such as certificates of deposits and bank investment contracts); physical assets (such as coins, art, jewelry and real estate); insurance investment or insurance investment funds; mutual funds not specified by the Plan Administrator; and securities of the Company or its subsidiaries (even if listed on the New York or American Stock Exchange or the NASDAQ exchange).

(B) The following trading practices are prohibited under the Brokerage Option: Short sales, margin trades, third party trades, direct trades and any trades occurring outside the procedures established by the Plan Administrator.

(ii) Restrictions: Each Participant who participates in the Brokerage Option shall have his interest in the Plan reduced by any brokerage commissions and fees (including fees charged on account of one or more investments in a mutual fund) payable on their individual transactions and shall also have his interest in the Plan reduced by an access fee (initially $4.20) for each month or part thereof that the Participant participates in the Brokerage Option. Such access fee will be taken from the Plan in the following order: Security Plus Fund, Equity-Index Fund, Equity Income Fund, PepsiCo Capital Stock Fund and the Brokerage Option. The Plan Administrator and its agent, are authorized to sell securities or other assets held within a Participant's Account for the purpose of paying the commissions and fees described in this subsection. Investment in the Brokerage Option is subject to the following restrictions:

(A) To commence investing under this program, the Participant must first be eligible to enroll in the Brokerage Option. A Participant is eligible to enroll if he has at least $1,000.00 in his Participant Account; completes and returns the application as required by the Plan Administrator or its agent; and his initial transfer election into the Brokerage Option is at least $1,000. Subsequent transfers to and from the Brokerage Option must be at least $250 unless such transfer is to close the Participant's account under the Brokerage Option. All transfers to the Brokerage Option must be from prior savings.

(B) No amounts invested either in the Security Plus Fund or in the Guaranteed Income Fund may be directly transferred to the Brokerage Option, and no amounts invested either in the Security Plus Fund or in the Guaranteed Income Fund may be indirectly transferred to the Brokerage Option, i.e., by first transferring the amounts to some other investment fund (or funds) under the Plan, unless such amounts remain invested in the intervening fund (or funds) for at least 3 months.

(C) Except as provided in the last sentence of this clause (C), no security or investment held by a Participant's account within the Brokerage Option may be transferred or distributed directly to the Participant. The Participant must initially sell the security or investment. The Trustee will place the proceeds of such sale in a short-term investment fund, designed to generate a money market rate of return, within the Brokerage Option. The proceeds will remain in such account until the Participant instructs the Plan Administrator or its agent to transfer all or a portion of such proceeds into one or more of the other separate investment options within the Trust Fund provided that the investment option chosen by the Participant permits contributions. The crediting of earnings within the short-term investment fund and the transfer of funds to other investment funds within the Trust Fund may be delayed until after the settlement period for the class of security sold by the Participant, ranging from one to five business days. In-kind distributions are permitted in the event of a complete distribution of a Participant's interest as specified under Section 6.1 or 6.2.

(6) The Guaranteed Income Fund: This fund is established through contractual arrangements with one or more insurance companies or other financial institutions. Effective January 1, 1992, the Guaranteed Income Fund no longer accepts additional deposits. As of January 1, 1992, two 1991 Guaranteed Income Funds contracts, both issued by Metropolitan Life, were transferred to the Security Plus Fund. The return on amounts that remain invested in the Guaranteed Income Fund is determined in accordance with the contract (or contracts) applicable to the year in which the amounts were invested. Guarantees of principal and interest are provided solely by the insurance company or other financial institution issuing the contract. The transfer of funds invested in the Guaranteed Income Fund to other separate investment funds within the Trust Fund will be restricted in the following manner:

(i) No amounts invested in the Guaranteed Income Fund for any Plan Year may be transferred by a Participant directly into the Security Plus Fund or the Brokerage Option. No amounts invested in the Guaranteed Income Fund for any Plan Year may be transferred by a Participant indirectly to the Security Plus Fund or the Brokerage Option, i.e., by first transferring the amounts to some other investment fund (or funds) under the Plan, unless such amounts remain invested in the intervening fund (or funds) for at least 3 months; and

(ii) A Participant can transfer amounts from the Guaranteed Income Fund into some other investment fund (or funds) under the Plan no more than 12 times during the Plan Year.

(b) Maintaining Liquidity: Notwithstanding subsection (a) above, for the purpose of providing liquidity in each of the separate investment options (other than the Brokerage Option) under the Plan, the Trustee may invest a portion of each fund or investment option under the Plan in cash or short-term securities. The percentage of assets held for this purpose is normally expected to range from 2-10 percent, but under extraordinary circumstances the percentages may be substantially higher. Consequently, the mix of cash, securities and other investments in each of the investment funds could vary significantly at any given time and the performance of any particular fund may not match the performance of the fund or stock, as the case may be, outside the Plan. In the unlikely event that the amount of liquid assets held by these funds is insufficient to satisfy the immediate demand for liquidity under the Plan, the Trustee, in consultation with the Plan Administrator, may temporarily limit or suspend transfers of any type (including withdrawals and distribution) to or from the investment options specified in subsection (a). In any such case, the Plan Administrator shall temporarily change the Plan's Valuation Date or, in its discretion, the Valuation Date for a specific option. During this period, contributions to any affected option may be redirected to substitute investments chosen by the Trustee.

(c) Procedures for Investment Directions: A Participant may direct the investment of the amounts credited to him under the Plan into the investment options described in subsection (a) only in accordance with this subsection. A Participant shall direct the investment, or change the direction of the investment, of his future or existing investment by directing the Plan Administrator through the telephone enrollment system provided by the Plan Administrator for such purpose (or through any other method made available by the Plan Administrator) and by specifying whether the Participant's investment instructions apply to existing savings, future contributions or both.

(1) The Participant will have sole responsibility for the investment of his savings and for transfers among the available investment funds, and no named fiduciary or other person will have any liability for any loss or diminution in value resulting from the Participant's exercise of such investment responsibility. In addition, because Participants control the investment of Participant Accounts, the Plan is intended to be covered to the maximum extent possible by section 404(c) of ERISA and related Department of Labor regulations, which provide that Plan fiduciaries may be relieved of liability for any losses that are the result of investment instructions given by a Participant or Beneficiary.

(2) In the case of an option other than the Brokerage Option, a Participant's investment instruction or change in investment instruction shall take effect as of the end of the day on which the Participant gives such instruction or change to the Plan Administrator (or its agent), provided the Participant executes such instruction or change by 3:00 p.m. (Eastern time) on a business day. If the Participant executes his instruction or change on a Saturday, Sunday, holiday or after 3:00 p.m. (Eastern time) on a business day, such instruction or change will become effective on the next following business day.

(3) In the case of the Brokerage Option, a Participant's investment instruction or change within the Brokerage Option or fund transfers into the Brokerage Option shall be effective in accordance with rules set forth by the Plan Administrator consistent with the rules that govern the exchange or fund ion which Participants invest.

Any investment direction submitted by a Participant must specify, in whole percentages (1 to 100), the percentage of his accounts to be invested in any or all of the separate investment funds maintained under the Plan. If a Participant fails to submit a statement of direction properly directing the investment of 100 percent of his accounts, and such failure is not corrected, the Participant shall not be eligible to participate actively, or to continue to participate actively, in the Plan; provided, however, that amounts previously invested pursuant to a properly executed statement of investment direction shall continue to remain invested in the Fund or Funds so elected. The rules for transfers set forth in paragraphs (2) and (3) above are subject to the last 3 sentences of subsection (b) above.

(d) Miscellaneous:

(1) It is expressly permissible under this Plan for Trust assets to be invested in qualifying employer securities, as that term is defined in section 407(d)(5) of ERISA, up to and including 100 percent of the total Trust assets. If Company Stock is purchased other than on the open market, the Company Stock shall be valued in good faith and based on all relevant factors, including the sales prices of such stock, as reported on the New York Stock Exchange, on the date of purchase.

(2) The separate investment funds made available under the Trust Fund and their rules of operation and valuation may be changed from time to time by agreement between the Company and the Trustee.

(3) As of each Valuation Date, the Trustee will determine the fair market value of the assets in each separate investment fund of the Trust Fund, relying upon such evidence of valuation as the Trustee deems appropriate.

5.3 Adjusting Account Balances: As of the close of business on each Valuation Date (before adjusting for contributions, distributions and investment transfers), Participants' Accounts shall be charged or credited with:

(a) Investment Expenses,

(b) Investment income, and

(c) Gains and losses in asset values, which have occurred with respect to each separate option (and each separate investment within the Brokerage Option) since the preceding Valuation Date. Thereafter, the final Account balances as of the Valuation Date will be determined by adjusting the amounts determined under the preceding sentence for contributions, distributions and investment transfers. The allocation of Investment Expenses and investment results as of a Valuation Date shall be in proportion to the final Account balances in the fund or investment as of the preceding Valuation Date. Gains and losses in assets values as of a Valuation Date shall be determined in accordance with rules of the Plan Administrator and may not reflect the closing values of the assets on such Valuation Date.

The value of the Participant's account balance and investment in the Core Funds shall be based on the market values of such items at the time of the Participant's Telephone Application or the issuance of the loan, whichever is less.

7.4 Maximum Number of Outstanding Loans and Refinancing:

(a) A Participant shall not have more than one loan outstanding from the Plan at any time. Subject to subsection (b), no loan may be made to a Participant until the repayment of any previous loan to such Participant.

(b) A Participant with an outstanding loan from the Plan is eligible to apply for a refinanced loan, provided the refinanced loan is issued at least two years (six months, effective as soon as practicable after October 20, 1995) after issuance of the outstanding loan. A refinanced loan shall meet all the requirements for a loan set forth in this Article VII. Its proceeds shall first be applied to repay the balance of the outstanding loan, with any remainder payable to the Participant as cash. The interest rate, fees, term and repayment schedule applicable to a refinanced loan shall be determined without reference to the original loan.

7.5 Effect on Participant's Investment: A loan shall constitute a segregated investment solely of the Account of the borrowing Participant.

(a) When initially made, a loan shall be funded from the borrowing Participant's Core Fund investments, prorated based on the Participant's balance in each Core Fund.

(b) All repayments of principal and related interest and any gains and losses on a loan shall be credited to the borrowing Participant's account. Loan repayments shall be invested in accordance with the Participant's current investment direction for Salary Deferral Contributions. If the Participant does not have an investment direction in effect on the date of the Participant's Loan Application, the Participant must provide an investment

ARTICLE IX
Administration

9.1 Allocation of Responsibility Among Fiduciaries for Plan and Trust Administration: The Fiduciaries shall have only those specific powers, duties, responsibilities, and obligations as are specifically given them under this Plan or the Trust instrument. The Plan Administrator shall have the sole responsibility for the administration of the Plan, which responsibility is specifically described in this Plan and the Trust instrument, except where an agent is appointed to perform administrative duties as specifically agreed to by the Plan Administrator and the agent. Subject to Section 5.2(c)(1), the Trustee shall have the sole responsibility for the administration of the Trust and the management of the assets held under the Trust as specifically provided in the Trust instrument, except where an investment manager has been appointed or as provided otherwise in the Trust instrument. Each Fiduciary warrants that any directions given, information furnished, or action taken by it shall be in accordance with the provisions of the Plan or the Trust instrument, as the case may be, authorizing or providing for such direction, information or action. Furthermore, each Fiduciary may rely upon any direction, information or action of another Fiduciary as being proper under this Plan or the Trust, and is not required under this Plan or the Trust instrument to inquire into the propriety of any direction, information or action of another Fiduciary as being proper under this Plan or the Trust, and is not required under this Plan or the Trust instrument to inquire into the propriety of any direction, information or action. It is intended under this Plan and the Trust instrument that each Fiduciary shall be responsible for the proper exercise of its own powers, duties, responsibilities and obligations under this Plan and the Trust instrument and shall not be responsible for any act or failure to act of another Fiduciary. No Fiduciary guarantees the Trust in any manner against investment loss or depreciation in asset value.

9.2 Administration: The Plan shall be administered by the Plan Administrator which may appoint or employ individuals to assist in the administration of the Plan and which may appoint or employ any other agents it deems advisable, including legal counsel, actuaries and auditors to serve at the Plan Administrator's direction. All usual and reasonable expenses of maintaining, operating and administering the Plan and the Trust, including the expenses of the Plan Administrator and the "(i) For purposes of Employees eligible under Section B.1(a) of the Appendix, the election of a full-time hourly Employee of KFC whose Employment Commencement Date is before 1992 shall not be effective until he has enrolled in his Employer's One Plus program, and the election of a full-time hourly Employee who is coded as a shift supervisor and whose Employment Commencement Date is after 1991 shall not be effective until he has attained age 21 and completed one Year of Service.

"(ii) The election of an Employee eligible under Appendix Section B.1(b) shall not be effective until the first January 1 or July 1 following his attainment of age 21 and his completion of a 12-month period (measured as described below) in which he is credited with at least 1,000 Hour of Service (referred to as a `year of eligibility service'). The 12-month period between the date the Employee first completes one Hour of Service and the first anniversary thereof shall be used initially to determine his eligibility to participate in the Plan; thereafter, his eligibility to participate in the Plan shall be determined by reference to whether he completes 1,000 or more Hours of Service in a any Plan Year, beginning with first Plan Year commencing after he first completes one Hour of Service. An employee who completes 1,000 or more Hours of Service in both the initial 12-month eligibility computation period and the first Plan Year commencing after he first completes one Hour of Service shall be credited with two years of eligibility service for purposes of this section. Effective as soon as practicable after September 30, 1995, the term `payroll date' shall replace `January 1 or July' in the first sentence of this subparagraph."

B.2 Modification to Section 4.1: For purposes of determining the deferral amount in the case of an Active Participant who is covered by this Article, subsections (a), (d) and (e) of Section 4.1 shall read as follows:

"(a) Deferral Amount: Subject to the limitations established by this Article IV, each active Participant may defer in any Plan Year up to $60 of his Eligible Pay per pay period, in accordance with such rules and regulations as may be established by the Plan Administrator. In the event that a Participant elects to defer a portion of his Eligible Pay under the Plan, it will be designated for contribution by the Employer to the Trust on behalf of the Participant, and for deposit in his Salary Deferral Account. All amounts deposited to a Participant's Salary Deferral Account shall at all times be fully vested."

"(d) Election Procedures: An election made pursuant to subsection (b) or (c) above shall be in the manner specified by the Plan Administrator. Any election shall specify the amount of the deferral desired as a whole dollar amount, subject to the limitation in subsection (a) above. The Plan Administrator, in its discretion, may give no effect to an election that does not meet minimum standards for completeness and accuracy as the Plan Administrator may establish."

"(e) Payroll Deductions: A Participant's Salary Deferral Contributions shall be withheld from his Eligible Pay through automatic payroll deductions. Salary Deferral Contributions may not be withheld after they have been actually or constructively received by the Participant."

ARTICLE C
Pizza Hut Hourly Employees

The terms of this Article apply to any Employee who is employed on an hourly basis by Pizza Hut of America or its domestic locations and subsidiaries (collectively referred to as "Pizza Hut") in any of the following states: Alabama, Alaska, Arizona, Arkansas, California, Colorado, District of Columbia, Florida, Georgia, Idaho, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia or Wyoming.

C.1 Modifications to Section 3.1(a): For purposes of determining the eligibility to participate in the Plan of an Employee who is covered by this Article, the introductory language of Section 3.1(a) (the portion preceding paragraph (a)(1)) shall read as follows:

"(a) General Rule: Effective, January 1, 1993, any hourly Employee of Pizza Hut shall be eligible to participate in the Plan while he is a participant in the Pizza Hut Hourly Employees Retirement Plan, i.e., not before he attains age 21 and completes 1,000 hours of service. The following Employees or classes of Employees shall not be eligible to participate in this Plan:"

AMENDMENT TO
THE PEPSICO LONG TERM SAVINGS PROGRAM

The amendments to the PepsiCo Long Term Savings Program ("Plan") attached as Exhibit 1 are hereby adopted and approved this 21st day of December, 1995. These amendments replace certain current pages of the Plan with the corresponding attached pages.

PepsiCo, Inc.

By: /s/ J. ROGER KING

J. Roger King

APPROVED:

By: /s/ ALAN R. ROCKOFF

Alan R. Rockoff
Law Department

By: /s/ SYLVESTER HOLMES

Sylvestor Holmes
Tax Department

EXHIBIT 1

AMENDMENT TO
THE PEPSICO LONG TERM SAVINGS PROGRAM

The PepsiCo Long Term Savings Program ("Plan") is hereby amended by replacing the current pages of the Plan identified for deletion below with the attached replacement pages.

Article	Current Pages Deleted	Replacement Pages
II	II-10	II-10
Sch. 3	3-1	3-1
App. C	C-1	C-1 through C-2

Participants who have not attained age 19 before the close of the Plan Year. If, as a result of the application of such rules, the adjusted $150,000 limitation is exceeded, then the limitation shall be prorated among the affected individuals in proportion to each such individual's Eligible Pay as determined under this Section prior to the application of this limitation

References in the Plan to deferrals of Eligible Pay, or Salary Deferral Contributions from Eligible Pay, shall be read as referring to deferrals of a Participant's current Employee compensation not in excess of Eligible Pay, determined as above.

(1) Employee: Any person who is: receiving remuneration for personal services currently rendered in the employment of an Employer (or who would be receiving such remuneration except for an Authorized Leave of Absence), and who is described in one of the following paragraphs:

(1) A United States citizen whose primary place of employment is within the 50 states or the District of Columbia (collectively referred to in this subsection as "the U.S.");

(2) An alien who has been lawfully admitted for permanent residence in the U.S. (referred to in this subsection as a "resident alien") and whose primary place of employment is within the U.S.

(3) A United States citizen or resident alien relocated by the Employer to a primary place of employment outside the U.S. and classified by the Employer as an United States expatriate;

(4) Effective January 1, 1994, a resident alien:

(i) who is employed in a position that is classified as a globalist under the personnel practices of an Employer,

(ii) who works for an Employer outside of his home country, and

ARTICLE III
Eligibility and Participation

3.1 Eligibility: Employees described in this subsection or the Appendix as eligible to participate in the Plan shall be referred to as eligible Employees.

(a) General Rule: Subject to the next sentence, the following Employees shall be eligible to participate in the Plan: all full-time salaried Employees of the Company and of the Employers designated on the attached Schedule 3; all full-time salaried, hourly, commissioned sales or transportation Employees of the Employers designated on the attached Schedules 1, 2 and 4; all full-time hourly Employees of the Company designated on the attached Schedule 5; all salaried part-time Employees who are currently eligible to enroll in their Employer's Benefits Plus Program; all full-time hourly Employees designated in Article B; and all hourly Employees designated in Article C; provided, however, that to be eligible such Employee must be currently eligible to enroll in his Employer's Benefits Plus Program (except in the case of Employees eligible under Articles B and C and as otherwise provided in the Appendix). The following Employees or classes of Employees shall not be eligible to participate in this Plan:

(1) Any Employee whose terms and conditions are determined by collective bargaining with a union representing such persons and with respect to whom inclusion in this Plan has not been specifically provided for in such collective bargaining agreement;

(2) Any Employee who is a leased employee within the meaning of Code section 414(n);

(3) Effective December 1, 1989, any Highly compensated Employee who has not attained age 21 and completed a Year of Service;

(4) Any individual who is an independent contractor; and

(5)Effective on and after January 1, 1996, any Employee of an Employer designated on Part I of the attached Schedule 3 who is a Highly

Compensated Employee (or who is reasonably projected to be a Highly Compensated Employee based on the best available date.)

An independent contractor who is recharacterized by the Internal Revenue Service as a common law employee will not be considered described in paragraph (4) for periods on and after the recharacterization. Such individual also will not be considered described in paragraph (4) for periods before the recharacterization, unless the Employer had classified the individual as an independent contractors identified by similar work requirements. An individual's ineligibility under the previous sentence shall have no bearing on whether the individual is an excludable employee for purposes of the nondiscrimination tests under Code sections 410(b) and 401(a)(4).

(b) Certain Part-Time Employees: Effective July 1, 1995, any Employee who would be an eligible Employee if he were classified by his Employer as full-time (with no other changes in his status and circumstances) shall be eligible to participate in the Plan.

For purposes of this section, an Employee who is an associate, casual, part-time or temporary employee is not considered to be full-time.

3.2 Participation:

(a) Commencement of Active Participation: An eligible Employee shall become an Active Participant upon enrolling in the Plan.

(1) An eligible Employee's enrollment in the Plan shall be made be electing to defer a portion of his Eligible Pay, in accordance with Section 4.1(b). An eligible Employee's qualifying election to participate actively in the Plan shall be effective as soon as practicable for his Employer.

(2) Notwithstanding paragraph (1) above, the election of an Employee eligible under Section 3.1(b) shall not be effective until the first January 1 or July 1 following his attainment of age 21 and his completion of a 12-month period of employment (measured as described below) in which he is

credited with at least 1,000 Hours of Service (referred to as a "year of eligibility service"). The 12-month period between the date the Employee first completes one Hour of Service and the first anniversary thereof shall be used initially to determine his eligibility to participate in the Plan; thereafter, his eligibility to participate in the Plan shall be determined by reference to whether he completes 1,000 or more Hours of Service in any Plan Year, beginning with the first Plan Year commencing after he first completes one Hour of Service shall be credited with two years of eligibility service for purposes of this section.

(b) Termination of Participation: An Active Participant shall continue to participate actively in the Plan until he revokes his enrollment or his enrollment ends as a result of his Termination of Employment or transfer to a position that is ineligible for participation. When active participation ceases, an individual with a balance in his Plan Account shall continue as an Inactive Participant until his Account has been distributed.

(c) Recommencement of Active Participation: Subject to Section 3.3, any individual whose active participation has terminated pursuant to subsection (b) may return to active participation by reinstating his enrollment (following his return to service as an eligible Employee, if applicable).

3.3 Break in Service: This section shall apply in the case of an Employee described in Section 3.1(b) who has a break in service, as defined below. In determining such Employee's post-break participation in the Plan, the Employee's pre-break years of eligibility service following his rehire (determined under Section 3.2 as if his employment first commenced on his date of rehire). For purposes hereof, a "break in service" shall mean a 12-consecutive-month computation period during which an Employee is credited with 500 or less Hours of Service. The applicable computation period for determining breaks in service shall be the 12-month period beginning on the Employee's date of employment and Plan Years commencing after such date of employement.

SCHEDULE 3
PEPSICO
LONG TERM SAVINGS PROGRAM
Designated Employers for Restaurant Employees
(As of 1/1/94)

Part I:

Pizza Hut, Inc.(and its domestic locations and subsidiaries except for locations formerly owned by the Herb Blankenship Franchise; Middleton Enterprises, Inc. and its subsidiaries; and Employees who work for Pizza Hut of Cincinnati)
Kentucky Fried Chicken Corporation (and its domestic locations and subsidiairies except for locations formerly owned by theFitzpatrick Franchise)
KFC Corporation
KFC Enterprises, Inc.
KFC National Management Company
Kentucky Fried Chicken of California, Inc.
Kentucky Fried Chicken of Southern California, Inc.
Kentucky Fried Chicken Corporate Holdings, Ltd.
NKFC, Inc.
QSR, Inc.
Taco Bell Corp. (and its domestic subsidiaries)
Taco Bell Enterprises, Inc.
Calny, Inc.
Taco Bell of California, Inc.
Taco Del Sur, Inc.
Tenga Taco, Inc.
PepsiCo, Inc. (only with respect to those Employees of PepsiCo, Inc. who are (i) providing services in Illinois to another Employer and (ii) working under the supervision of such other Employer)

Part 2:

PepsiCo Food Systems, a division of PepsiCo, Inc.

ARTICLE C
Pizza Hut Hourly Employees

The terms of this Article apply to any Employee who is employed on an hourly basis by Pizza Hut, Inc. or its domestic restaurant locations and restaurant locations and restaurant subsidiaries (collectively referred to as "Pizza Hut"). Such Employees are designated as eligible under this Plan only to the extent applicable pursuant to this Article C.

EXHIBIT 11

(Page 1 of 2)

PEPSICO, INC. AND SUBSIDIARIES
Computation of Net Income Per Share of Capital Stock - Primary
Years Ended December 30, 1995, December 31, 1994 and December 25, 1993
(in millions except per share amounts)

	1995 (52 weeks)	1994 (53 weeks)	1993 (52 weeks)
Shares outstanding at beginning of year..........................	790	799	799
Weighted average of shares issued during the year for exercise of stock options, acquisitions, conversion of debentures and payment of compensation awards....	5	3	5
Shares repurchased (weighted).......	(7)	(8)	(8)
Dilutive shares contingently issuable upon exercise of stock options, conversion of debentures and payment of compensation awards, net of shares assumed to have been purchased for treasury (at the average price) with assumed proceeds from exercise of stock options and compensation awards...........................	16	10	14
Total shares - primary.............	804	804	810
Income before cumulative effect of accounting changes.................	$ 1,606	$1,784	$1,588
Cumulative effect of accounting changes:			
Postemployment benefits.........	-	(55)	-
Pension assets..................	-	23	-
Net income as adjusted.............	$ 1,606	$1,752	$1,588
Income (charge) per share:			
Before cumulative effect of accounting changes................	$ 2.00	$ 2.22	$ 1.96
Cumulative effect of accounting changes:			
Postemployment benefits........		(0.07)	-
Pension assets.................		0.03	-
Net income per share - primary......	$ 2.00	$ 2.18	$ 1.96

EXHIBIT 11
(Page 2 of 2)

PEPSICO, INC. AND SUBSIDIARIES
Computation of Net Income Per Share of Capital Stock - Fully Diluted
Years Ended December 30, 1995, December 31, 1994 and December 25, 1993
(in millions except per share amounts)

	1995 (52 weeks)	1994 (53 weeks)	1993 (52 weeks)
Shares outstanding at beginning of year..........................	790	799	799
Shares issued during the year for exercise of stock options, acquisitions, conversion of debentures and payment of compensation awards....	11	6	12
Shares repurchased (weighted).......	(7)	(8)	(8)
Dilutive shares contingently issuable upon exercise of stock options, conversion of debentures and payment			

of compensation awards, net of shares assumed to have been purchased for treasury (at the higher of average or quarter-end price) with assumed proceeds from exercise of stock options and compensation awards...	15	9	14
Total shares - fully diluted........	809	806	817
Income before cumulative effect of accounting changes.................	$ 1,606	$ 1,784	$ 1,588
Cumulative effect accounting changes:			
Postemployment benefits.........	-	(55)	-
Pension assets..................	-	23	-
Net income as adjusted..............	$ 1,606	$ 1,752	$ 1,588
Income (charge) per share:			
Before cumulative effect of accounting changes................	$ 1.99	$ 2.21	$ 1.94
Cumulative effect of accounting changes:			
Postemployment benefits........	-	(0.07)	-
Pension assets.................	-	0.03	-
Net income per share - fully diluted......................	$ 1.99	$ 2.17	$ 1.94

EXHIBIT 12

PEPSICO, INC. AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

Years Ended December 30, 1995, December 31, 1994, December 25, 1993, December 26, 1992 and December 28, 1991
(in millions except ratio amounts)

	52 Weeks	53 Weeks	52 Weeks		
	1995	1994	1993	1992	1991(a)
Earnings:					
Income from continuing operations before income taxes and cumulative effect of accounting changes	$2,432	$2,664	$2,423	$1,899	$1,660
Joint ventures and minority interests, net (b).......	11	(19)	(6)	(1)	(6)
Amortization of capitalized interest.....	6	5	5	5	5
Interest expense	682	645	573	586	614
Interest portion of net rent expense (c).........	156	150	134	122	103
Earnings available for fixed charges............	$3,287	$3,445	$3,129	$2,611	$2,376
Fixed Charges:					
Interest expense	$ 682	$ 645	$ 573	$ 586	$ 614
Capitalized interest......	10	5	7	7	10
Interest portion of net rent expense (c).........	156	150	134	122	103
Total fixed charges....	$ 848	$ 800	$ 714	$ 715	$ 727
Ratio of Earnings to Fixed Charges.........	3.88	4.31	4.38	3.65	3.27

(a) To improve comparability, the 1991 amounts have been restated to report, under the equity method of accounting, the results of previously consolidated snack food businesses in Spain, Portugal and Greece, which were contributed to the new Snack Ventures Europe joint venture with General Mills, Inc. in late 1992.

(b) Prior year amounts have been restated to adjust for the effects of joint ventures and minority interests. The inclusion of these items did not have a material impact on the previously reported ratio of earnings to fixed charges.

(c) One-third of net rent expense is the portion deemed representative of the interest factor.

EXHIBIT 21

ACTIVE SUBSIDIARIES OF PEPSICO, INC.

DECEMBER 30, 1995

Subsidiary	State or Country of Incorporation
A & M Food Services, Inc.	Nevada
El KrAm, Inc	Iowa
Pizza Huts of the Northwest, Inc	Minnesota
Ainwick Corporation	Oregon
Anderson Hill Insurance Limited	Bermuda
Atlantic Soft Drink Company, Inc.	South Carolina
Atlantic Soft Drink Company of Knoxville	Tennessee
Beaman Bottling Company	Tennessee
Beverages, Foods & Service Industries, Inc	Delaware
Chevys, Inc	California
Chevys, Inc	Delaware
Chevys Inc., Las Vegas	Nevada
CPK Acquisition Corp	California
California Pizza Kitchen, Inc	California
California Pizza Kitchen of Delaware, Inc	Delaware
California Pizza Kitchen of Illinois	Illinois
California Pizza Kitchen of Scottsdale, Inc	Arizona
California Pizza Kitchen of Tyson's Corner	Virginia
Davlyn Realty Corporation	Delaware
Equity Beverage, Inc.	Delaware
FLRC, Inc	California
Hostess-FL NRO Ltd.	Canada
Hot 'n Now, Inc.	Michigan
Burger One Inc	Michigan
HNN, Inc	Delaware
Japan Frito-Lay Ltd	Japan
Kentucky Fried Chicken of California, Inc.	Delaware
Kentucky Fried Chicken of Southern California, Inc.	California
KFC West, Inc	Delaware
National Beverages, Inc.	Florida
North Pacific Territories Holding Company	Washington
Alpac Corporation	Washington
Gamble, Inc	Oregon
MBA Western Co	Delaware
Western Bottling Company, Inc	Washington
Mann Bottling Company, Inc	Idaho
Pepsi Cola Bottling Company of Everett, Inc	Washington
Pepsi-Cola Bottling Company of Alaska, Inc	Alaska
PepsiCo Capital Corporation N.V.	Neth. Antilles
Kentucky Fried Chicken Corporate Holdings, Ltd.	Delaware
Kentucky Fried Chicken International Holdings, Inc.	Delaware
PepsiCo Eurasia Limited	Delaware
Seven-Up Nederland B.V.	Netherlands
PepsiCo Investments (Europe) I B.V	Netherlands
Pepsi-Cola International (PVT) Limited	Pakistan
PepsiCo IVI S.A.	Greece
Pepsi-Cola Belgium S.A	Belgium
Pepsi-Cola Mamulleri Limited Sirketi	Turkey
Pizza Gida Isletmeleri.A.S	Turkey
Pizza Hut Korea Co., Ltd	Korea
Uzay Gida Sanayive Picaret A.S	Turkey
KFC Canada (NRO) Ltd	Canada
Pamimex (Mauritius)	Mauritius
PepsiCo (India) Holdings	India
PepsiCo Finance (Antilles A) N.V.	Neth. Antilles
Pepsi-Cola Canada (NRO) Ltd.	Canada
Pepsi-Cola Canada, Ltd.	Canada
KFCC/PepsiCo Holdings Ltd	Canada
PepsiCo Finance (Antilles B) N.V.	Neth. Antilles
Pepsi-Cola France SNC	France
Pepsi-Cola G.m.b.H	Germany
Florida Boy Int'l. Fruchtsaftgetraenke G.m.b.H.	Germany
PepsiCo Restaurants International Ltd. & Co. K.G	Germany
Pepsi-Cola Argentina, S.A.C.I	Argentina
Inversiones PFI Chile Limitada	Chile
Evercrisp Snack Products de Chile S.A	Chile

Pepsi-Cola CR SPOL SRO	Czech Republic
Pepsi Snacks Argentina S.A.	Argentina
PepsiCo Captive Holdings, Inc	Delaware
Hillbrook Insurance Company, Inc	Vermont
Mexico Trust Company	Mexico
PepsiCo China, Ltd.	China
PepsiCo Holdings Ltd	England
Kentucky Fried Chicken (Great Britain) Limited	England
PepsiCo International Ltd	England
PepsiCo Property Management Limited	England
PepsiCo World Trading Company (UK) Ltd.	England
Pizza Hut International (UK) Ltd	England
Smiths Crisps Limited	England
Walkers Snack Foods Limited	England
Crispflow Limited	England
Frito-Lay Holdings Limited	England
PFI Agriculture Europe Ltd	England
PepsiCo Investment (China) Ltd	China
PepsiCo Overseas Corp.	Delaware
PepsiCo Overseas Finance N.V.	Neth. Antilles
PepsiCo Services Corp	Delaware
PepsiCo World Trading Company, Inc.	Delaware
Pepsi-Cola (Bermuda) Limited	Bermuda
Pepsi-Cola Manufacturing Company of Uruguay S.A.	Uruguay
The Concentrate Manufacturing Company of Ireland	Ireland
Seven-Up (Ireland) Limited	Ireland
Pepsi-Cola Manufacturing (Ireland)	Ireland
PARCO N.V	Neth. Antilles
Paine Corporation N.V.	Neth. Antilles
Paige N.V	Neth. Antilles
PepsiCo Finance (U.K.) Limited	England
Pepsi-Cola Kft. Hungary	Hungary
Pizza Belgium S.A.	Belgium
E Wedel S.A.	Poland
PepsiCo (Ireland) Limited	Ireland
Pepsi-Cola Bottling Company of Los Angeles	California
Channel Island Beverage Co., Inc	California
Pepsi-Cola Commodities, Inc.	Delaware
Pepsi-Cola de Espana, S.A.	Spain
Compania de Bebides PepsiCo, S.A.	Spain
Kas S.A.	Spain
Snack Ventures Europe S.C.A.	Spain
Pepsi-Cola France S.R.L	France
Pepsi-Cola Equipment Corp.	New York
Pepsi-Cola Far East Trade Development Co., Inc.	Philippines
Pepsi-Cola Gesellschaft m.b.H.	Austria
Pepsi-Cola Interamericana de Guatemala S.A.	Guatemala
Pepsi-Cola International Limited	Bermuda
Pepsi-Cola International Limited (U.S.A.)	Delaware
Pepsi-Cola Metropolitan Bottling Company, Inc.	New Jersey
General Cinema Beverages, Inc.	Delaware
Laurel Group Limited	Pennsylvania
New Century Beverage Company	California
Belfast Bottling Co. of Reno	Nevada
PepsiCo Puerto Rico, Inc	Delaware
PRS, Inc	Delaware
PEI N.V	Neth. Antilles
PepsiCo do Brazil Holdings Ltda	Brazil
Capital Services Associates	Neth. Antilles
Pepsi-Cola Alton Bottling, Inc	Illinois
Pepsi-Cola Mediterranean, Ltd.	Wyoming
Seven-Up International, Inc	Delaware
Seven-Up Southern Hemisphere, Inc.	Missouri
Pepsi-Cola Mexicana S.A. de C.V.	Mexico
Pepsi-Cola Panamericana, S.A.	Delaware
Pepsi-Cola Panamericana, S.A.	Venezuela
Pepsi-Cola Personnel, Inc	Delaware
Pepsi Cola San Joaquin Bottling Company	Delaware
Pepsi-Cola (Thai) Trading Co., Ltd	Thailand
Pizza Hut, Inc.	Delaware
PepsiCo Australia Pty., Ltd.	Australia
Frito-Lay Australia	Australia
Kentucky Fried Chicken Pty. Ltd	Australia
Pizza Hut of America, Inc.	Delaware
Bell Taco Funding Syndicate	Australia
PGCC, Inc	Delaware
Pepsi-Cola Bottling Company of Ohio, Inc	Delaware
Pizza Management, Inc	Texas
Pizza Management de Espana, S.A.	Spain
Restaurant Associates, S.A.	Spain
Recot, Inc	Delaware

Frito-Lay, Inc.	Delaware
FL Holding, Inc.	Delaware
Opco Holding Inc.	Delaware
Pepsi-Cola Operating Company of Chesapeake and Indianapolis	Delaware
Frito-Lay JV, Inc.	Delaware
Midland Bottling Co.	Delaware
EIEIO Beverage Company	Delaware
Pepsi-Cola Bottling Company of St. Louis, Inc.	Missouri
Edmund Industrial Redevelopment Corporation	Missouri
MBA Brainerd Co.	Delaware
MBA Dodge City Co.	Delaware
MBA Elko Co.	Delaware
MBA Grand Island Co.	Delaware
MBA Grand Rapids Co.	Delaware
MBA Jackson Co.	Delaware
MBA Lyons Co.	Delaware
MBA Mesa Co.	Delaware
MBA Omaha Co.	Delaware
MBA Recyclers Co.	Delaware
Contract Recyclers, Inc.	Minnesota
MBA St. Paul Co.	Delaware
MBA Tulsa Beverage Co.	Delaware
Beverage Products Corporation	Oklahoma
Contract Beverages, Inc.	Minnesota
MBA Wichita Co.	Delaware
Wetter Beverage Company	Delaware
NKFC, Inc.	Delaware
QSR, Inc.	Delaware
KFC Enterprises, Inc.	Delaware
Kentucky Fried Chicken Corporation	Delaware
KFC Corporation	Delaware
KFC National Management Company	Delaware
Smartfoods, Inc.	Delaware
TGCC, Inc.	Delaware
General Cinema Beverages of North Florida, Inc.	Delaware
General Cinema Beverages of Virginia, Inc.	Delaware
General Cinema Beverages of Washington, D.C., Inc.	Delaware
Redux Realty, Inc.	Delaware
Rice Bottling Enterprises, Inc.	Tennessee
Rio Grande Snack Company	Delaware
Sabritas, S.A. de C.V.	Mexico
Corporativo International S.A. de C.V.	Mexico
PepsiCo Worldwide Holdings	Neth. Antilles
Empresas Gamesa, S.A. de C.V.	Mexico
Groupo Gamesa, S.A. de C.V.	Mexico
Shelbyville Bottling Company, Inc.	Tennessee
Taco Bell Corp.	California
Calny, Inc.	Delaware
Taco Bell of California, Inc.	California
Taco Bell Royalty Company	California
Taco Caliente, Inc.	Arizona
Taco Del Sur, Inc.	Georgia
Tenga Taco, Inc.	Florida
Taco Enterprises, Inc.	Michigan
TBLD Corp.	California
TFL Holdings, Inc.	Delaware
Upper Midwest Pizza Hut, Inc.	Delaware
Von Karman Leasing Corp.	Delaware
Wilson International Sales Corporation	Delaware

Omitted from the above list are approximately 350 insignificant or inactive subsidiaries which, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary. The list also excludes approximately 100 subsidiaries of Pizza Hut, Inc., of which 80 operate restaurants in the U.S., and approximately 40 subsidiaries of Kentucky Fried Chicken Corporation and Kentucky Fried Chicken Corporate Holdings, Ltd., which operate restaurants outside of the U.S.

EXHIBIT 23

Report and Consent of Independent Auditors

The Board of Directors
PepsiCo, Inc.

The audits referred to in our report dated February 6, 1996 included the related financial statement schedule as of December 30, 1995 and December 31, 1994, and for each of the years in the three-year period ended December 30, 1995 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 and in the related Prospectuses.

Description	Registration Statement Number
Form S-3	
Pizza Hut Cincinnati, Inc. and Tri-L Pizza Huts, Inc. acquisitions	33-37271
PepsiCo SharePower Stock Option Plan for Employees of Monsieur Henri Wines, Ltd.	33-35601, 33-42122, 33-56666 & 33-66146
PepsiCo SharePower Stock Option Plan for Opco Employees	33-30658 & 33-38014
PepsiCo SharePower Stock Option Plan for PCDC Employees	33-42121
PepsiCo SharePower Stock Option Plan for Employees of Chevys, Inc.	33-66144
PepsiCo SharePower Stock Option Plan for Employees of Southern Tier Pizza Hut, Inc. and STPH Delco, Inc.	33-66148
Pepsi-Cola Bottling Company Annapolis acquisition	33-30372
$500,000,000 Euro-Medium-Term Notes	33-8677
$2,500,000,000 Debt Securities and Warrants	33-39283
Semoran Management Corporation acquisition	33-47527
$32,500,000 Puerto Rico Industrial, Medical and Environmental Pollution Control Facilities Financing Authority Adjustable Rate Industrial Revenue Bonds	33-53232
$3,322,000,000 Debt Securities and Warrants	33-57181
$2,500,000,000 Debt Securities and Warrants	33-51389
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-4	
Erin Investment Corp. acquisition	33-31844
A&M Food Services, Inc. acquisition	33-4635
Pizza Hut Titusville, Inc. acquisition	33-21607
Domestic Kentucky Fried Chicken operations of Collins Foods International, Inc. acquisition	33-37978
Pizza Management, Inc. acquisition	33-47314
Form S-8	
PepsiCo SharePower Stock Option Plan	33-35602, 33-29037, 33-42058, 33-51496, 33-54731 & 33-66150
PepsiCo SharePower Stock Option Plan for Opco Employees	33-43189
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
1979 Incentive Plan	2-65410
PepsiCo, Inc. Long Term Savings Program	2-82645, 33-51514 & 33-60965
Long Term Savings Programs of Taco Bell Corp., Pizza Hut, Inc.	

and Kentucky Fried Chicken Corporation, respectively	2-93163, 2-99532 & 33-10488
Restaurant Deferred Compensation Plan	333-01377

New York, New York KPMG PEAT MARWICK LLP
March 26, 1996

EXHIBIT 24

POWER OF ATTORNEY

PepsiCo, Inc. ("PepsiCo") and each of the undersigned, an officer or director, or both, of PepsiCo, do hereby appoint Edward V. Lahey, 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. 33-8677, 33-39283, 33-53232 and 33-64342 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 and 33-66150 relating to the offer and sale of shares of PepsiCo Capital Stock under the PepsiCo SharePower Stock Option Plan; Registration Statements No. 33-38014, 33-30658 and 33-43189 relating to the extension of the PepsiCo SharePower Stock Option Plan to employees of Pepsi-Cola Operating Company of Chesapeake and Indianapolis; Registration Statements No. 33-35601, 33-42122, 33-56666 and 33-66146 relating to the extension of the PepsiCo SharePower Stock Option Plan to employees of Monsieur Henri; Registration Statement No. 33-42121 relating to the extension of the PepsiCo SharePower Stock Option Plan to employees of Pepsi-Cola of Washington D.C., L.P.; Registration Statement No. 33-66144 relating to the extension of the PepsiCo SharePower Stock Option Plan to employees of Chevys, Inc.; Registration No. 33-66148 relating to the extension of the PepsiCo SharePower Stock Option Plan to employees of Southern Tier Pizza Hut, Inc.; Registration Statement No. 33-50685 relating to the 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., 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, 2-99532, 2-93163, 33-10488, 33-51514 and 33-60965 covering the offer and sale of shares of PepsiCo Capital Stock under the Long Term Savings Programs of PepsiCo, Pizza Hut, Inc., Taco Bell Corp. and Kentucky Fried Chicken Corporation, 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 Statement No. 33-61731 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; and

(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 February 22, 1996.

PepsiCo, Inc.

By:/s/ EDWARD V. LAHEY, JR.

Edward V. Lahey, Jr.
Senior Vice President, General
Counsel and Secretary

/s/ D. WAYNE CALLOWAY - ----------------------- D. Wayne Calloway Chairman of the Board, Chief Executive Officer and Director	/s/ ROBERT G. DETTMER ---------------------------- Robert G. Dettmer Executive Vice President and Chief Financial Officer
/s/ ROBERT L. CARLETON - ----------------------- Robert L. Carleton Senior Vice President and Controller(Chief Accounting Officer)	/s/ ROGER A. ENRICO ------------------------- Roger A. Enrico Vice Chairman of the Board, Chairman and Chief Executive Officer, PepsiCo Worldwide Restaurants and Director
/s/ JOHN F. AKERS - ----------------------- John F. Akers Director	/s/ ROBERT E. ALLEN --------------------------- Robert E. Allen Director
/s/ JOHN J. MURPHY - ------------------------ John J. Murphy Director	/s/ ANDRALL E. PEARSON --------------------------- Andrall E. Pearson Director
/s/ SHARON PERCY ROCKEFELLER - ---------------------------- Sharon Percy Rockefeller Director	/s/ ROGER B. SMITH --------------------------- Roger B. Smith Director
/s/ ROBERT H. STEWART, III - -------------------------- Robert H. Stewart, III Director	/s/ FRANKLIN A. THOMAS --------------------------- Franklin A. Thomas Director
/s/ P.ROY VAGELOS - ------------------------- P. Roy Vagelos Director	/s/ ARNOLD R. WEBER --------------------------- Arnold R. Weber 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 30, 1995 AND IS QUALIFIED IN ITS
ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
0000077476
PepsiCo, Inc.
1,000,000

Dec-30-1995
Dec-30-1995
Year
382
1,116
2,557
150
1,051
5,546
16,751
6,881
25,432
5,230
8,509
0
0
14
7,299
25,432
30,421
30,421
14,886
14,886
0
49
682
2,432
826
1,606
0
0
0
1,606
2.00
1.99