UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 14, 2003 (24 weeks)

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission file number 1-1183

PEPSICO, INC.
(Exact name of registrant as specified in its charter)

North Carolina **(State or other jurisdiction of Employer incorporate or organization)**	**13-1584302** **(I.R.S. Identification No.)**
700 Anderson Hill Road, Purchase, New York **(Address of principal executive offices)**	**10577** **(Zip Code)**

914-253-2000
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report.)

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 ☒ NO ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in rule 12b-2 of the Exchange Act.) YES ☒ NO ☐

Number of shares of Common Stock outstanding as of July 18, 2003: 1,725,606,958

PEPSICO, INC. AND SUBSIDIARIES

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PART I—FINANCIAL INFORMATION

ITEM 1. Financial Statements

PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF INCOME
(in millions except per share amounts, unaudited)

	12 Weeks Ended		24 Weeks Ended	
	6/14/03	6/15/02	**6/14/03**	6/15/02
Net Revenue	**$ 6,538**	$ 6,119	**$ 12,068**	$ 11,430
Cost of sales	**2,992**	2,776	**5,526**	5,206
Selling, general and administrative expenses	**2,119**	2,018	**3,938**	3,834
Amortization of intangible assets	**35**	34	**65**	62
Merger-related costs	**11**	65	**22**	101
Operating Profit	**1,381**	1,226	**2,517**	2,227
Bottling equity income	**95**	94	**110**	121
Interest expense	**(37)**	(43)	**(74)**	(74)
Interest income	**15**	5	**22**	17
Income Before Income Taxes	**1,454**	1,282	**2,575**	2,291
Provision for Income Taxes	**445**	407	**789**	727
Net Income	**$ 1,009**	$ 875	**$ 1,786**	$ 1,564
Net Income Per Common Share				
Basic	**$ 0.59**	$ 0.49	**$ 1.04**	$ 0.89
Diluted	**$ 0.58**	$ 0.48	**$ 1.02**	$ 0.87
Cash Dividends Declared Per Common Share	**$ 0.16**	$ 0.15	**$ 0.31**	$ 0.295

See accompanying Notes to the Condensed Consolidated Financial Statements.

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PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions, unaudited)

	24 Weeks Ended	
	6/14/03	6/15/02
Operating Activities		
Net income	**$ 1,786**	$ 1,564
Adjustments		
Depreciation and amortization	**536**	489
Merger-related costs	**22**	101
Cash payments for merger-related costs	**(67)**	(58)
Bottling equity income, net of dividends	**(90)**	(108)
Deferred income taxes	**(28)**	(5)
Other noncash charges and credits, net	**140**	114
Net change in operating working capital	**(558)**	(105)
Other	**(42)**	3
Net Cash Provided by Operating Activities	**1,699**	1,995
Investing Activities		
Capital spending	**(578)**	(506)
Sales of property, plant and equipment	**12**	44
Acquisitions and investments in noncontrolled affiliates	**(16)**	(78)
Divestitures	**46**	7
Short-term investments, by original maturity		
More than three months—purchases	**(768)**	(488)
More than three months—maturities	**2**	62
Three months or less, net	**13**	9
Snack Ventures Europe consolidation	**—**	39
Net Cash Used for Investing Activities	**(1,289)**	(911)
Financing Activities		
Proceeds from issuances of long-term debt	**5**	25
Payments of long-term debt	**(539)**	(123)
Short-term borrowings, by original maturity		
More than three months—proceeds	**57**	270
More than three months—payments	**(26)**	(207)
Three months or less, net	**7**	36
Cash dividends paid	**(518)**	(512)
Share repurchases—common	**(468)**	—
Share repurchases—preferred	**(7)**	(22)
Proceeds from exercises of stock options	**254**	342
Net Cash Used for Financing Activities	**(1,235)**	(191)
Effect of Exchange Rate Changes	**25**	4
Net (Decrease)/Increase in Cash and Cash Equivalents	**(800)**	897
Cash and Cash Equivalents—Beginning of year	**1,638**	683
Cash and Cash Equivalents—End of quarter	**$ 838**	$ 1,580

See accompanying Notes to the Condensed Consolidated Financial Statements.

PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET
(in millions)

	(Unaudited) **6/14/03**	12/28/02
Assets		
Current Assets		
Cash and cash equivalents	**$ 838**	$ 1,638
Short-term investments, at cost	**971**	207
	1,809	1,845
Accounts and notes receivable, less allowance: 6/03 – $112, 12/02 – $116	**3,084**	2,531
Inventories		
Raw materials	**602**	525
Work-in-process	**288**	214
Finished goods	**750**	603
	1,640	1,342
Prepaid expenses and other current assets	**701**	695
Total Current Assets	**7,234**	6,413
Property, Plant and Equipment	**14,142**	13,395
Accumulated Depreciation	**(6,496)**	(6,005)
	7,646	7,390
Amortizable Intangibles, net	**781**	801
Goodwill	**3,701**	3,631
Other Nonamortizable Intangibles	**826**	787
	4,527	4,418
Investments in Unconsolidated Affiliates	**2,745**	2,611
Other Assets	**1,813**	1,841
Total Assets	**$ 24,746**	$ 23,474

Continued on next page.

PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET (continued)
(in millions except per share amounts)

	(Unaudited) 6/14/03	12/28/02
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term borrowings	**$ 262**	$ 562
Accounts payable and other current liabilities	**4,870**	4,998
Income taxes payable	**907**	492
Total Current Liabilities	**6,039**	6,052
Long-term Debt	**2,049**	2,187
Other Liabilities	**4,347**	4,226
Deferred Income Taxes	**1,688**	1,718
Preferred Stock, no par value	**41**	41
Repurchased Preferred Stock	**(55)**	(48)
Common Shareholders' Equity		
Common stock, par value 1 2/3 cents per share:		
Authorized 3,600 shares, issued 6/03 and 12/02—1,782 shares	**30**	30
Retained earnings	**14,565**	13,464
Accumulated other comprehensive loss	**(1,426)**	(1,672)
	13,169	11,822
Less: Repurchased shares, at cost:		
6/03 and 12/02—60 shares	**(2,532)**	(2,524)
Total Common Shareholders' Equity	**10,637**	9,298
Total Liabilities and Shareholders' Equity	**$ 24,746**	$ 23,474

See accompanying Notes to the Condensed Consolidated Financial Statements.

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PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME
(in millions, unaudited)

	12 Weeks Ended		24 Weeks Ended	
	6/14/03	6/15/02	**6/14/03**	6/15/02
Net Income	**$ 1,009**	$ 875	**$ 1,786**	$ 1,564
Other Comprehensive Loss				
Currency translation adjustment, net of tax	**336**	46	**262**	(100)
Cash flow hedges, net of related taxes:				
Net derivative (losses)/gains	**(13)**	8	**(11)**	15
Reclassification of (losses)/gains to net income	**(3)**	1	**(6)**	7
Other	**1**	(1)	**1**	(2)
	321	54	**246**	(80)
Comprehensive Income	**$ 1,330**	$ 929	**$ 2,032**	$ 1,484

See accompanying Notes to the Condensed Consolidated Financial Statements.

PEPSICO, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation and Our Divisions

Basis of Presentation

Our Condensed Consolidated Balance Sheet at June 14, 2003 and the Condensed Consolidated Statements of Income and Comprehensive Income for the 12 and 24 weeks ended June 14, 2003 and June 15, 2002 and the Condensed Consolidated Statement of Cash Flows for the 24 weeks ended June 14, 2003 and June 15, 2002 have not been audited. These statements have been prepared on a basis that is substantially consistent with the accounting principles applied in our Annual Report on Form 10-K for the year ended December 28, 2002. In our opinion, these financial statements include all normal and recurring adjustments necessary for a fair presentation. The results for the 12 and 24 weeks are not necessarily indicative of the results expected for the year.

Our significant interim accounting policies include the recognition of sales incentives during the year incurred, generally in proportion to sales, and the recognition of income taxes using an effective tax rate. For additional unaudited information on these policies, see *Our Critical Accounting Policies* in Management's Discussion and Analysis.

As of the beginning of 2003, The Quaker Oats Company (Quaker) businesses in the United States (Gatorade and Quaker snacks and foods) changed their reporting calendar from months to fiscal periods to conform to PepsiCo's calendar. As a result of this change, prior year quarterly results have been adjusted. This change did not impact full year results.

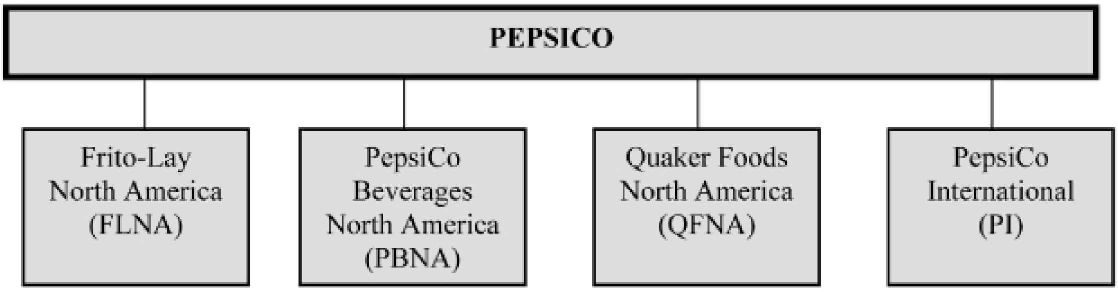
The Financial Accounting Standards Board issued Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities*. This interpretation requires consolidation of existing noncontrolled affiliates if the affiliate is unable to finance its operations without investor support, or where the other investors do not have exposure to the significant risks and rewards of ownership. We do not expect our significant noncontrolled affiliates to require consolidation under FIN 46.

The Emerging Issues Task Force (EITF) issued EITF 01-8, *Determining Whether an Arrangement Contains a Lease*. We are currently evaluating the impact of this consensus on certain of our raw material and copacking arrangements.

The following information is unaudited. Tabular dollars are in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless noted and are based on unrounded amounts. This report should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 28, 2002.

Our Divisions

Division results are based on how our Chief Executive Officer manages our businesses. Beginning in 2003, we combined our North American beverage businesses as PepsiCo Beverages North America and our international snack, food and beverage businesses as PepsiCo International to reflect operating management changes. Prior year results are presented to reflect this change.



	12 Weeks Ended		24 Weeks Ended	
	6/14/03	6/15/02	**6/14/03**	6/15/02
NET REVENUE				
Frito-Lay North America	**$ 2,149**	$ 2,026	**$ 4,177**	$ 3,952
PepsiCo Beverages North America	**1,962**	1,827	**3,507**	3,313
Quaker Foods North America	**309**	306	**680**	663
PepsiCo International	**2,118**	1,924	**3,702**	3,432
Division Net Revenue	**6,538**	6,083	**12,066**	11,360
Divested businesses (a)	**—**	36	**2**	70
	$ 6,538	$ 6,119	**$ 12,068**	$ 11,430
OPERATING PROFIT				
Frito-Lay North America	**$ 558**	$ 526	**$ 1,064**	$ 1,005
PepsiCo Beverages North America	**494**	448	**837**	774
Quaker Foods North America	**96**	97	**219**	211
PepsiCo International	**328**	288	**553**	490
Division Operating Profit	**1,476**	1,359	**2,673**	2,480
Divested businesses (a)	**—**	9	**26**	9
Corporate unallocated	**(84)**	(77)	**(160)**	(161)
Merger-related costs	**(11)**	(65)	**(22)**	(101)
	$ 1,381	$ 1,226	**$ 2,517**	$ 2,227

	6/14/03	12/28/02
TOTAL ASSETS		
Frito-Lay North America	**$ 5,243**	$ 5,099
PepsiCo Beverages North America	**6,077**	5,691
Quaker Foods North America	**904**	983
PepsiCo International	**7,962**	7,275
Division Assets	**20,186**	19,048
Divested businesses (a)	**—**	18
Corporate	**2,092**	2,072
Bottling investments	**2,468**	2,336
	$ 24,746	$ 23,474

(a) Includes Quaker Foods North America's Mission pasta and bagged cereal businesses and PepsiCo International's Colombia and Venezuela foods businesses. Operating profit for the 24 weeks ended June 14, 2003 includes the $25 million gain related to the sale of our Mission pasta business.

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Intangible Assets

	6/14/03	12/28/02
Amortizable intangible assets, net		
Brands	**$ 968**	$ 938
Other identifiable intangibles	**211**	203
	1,179	1,141
Accumulated amortization	**(398)**	(340)
	$ 781	$ 801

The change in the book value of nonamortizable intangible assets is as follows:

	Balance 12/28/02	Acquisitions	Translation & other	Balance 6/14/03
Frito-Lay North America				
Goodwill	$ 109	—	17	**$ 126**
PepsiCo Beverages North America				
Goodwill	2,149	—	7	**2,156**
Brands	59	—	—	**59**
	2,208	—	7	**2,215**
Quaker Foods North America				
Goodwill [(a)]	187	—	(12)	**175**
PepsiCo International				
Goodwill	1,186	—	58	**1,244**
Brands	720	—	39	**759**
	1,906	—	97	**2,003**
Corporate				
Pension intangible	8	—	—	**8**
Total goodwill	$ 3,631	—	70	**$ 3,701**
Total other nonamortizable intangibles	787	—	39	**826**
	$ 4,418	—	109	**$ 4,527**

(a) Activity reflects the sale of our Mission pasta business.

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Employee Stock Options

We account for employee stock options using the intrinsic value method. We have no current plans to change our accounting. If the fair value method of accounting had been applied, our results would have been:

	12 Weeks Ended		24 Weeks Ended	
	6/14/03	6/15/02	**6/14/03**	6/15/02
Pro forma impact of fair value method				
Reported net income	**$ 1,009**	$ 875	**$ 1,786**	$ 1,564
Less: fair value impact of employee stock compensation	**(86)**	(79)	**(180)**	(173)
Pro forma net income	**$ 923**	$ 796	**$ 1,606**	$ 1,391
Earnings per common share				
Basic—as reported	**$ 0.59**	$ 0.49	**$ 1.04**	$ 0.89
Diluted—as reported	**$ 0.58**	$ 0.48	**$ 1.02**	$ 0.87
Basic—pro forma	**$ 0.54**	$ 0.45	**$ 0.93**	$ 0.79
Diluted—pro forma	**$ 0.53**	$ 0.44	**$ 0.93**	$ 0.77
Weighted average Black-Scholes fair value assumptions				
Risk free interest rate	**3.1%**	4.4%	**3.1%**	4.4%
Expected life	**6 yrs.**	6 yrs.	**6 yrs.**	6 yrs.
Expected volatility	**27%**	27%	**27%**	27%
Expected dividend yield	**1.15%**	1.15%	**1.15%**	1.15%

Merger-Related Costs

We recognized employee-related and information systems integration costs associated with our merger with Quaker of $11 million ($9 million after-tax) for the 12 weeks and $22 million ($19 million after-tax or $0.01 per share) for the 24 weeks ended June 14, 2003. We recognized $65 million ($52 million after-tax or $0.03 per share) for the 12 weeks and $101 million ($82 million after-tax or $0.04 per share) for the 24 weeks ended June 15, 2002.

Analysis of merger-related integration and restructuring reserves which are included in accounts payable and other current liabilities in the Condensed Consolidated Balance Sheet:

	Integration	Employee related	Facility and other exit	Total
Reserves, December 28, 2002	$ 43	$ 48	$ 6	$ 97
2003 costs	**14**	**7**	**1**	**22**
Cash payments	**(46)**	**(20)**	**(1)**	**(67)**
Reclassification to post retirement/employment	**—**	**(2)**	**—**	**(2)**
Other noncash utilization	**2**	**—**	**(2)**	**—**
Reserves, June 14, 2003	**$ 13**	**$ 33**	**$ 4**	**$ 50**

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Net Income Per Common Share

The computations of basic and diluted net income per common share are as follows:

	12 Weeks Ended			
	6/14/03		6/15/02	
	Income	**Shares[(a)]**	Income	Shares[(a)]
Net income	**$ 1,009**		$ 875	
Less: preferred dividends	**1**		1	
Net income available for common shareholders	**$ 1,008**	**1,720**	$ 874	1,769
Basic net income per common share	**$ 0.59**		$ 0.49	
Net income available for common shareholders	**$ 1,008**	**1,720**	$ 874	1,769
Dilutive securities:				
Stock options	**–**	**23**	–	37
ESOP convertible preferred stock	**–**	**3**	1	3
Diluted	**$ 1,008**	**1,746**	$ 875	1,809
Diluted net income per common share	**$ 0.58**		$ 0.48	

	24 Weeks Ended			
	6/14/03		6/15/02	
	Income	**Shares[(a)]**	Income	Shares[(a)]
Net income	**$ 1,786**		$ 1,564	
Less: preferred dividends	**2**		2	
Net income available for common shareholders	**$ 1,784**	**1,720**	$ 1,562	1,765
Basic net income per common share	**$ 1.04**		$ 0.89	
Net income available for common shareholders	**$ 1,784**	**1,720**	$ 1,562	1,765
Dilutive securities:				
Stock options	**–**	**22**	–	36
ESOP convertible preferred stock	**1**	**3**	2	4
Diluted	**$ 1,785**	**1,745**	$ 1,564	1,805
Diluted net income per common share	**$ 1.02**		$ 0.87	

(a) Weighted average common shares outstanding

Supplemental Cash Flow Information

	24 weeks ended	
	6/14/03	6/15/02
Interest paid	**$ 76**	$ 64
Income taxes paid	**$ 324**	$ 336
Acquisitions:		
Fair value of assets acquired	**$ 66**	$ 87
Cash paid and debt assumed	**(16)**	(78)

Liabilities assumed	**$ 50**	$ 9

ITEM 2. Management’s Discussion and Analysis

FINANCIAL REVIEW

Our discussion and analysis is an integral part of understanding our financial results. Also refer to Basis of Presentation and Our Divisions in the Notes to the Condensed Consolidated Financial Statements. Tabular dollars are presented in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless noted, and are based on unrounded amounts. Percentage changes are based on unrounded amounts.

Our Critical Accounting Policies

In addition to the critical accounting policies disclosed in our Annual Report on Form 10-K for the fiscal year ended December 28, 2002, an understanding of our interim sales incentives and effective tax rate policies is necessary to analyze our quarterly financial results. As a result of these policies, estimates are included, and may significantly impact our quarterly results.

Sales Incentives

We offer sales incentives through various programs to our customers and consumers. These incentives are recorded as a reduction of the sales price of our products. Certain promotional allowances are recognized at the time of the sale while other incentives, such as bottler funding and customer volume rebates, are recognized during the year incurred, generally in proportion to revenue, based on anticipated final payment which is estimated from historical experience with similar programs.

Effective Tax Rate

In determining our quarterly provision for income taxes, we use an annual effective tax rate which is based on our expected annual income, statutory rates and tax planning opportunities. Our effective tax rate reflects our best estimate of the ultimate outcome of tax audits. Significant or unusual items, such as the tax benefits from merger-related costs and taxes related to the sales of businesses, are separately recognized in the quarter in which they occur.

Our Business Risks

We discuss expectations regarding our future performance, such as business outlook in our annual and quarterly reports, press releases, and other written and oral statements. These “forward-looking statements” are based on currently available competitive, financial and economic data and our operating plans. They are inherently uncertain, and investors must recognize that events could turn out to be significantly different from our expectations.

Our operations outside of North America generate approximately 30% of our net revenue. As a result, we are exposed to foreign currency risks. During the quarter, declines in the Mexican peso and Brazilian real were substantially offset by increases in the British pound and the euro. For 2003, the unfavorable impact of the Mexican peso is expected to be partially offset by the favorable impact of the British pound and euro, however, continued weakness in the Mexican peso could adversely affect our results.

Cautionary statements regarding our trends and future results were included in Management's Discussion and Analysis in our Annual Report on Form 10-K for the fiscal year ended December 28, 2002. In particular, you should consider the following factors in 2003:

- the success of our product introductions and innovation,
- the weak macroeconomic conditions in Latin America,
- increasing commodity costs, and
- continuing retailer consolidation.

Results of Operations—Consolidated Review

In the discussions of net revenue and operating profit below, volume reflects the year-over-year impact of selling more physical units, absent any year-over-year changes in price or cost. Effective net pricing reflects the year-over-year impact of discrete pricing actions, the impact of sales incentives and mix resulting from selling varying products in different package sizes and in different countries.

Items Affecting Comparability

We incurred costs associated with our merger with Quaker of $11 million ($9 million after-tax) for the 12 weeks and $22 million ($19 million after-tax or $0.01 per share) for the 24 weeks ended June 14, 2003. We recognized $65 million ($52 million after-tax or $0.03 per share) for the 12 weeks and $101 million ($82 million after-tax or $0.04 per share) for the 24 weeks ended June 15, 2002. See *Merger-Related Costs* in the Notes to the Condensed Consolidated Financial Statements.

During the first quarter, we sold our Quaker Foods North America's Mission pasta business. The transaction resulted in a net gain of $25 million ($16 million after-tax and $0.01 per share). This gain has been included in our divested business results for the 24 weeks ended June 14, 2003.

Volume

Since our divisions each use different measures of physical unit volume, a common servings metric is necessary to reflect our consolidated physical unit volume. Total division servings increased 5% for the 12 weeks, with worldwide beverages growing 5% and worldwide snacks growing 4%. For the 24 weeks, total division servings grew 4%, with worldwide beverages and worldwide snacks each growing 4%.

Consolidated Results

Total Net Revenue and Operating Profit

	12 Weeks Ended			24 Weeks Ended		
	6/14/03	6/15/02	Change	**6/14/03**	6/15/02	Change
Net revenue	**$ 6,538**	$ 6,119	7%	**$ 12,068**	$ 11,430	6%
Division operating profit	**$ 1,476**	$ 1,359	9%	**$ 2,673**	$ 2,480	8%
Division operating profit margin	**22.6%**	22.3%	0.3	**22.2%**	21.8%	0.4
Total operating profit	**$ 1,381**	$ 1,226	13%	**$ 2,517**	$ 2,227	13%
Total operating profit margin	**21.1%**	20.0%	1.1	**20.9%**	19.5%	1.4

12 Weeks

Net revenue increased 7% primarily due to volume gains across all divisions and higher effective net pricing, reflecting favorable mix as well as concentrate and fountain pricing, partially offset by increased promotional spending. The volume gains contributed approximately 4 percentage points to the revenue growth.

Division operating profit increased 9% and division operating profit margin increased 0.3 percentage points. Costs of sales increased 9%, ahead of volume growth, reflecting the mix change to higher cost products in North America and increased commodity costs, particularly corn oil and natural gas. Selling, general and administrative expenses increased 5% driven by higher selling and distribution costs reflecting the increased volume and the impact of inflation from U.S. dollar denominated costs in Brazil and Mexico.

Foreign currencies had no significant impact on net revenue or operating profit growth.

24 Weeks

Net revenue increased 6% primarily due to volume gains across all divisions and higher effective net pricing, reflecting favorable mix as well as concentrate and fountain pricing, partially offset by increased promotional spending. The volume gains contributed nearly 4 percentage points to the revenue growth.

Division operating profit increased 8% and operating profit margin increased 0.4 percentage points. Cost of sales increased 7%, ahead of volume growth, reflecting the mix change to higher cost products in North America and increased commodity costs, particularly corn oil and natural gas. Selling, general and administrative expenses increased 4% driven by higher selling and distribution costs reflecting the increased volume and the impact of inflation from U.S. dollar denominated costs in Brazil and Mexico.

Foreign currencies had no significant impact on net revenue or operating profit growth.

Corporate Unallocated

Corporate unallocated includes costs of our corporate headquarters, centrally managed initiatives, unallocated insurance and benefit programs, foreign exchange transaction gains and losses and certain one-time charges.

For the 12 weeks, corporate unallocated expenses increased 9% reflecting higher costs relating to deferred compensation programs and other employee benefits, partially offset by a legal settlement gain. Departmental expenses, which exclude spending behind our Business Process Optimization initiative, were flat.

For the 24 weeks, corporate unallocated costs declined nearly 1% primarily due to higher foundation contributions in the prior year, the legal settlement gain in the current year and favorable transactional foreign exchange comparisons. This favorability was partially offset by increased deferred compensation and other employee benefit costs. Departmental expenses increased 2%.

Merger-related Costs

For the 12 and 24 week period, total operating profit and operating profit margin benefited from the margin impact of lower merger-related costs. For additional information on merger-related costs, see *Merger-related Costs* in the Notes to the Consolidated Financial Statements.

Divested Businesses

See *Items Affecting Comparability* above.

Outlook

For the remainder of 2003, we expect benefit from the previously implemented price increases on our concentrate and fountain products and ready-to-eat cereals. We expect operating margins to continue to improve as a result of ongoing productivity initiatives. Better-for-you products are expected to contribute an increasing percentage of our global portfolio of products, particularly at Frito-Lay North America. We expect commodity costs to continue to negatively impact our operating profit growth. Also, see *Our Business Risks* above.

Other Consolidated Results

	12 Weeks Ended			24 Weeks Ended		
	6/14/03	6/15/02	Change	**6/14/03**	6/15/02	Change
Bottling equity income	**$ 95**	$ 94	2%	**$ 110**	$ 121	(8)%
Interest expense, net	**$ (22)**	$ (38)	42%	**$ (52)**	$ (57)	8%
Tax rate	**30.6%**	31.7%	(1.1)	**30.6%**	31.7%	(1.1)
Net income	**$ 1,009**	$ 875	15%	**$ 1,786**	$ 1,564	14%
Net income per common Share	**$ 0.58**	$ 0.48	19%	**$ 1.02**	$ 0.87	18%

12 Weeks

Bottling equity income increased 2% as favorable comparisons from our international bottling investments were partially offset by soft earnings from our U.S. anchor bottlers.

Interest expense, net of interest income, declined 42% primarily due to a gain of $10 million on our investments used to economically hedge a portion of the change in our deferred compensation liability versus a loss of $8 million in the prior year. The offset to this gain is reflected in corporate unallocated within selling, general and administrative expenses.

The tax rate decreased 1.1 percentage points compared to prior year. The lower tax rate is primarily associated with our new concentrate plant, as well as a reduction in merger-related costs with lower tax benefit which contributed approximately 0.4 percentage point to this decline. The lower benefit from merger-related costs, increased our second quarter 2003 tax rate by 0.1 percentage point.

Net income increased 15% and the related net income per share increased 19%. These increases primarily reflect improved operating results which contributed 8 percentage points to this growth and lower merger-related costs which contributed 5 percentage points. Lower net interest expense and a lower tax rate also contributed to the growth. In addition, net income per common share growth reflects the benefit of a reduction in average shares outstanding primarily as a result of our share buyback program.

24 Weeks

Bottling equity income decreased 8% primarily due to lower earnings from our U.S. anchor bottlers, partially offset by favorable comparisons from our international bottling investments.

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Interest expense, net of interest income, decreased 8% primarily due to a comparative gain of $11 million on our investments used to economically hedge a portion of the change in our deferred compensation liability versus a loss of $8 million in the prior year. The offset to this gain is reflected in corporate unallocated within selling, general and administrative expenses. This gain was partially offset by lower average investment balances.

The tax rate decreased 1.1 percentage points compared to prior year. The lower tax rate is primarily associated with our new concentrate plant, as well as a reduction in merger-related costs with lower tax benefit which contributed approximately 0.4 percentage point to this decline. The lower benefit from merger-related costs increased our year-to-date 2003 tax rate by 0.1 percentage point.

Net income increased 14% and the related net income per share increased 18%. These increases primarily reflect improved operating results which contributed 9 percentage points to this growth, and lower merger-related costs which contributed 4 percentage points. Net income per common share growth also reflects the benefit of a reduction in average shares outstanding primarily as a result of our share buyback program.

Results of Operations—Division Review

The results and discussions below are based on how our Chief Executive Officer monitors the performance of our divisions. Prior year amounts exclude the results of divested businesses. For additional information on our divisions, see *Our Divisions* in the Notes to our Condensed Consolidated Financial Statements.

Frito-Lay North America

	12 Weeks Ended			24 Weeks Ended		
	6/14/03	6/15/02	Change	**6/14/03**	6/15/02	Change
Net revenue	**$ 2,149**	$ 2,026	6%	**$ 4,177**	$ 3,952	6%
Operating profit	**$ 558**	$ 526	6%	**$ 1,064**	$ 1,005	6%

12 Weeks

Pound volume grew almost 4% primarily due to new products, double-digit growth in Cheetos, Munchies snack mix and Quaker Chewy Granola bars, and single-digit growth in Doritos. Quaker Toastables led the new product growth. These gains were partially offset by double-digit declines in Rold Gold, Bistro Lays and Go Snacks due to the overlap with prior year innovation.

Net revenue and operating profit growth of 6% reflects the volume growth and positive net effective pricing. Better-for-you products, with less fat, fewer calories or lower sodium, generated more than 10% of the 2003 net revenue. These higher priced products contributed to the positive net effective pricing which more than offset the higher trade spending on warehouse-distributed product innovation. Increased commodity costs, particularly corn oil and natural gas, and Stax start-up costs reduced operating profit growth by 4 percentage points, more than offsetting cost leverage generated from recent productivity initiatives.

24 Weeks

Pound volume grew 4% primarily due to new products, double-digit growth in Cheetos, Munchies snack mix and branded dips, single-digit growth in Doritos, and double-digit growth in Quaker Chewy Granola bars. Quaker Toastables led the new product growth. These gains were partially offset by double-digit declines in Bistro Lays and 3D Ruffles.

Net revenue and operating profit growth of 6% reflects the volume growth and positive net effective pricing. Better-for-you products generated more than 10% of the 2003 net revenue. These higher priced products contributed to the positive net effective pricing which more than offset higher trade spending on warehouse-distributed product innovation. Increased commodity costs, particularly corn oil and natural gas, and Stax start-up costs reduced operating profit growth by 4 percentage points, more than offsetting the cost leverage generated from recent productivity initiatives.

PepsiCo Beverages North America

	12 Weeks Ended			24 Weeks Ended		
	6/14/03	6/15/02	Change	**6/14/03**	6/15/02	Change
Net revenue	**$ 1,962**	$ 1,827	7%	**$ 3,507**	$ 3,313	6%
Operating profit	**$ 494**	$ 448	10%	**$ 837**	$ 774	8%

12 Weeks

Volume increased over 4% reflecting non-carbonated beverage growth of 8% and carbonated beverage growth of 3%, an improvement from the first quarter. The noncarbonated growth was fueled by double-digit growth in Gatorade. Aquafina also contributed with double-digit growth as did Propel fitness water, which benefited from new flavors launched during the first quarter. The chilled juice portfolio grew slightly, led by Tropicana Pure Premium, but was more than offset by declines in the juice drinks portfolio. The carbonated beverage performance reflects growth from the national launch of Sierra Mist, mid single-digit growth in trademark Mountain Dew, as a result of the summer-only offering of LiveWire, and high single-digit diet carbonated soft drink growth, primarily Diet Pepsi. Continued declines in trademark Pepsi, other than diet, partially offset this carbonated beverage growth.

Net revenue increased 7% and operating profit increased 10% reflecting higher effective net pricing and the increased volume. Higher effective net pricing resulted from a favorable product mix shift due to the Gatorade growth, as well as concentrate and fountain price increases. The price increases contributed nearly 2 percentage points to the net revenue growth and 7 percentage points to operating profit growth. Advertising and marketing costs grew at a slower rate than sales contributing to the operating profit margin improvement.

24 Weeks

Volume increased 2% reflecting non-carbonated beverage growth of 8% and flat carbonated beverage volume. Double-digit growth in both Gatorade and Aquafina fueled the non-carbonated growth. Propel fitness water also contributed to the growth reflecting strong performance from new flavors launched during the first quarter. The carbonated beverage performance was driven by the national launch of Sierra Mist, mid single-digit growth in Diet Pepsi and the summer-only offering of Mountain Dew LiveWire. Declines in trademark Pepsi, excluding diet, and Mountain Dew, excluding LiveWire, offset this carbonated beverage growth.

Net revenue increased 6% and operating profit increased 8% reflecting higher effective net pricing and the increased volume growth. The higher effective net pricing reflects a favorable product mix shift resulting from the Gatorade growth and concentrate and fountain price increases, partially offset by increased promotional spending. The price increases contributed 2 percentage points to the net revenue growth and 8 percentage points to operating profit growth. Advertising and marketing costs grew at a slower rate than sales contributing to the operating profit margin improvement.

Quaker Foods North America

	12 Weeks Ended			24 Weeks Ended		
	6/14/03	6/15/02	Change	**6/14/03**	6/15/02	Change
Net revenue	**$ 309**	$ 306	1 %	**$ 680**	$ 663	3%
Operating profit	**$ 96**	$ 97	(1)%	**$ 219**	$ 211	4%

12 Weeks

Volume increased almost 3% primarily reflecting the national launch of Breakfast Squares and growth in Oatmeal to Go in Canada. Growth in other foods was offset by declines in Rice and Pasta Roni side dishes.

Net revenue increased 1% and operating profit declined 1%. Net revenue growth fell short of volume growth due to lower effective net pricing reflecting increased promotional spending as a result of changes in product and channel mix. Ready-to-eat cereal price increases were offset by unfavorable product and channel mix. Operating profit growth was reduced by higher commodity costs, principally oats and fuel costs, and general and administrative expenses. The increased general and administrative expenses resulted from higher employee-related costs and reduced operating profit growth by nearly 5 percentage points.

24 Weeks

Volume increased 4% driven by the national launch of Breakfast Squares, growth in Oatmeal to Go in Canada and the breakfast bundling event with Tropicana in the first quarter. Declines in Rice and Pasta Roni side dishes partially offset the overall growth.

Net revenue increased 3% and operating profit increased 4% due to the volume growth, partially offset by increased promotional spending. In addition, operating profit benefited from lower advertising costs.

PepsiCo International

	12 Weeks Ended			24 Weeks Ended		
	6/14/03	6/15/02	Change	**6/14/03**	6/15/02	Change
Net revenue	**$ 2,118**	$ 1,924	10%	**$ 3,702**	$ 3,432	8%
Operating profit	**$ 328**	$ 288	14%	**$ 553**	$ 490	13%

12 Weeks

International snacks volume grew 6% primarily due to double-digit sweet growth at Gamesa in Mexico. Salty growth was low single-digit reflecting single-digit growth at Walkers in the United Kingdom led by the acquisition of Wotsits snack brand, and double-digit growth in Turkey, offset by a slight decline at Sabritas in Mexico. International beverages volume grew 6% led by strong double-digit growth in India, Brazil, Thailand and Russia. Volume gains in India were driven by competitive pricing actions. These advances were partially offset by double-digit declines in Germany due to the new one-way bottle deposit requirement introduced in the beginning of 2003.

Growth in net revenue of 10% and operating profit of 14% primarily reflects the volume growth. Higher net effective pricing in Brazil and Mexico was partially offset by the competitive pricing actions in India. The acquisition of the Wotsits snack brand in the United Kingdom contributed 1 percentage point to net revenue growth and nearly 2 percentage points to operating profit growth. These operating profit gains were partially offset by the impact of inflation from U.S. dollar denominated costs in Brazil and Mexico.

Foreign currency was not a factor in net revenue growth as unfavorable Mexican peso and Brazilian real rates substantially offset favorable British pound and euro rates. Net unfavorable foreign currencies, reflecting the unfavorable Mexican peso partially offset by the favorable British pound and euro, reduced operating profit growth by 2 percentage points.

24 Weeks

International snacks volume grew 4% primarily due to double-digit sweet growth at Gamesa in Mexico. Salty growth was low single-digit reflecting single-digit growth at Walkers in the United Kingdom led by the acquisition of Wotsits, offset by a slight decline at Sabritas in Mexico and double-digit declines in Venezuela. International beverages volume grew 6% led by strong double-digit growth in India, Brazil, Russia and Thailand and high single-digit growth in China. Volume gains in India were driven by competitive pricing actions. These advances were partially offset by double-digit declines in Germany due to the new one-way bottle deposit requirement, and in Venezuela due to the national strike.

Growth in net revenue of 8% and operating profit of 13% primarily reflects the volume growth. Higher net effective pricing in Mexico and Brazil was partially offset by the competitive pricing actions in India. The acquisition of the Wotsits snack brand in the United Kingdom contributed 1 percentage point to net revenue growth and nearly 2 percentage points to operating profit growth. These gains were partially offset by the impact of inflation from U.S. dollar denominated costs in Brazil and Mexico.

Net unfavorable foreign currencies, reflecting the unfavorable Mexican peso partially offset by the favorable British pound and euro, reduced net revenue growth by 1 percentage point and operating profit growth by 4 percentage points.

OUR LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Net cash provided by operating activities of $1.7 billion reflects our solid business results offset by an increase in working capital. The working capital increase primarily reflected the seasonal build, the timing of payments, principally related to marketplace spending, and higher than normal accounts payable balances at year-end 2002. These uses of working capital were partially offset by an increase in income taxes payable. Quaker integration and restructuring costs of $67 million were paid during the 24 weeks ended June 14, 2003.

Investing Activities

Net cash used for investing activities of $1.3 billion primarily reflects higher short-term investments of $753 million and capital spending of $578 million. Capital spending was $72 million higher than the same period in 2002 primarily due to the construction of our new concentrate plant and production lines for Stax. We anticipate that future spending on plant, equipment and information technology will continue to support our business growth and ongoing business initiatives at the historical rate of approximately 5.5% to 6% of net revenue or approximately $1.5 billion.

Financing Activities

Net cash used for financing activities of $1.2 billion primarily reflects payments of long-term debt of $539 million, dividend payments of $518 million and common share repurchases of $468 million.

During the quarter, we repurchased 3.3 million shares at a cost of $137 million. From the beginning of the year through July 7, 2003, we repurchased 11.7 million shares at a cost of $486 million. We expect to spend between $1 billion and $1.5 billion to buy back shares during the remainder of 2003.

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Management Operating Cash Flow

Management operating cash flow is the primary measure management uses to monitor cash flow performance. It is not a measure calculated under generally accepted accounting principles in the United States. Since net capital spending is essential to our product innovation initiatives and maintaining our operational capabilities, we believe that it is a recurring and necessary use of cash. As such, we believe investors should also consider net capital spending when evaluating our cash from operating activities. The table below reconciles net cash provided by operating activities as reflected in our Condensed Consolidated Statement of Cash Flows to our management operating cash flow.

	24 Weeks Ended	
	6/14/03	6/15/02
Net cash provided by operating activities	**$ 1,699**	$ 1,995
Capital spending	**(578)**	(506)
Management operating cash flow	**$ 1,121**	$ 1,489

Management operating cash flow for the 24 weeks ended June 14, 2003 was approximately $368 million lower than the same period in 2002. This comparative decrease primarily reflects the timing of payments and the increased capital spending. We anticipate management operating cash flow of approximately $3 billion for the full-year in 2003.

Independent Accountants' Review Report

The Board of Directors
PepsiCo, Inc.

We have reviewed the accompanying Condensed Consolidated Balance Sheet of PepsiCo, Inc. and Subsidiaries as of June 14, 2003 and the related Condensed Consolidated Statements of Income and Comprehensive Income for the twelve and twenty-four weeks ended June 14, 2003 and June 15, 2002 and the Condensed Consolidated Statement of Cash Flows for the twenty-four weeks ended June 14, 2003 and June 15, 2002. These condensed consolidated financial statements are the responsibility of PepsiCo, Inc.'s management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in *Basis of Presentation and Our Divisions* in the Notes to the Condensed Consolidated Financial Statements, PepsiCo, Inc. changed the reporting calendar from months to fiscal periods for certain of its businesses. Prior year quarterly results have been restated for this change.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Consolidated Balance Sheet of PepsiCo, Inc. and Subsidiaries as of December 28, 2002, and the related Consolidated Statements of Income, Common Shareholders' Equity and Cash Flows for the year then ended not presented herein; and in our report dated February 6, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying Condensed Consolidated Balance Sheet as of December 28, 2002, is fairly presented, in all material respects, in relation to the Consolidated Balance Sheet from which it has been derived.

KPMG LLP

New York, New York
July 10, 2003

ITEM 4. Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to the Rule 13a-14 of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in alerting them on a timely basis to material information required to be included in our periodic filings with the SEC.

In addition, there were no significant changes in our internal control over financial reporting or in other factors that have materially affected or are reasonably likely to materially affect these internal controls over financial reporting subsequent to the date of our most recent evaluation.

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PART II OTHER INFORMATION AND SIGNATURES

ITEM 4. Submission of Matters to a Vote of Security Holders

PepsiCo's Annual Meeting of Shareholders was held on May 7, 2003.

Election of Directors

Nominee	For	Withheld
John F. Akers	1,436,683,823	27,186,335
Robert E. Allen	1,435,264,732	28,605,426
Peter Foy	1,437,806,254	26,063,904
Ray L. Hunt	1,437,153,952	26,716,206
Arthur C. Martinez	1,436,155,358	27,714,800
Indra K. Nooyi	1,447,373,337	16,496,821
Franklin D. Raines	1,436,679,458	27,190,700
Steven S Reinemund	1,437,405,255	26,464,903
Sharon Percy Rockefeller	1,437,063,784	26,806,374
James J. Schiro	1,446,237,879	17,632,279
Franklin A. Thomas	1,435,887,599	27,982,559
Cynthia M Trudell	1,437,419,711	26,450,447
Solomon D. Trujillo	1,446,621,765	17,248,393
Daniel Vasella	1,437,952,101	25,918,052

Description of Proposals	Number of Shares		
	For	Against	Abstain
Approval of the appointment of KPMG LLP as independent auditors	1,409,469,969	43,877,079	10,523,110
Approval of 2003 Long-Term Incdentive Incentive Plan	990,155,749	456,214,586	17,499,823
Term Limits for Directors	32,795,842	1,140,070,863	27,858,882
Report on HIV/Aids in Africa	90,451,554	1,017,349,411	92,924,622
Water Use Through Supply Chain	96,791,956	1,008,281,177	95,652,454

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits—See Index to Exhibits on page 29.

(b) Reports on Form 8-K

1. On April 10, 2003, we filed a Current Report on Form 8-K pursuant to *Item 7. Financial Statements, Pro Forma Financial Information and Exhibits* and *Item 9. Regulation FD Disclosure* attaching our press release and letter to shareholders and investors dated April 10, 2003 and financial schedules announcing our historical results adjusted to reflect organizational and other changes.

2. On April 17, 2003, we filed a Current Report on Form 8-K pursuant to *Item 9. Regulation FD Disclosure* attaching our press release dated April 17, 2003 announcing our earnings results for the first quarter of 2003.

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Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned.

	PepsiCo, Inc.
	(Registrant)
Date: July 25, 2003	/s/ PETER A. BRIDGMAN
	Peter A. Bridgman Senior Vice President and Controller
Date: July 25, 2003	/s/ ROBERT E. COX
	Robert E. Cox Vice President, Associate General Counsel and Assistant Secretary

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INDEX TO EXHIBITS
ITEM 6 (a)

EXHIBITS

Exhibit 3	By-laws of PepsiCo, Inc., as amended on May 7, 2003
Exhibit 12	Computation of Ratio of Earnings to Fixed Charges
Exhibit 15	Accountants' Acknowledgement
Exhibit 99.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 99.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 99.3	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
Exhibit 99.4	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

EXHIBIT 3

PepsiCo, Inc.

By-Laws

As amended to May 7, 2003

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). For nominations or other proper business to be brought before an annual meeting by a stockholder, the stockholder must give written notice thereof to the Secretary of the Corporation, with such notice to be received at the principal office of the Corporation no less that 90 days prior to the first anniversary of the preceding year's annual meeting. Such stockholder notice shall set forth: (A) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (B) as to any other business that the stockholder proposes to bring before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder; and (C) the name and address of such stockholder as it appears on the Corporation's books, and the number of shares of the Corporation's stock which are owned by such stockholder.

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 owning a majority of shares of the common stock of the Corporation outstanding and 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 or Vice 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 within ninety (90) days from the receipt by the Secretary of such request. Any request for a special meeting of the stockholders shall set forth: (A) a statement of the specific proposal to be brought before the meeting, the reasons for conducting such business at the meeting, and any material interest in such business of the stockholders requesting the meeting; (B) the name and address of each such stockholder as it appears on the Corporation's books; and (C) the number of shares of the Corporation's stock which are owned by each such stockholder.

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 common 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 common 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 common 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 fourteen (14) 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, 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 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, 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 common 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 common 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 fifty (50) 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 common 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 common 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 common 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 common 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.

EXHIBIT 12

PEPSICO, INC. AND SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
(in millions except ratio amounts, unaudited)

	24 weeks ended	
	6/14/03	6/15/02
Earnings:		
Income before income taxes	**$ 2,575**	$ 2,291
Unconsolidated affiliates interests, net	**(86)**	(111)
Amortization of capitalized interest	**4**	4
Interest expense	**74**	74
Interest portion of rent expense [(a)]	**32**	28
Earnings available for fixed charges	**$ 2,599**	$ 2,286
Fixed Charges:		
Interest expense	**$ 74**	$ 74
Capitalized interest	**3**	1
Interest portion of rent expense [(a)]	**32**	28
Total fixed charges	**$ 109**	$ 103
Ratio of Earnings to Fixed Charges [(b)]	**23.80**	22.27

(a) One-third of net rent expense is the portion deemed representative of the interest factor.
(b) Based on unrounded amounts.

EXHIBIT 15

Accountant's Acknowledgement

The Board of Directors of PepsiCo, Inc.

We hereby acknowledge our awareness of the use of our report dated July 10, 2003 included within the Quarterly Report on Form 10-Q of PepsiCo, Inc. for the twelve and twenty-four weeks ended June 14, 2003, and incorporated by reference in the following Registration Statements and in the related Prospectuses:

Description, Registration Statement Number

Form S-3

— PepsiCo SharePower Stock Option Plan for PCDC Employees, 33-42121
— $32,500,000 Puerto Rico Industrial, Medical and Environmental Pollution Control Facilities Financing Authority Adjustable Rate Industrial Revenue Bonds, 33-53232
— Extension of the PepsiCo SharePower Stock Option Plan to Employees of Snack Ventures Europe, a joint venture between PepsiCo Foods International and General Mills, Inc., 33-50685
— $4,587,000,000 Debt Securities and Warrants, 33-64243
— $500,000,000 Capital Stock, 1 2/3 cents par value, 333-56302

Form S-4

— 330,000,000 Shares of Common Stock, 1 2/3 cents par value and 840,582 Shares of Convertible Stock, no par value, 333-53436

Form S-8

— PepsiCo SharePower Stock Option Plan, 33-35602, 33-29037, 33-42058, 33-51496, 33-54731 & 33-66150
— 1988 Director Stock Plan, 33-22970
— 1979 Incentive Plan and the 1987 Incentive Plan, 33-19539
— 1994 Long-Term Incentive Plan, 33-54733
— 1995 Stock Option Incentive Plan, 33-61731 & 333-09363
— 1979 Incentive Plan, 2-65410
— PepsiCo, Inc. Long Term Savings Program, 2-82645, 33-51514 & 33-60965
— PepsiCo 401(k) Plan, 333-89265
— PepsiCo Puerto Rico 1165(e) Plan, 333-56524
— Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates and the Retirement, 333-65992 Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates (Teamster Local Union 3173)
— The Quaker Long Term Incentive Plan of 1990, The Quaker Long Term Incentive Plan of 1999 and The Quaker Oats Company Stock Option Plan for Outside Directors, 333-66632
— The Quaker 401(k) Plan for Salaried Employees and The Quaker 401(k) Plan for Hourly Employees, 333-66634
— The PepsiCo 401(k) Plan for Salaried Employees, 333-76196
— The PepsiCo 401(k) Plan for Hourly Employees, 333-76204
— The PepsiCo Share Award Plan, 333-87526

Pursuant to Rule 436(c) of the Securities Act of 1933, such report is not considered a part of a registration statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

New York, New York
July 25, 2003

KPMG LLP

EXHIBIT 99.1

CERTIFICATION

I, **Steven S Reinemund**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PepsiCo, Inc. (PepsiCo);
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of PepsiCo as of, and for, the periods presented in this quarterly report;
4. PepsiCo's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for PepsiCo and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to PepsiCo, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b) (paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986)
   c) Evaluated the effectiveness of PepsiCo's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
   d) Disclosed in this quarterly report any change in PepsiCo's internal control over financial reporting that occurred during PepsiCo's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, PepsiCo's internal control over financial reporting; and
5. PepsiCo's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to PepsiCo's auditors and audit committee of PepsiCo's board of directors:
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect PepsiCo's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in PepsiCo's internal control over financial reporting.

Date: July 25, 2003

/s/ STEVEN S REINEMUND

Steven S Reinemund
Chairman of the Board and
Chief Executive Officer

CERTIFICATION

I, **Indra K. Nooyi,** certify that:

1. I have reviewed this quarterly report on Form 10-Q of PepsiCo, Inc. (PepsiCo);
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of PepsiCo as of, and for, the periods presented in this quarterly report;
4. PepsiCo's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for PepsiCo and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to PepsiCo, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b) (paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986)
   c) Evaluated the effectiveness of PepsiCo's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
   d) Disclosed in this quarterly report any change in PepsiCo's internal control over financial reporting that occurred during PepsiCo's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, PepsiCo's internal control over financial reporting; and
5. PepsiCo's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to PepsiCo's auditors and audit committee of PepsiCo's board of directors:
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect PepsiCo's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in PepsiCo's internal control over financial reporting.

Date: July 25, 2003

/s/ INDRA K. NOOYI

Indra K. Nooyi
President and Chief Financial Officer

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of PepsiCo, Inc. (the “Corporation”) on Form 10-Q for the twenty-four week period ended June 14, 2003 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Steven S Reinemund, Chairman and Chief Executive Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: July 25, 2003

/s/ STEVEN S REINEMUND

Steven S Reinemund
Chairman of the Board and Chief Executive Officer

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of PepsiCo, Inc. (the “Corporation”) on Form 10-Q for the twenty-four week period ended June 14, 2003 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Indra K. Nooyi, President and Chief Financial Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: July 25, 2003

/s/ INDRA K. NOOYI

Indra K. Nooyi
President and Chief Financial Officer