No. 1-1183

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
ANNUAL REPORT
Pursuant to Section 13 of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 1994

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

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Capital Stock, par value 1-2/3 cents per share	New York and Chicago Stock Exchanges
7-5/8% Notes due 1998	New York Stock Exchange

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

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

The aggregate market value of PepsiCo Capital Stock held by nonaffiliates of PepsiCo as of March 10, 1995 was $31,315,121,153.

The number of shares of PepsiCo Capital Stock outstanding as of March 10, 1995 was 787,801,790.

Documents of Which Portions Are Incorporated by Reference	Parts of Form 10-K into Which Portion of Documents
Proxy Statement for PepsiCo's May 3, 1995 Annual Meeting of Shareholders	III

PART I

Item 1. Business

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

Beverages

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

PCNA manufactures and sells beverages, primarily soft drinks and soft drink concentrates, in the United States and Canada. PCNA sells its concentrates to licensed independent and company-owned bottlers ("Pepsi-Cola bottlers") and to joint ventures in which PepsiCo participates. Under appointments from PepsiCo, bottlers manufacture, sell and distribute, within defined territories, carbonated soft drinks and syrups bearing trademarks owned by PepsiCo, including PEPSI-COLA, DIET PEPSI, MOUNTAIN DEW, SLICE, MUG and, within Canada, 7UP and DIET 7UP (the foregoing are sometimes referred to as "Pepsi-Cola beverages"). The Pepsi/Lipton Tea Partnership, a joint venture of PCNA and Thomas J. Lipton Co., develops and sells tea concentrate to Pepsi-Cola bottlers and develops and markets ready-to-drink tea products under the LIPTON trademark. Such products are distributed by Pepsi-Cola bottlers throughout the United States. A joint venture between PCNA and Ocean Spray Cranberries, Inc. develops new juice products under the OCEAN SPRAY trademark. Pursuant to a separate distribution agreement, Pepsi-Cola bottlers distribute single-serve sizes of OCEAN SPRAY juice products throughout the United States.

Pepsi-Cola beverages are manufactured in approximately 200 plants located throughout the United States and Canada. PCNA operates approximately 65 plants and manufactures, sells and distributes beverages throughout approximately 160 licensed territories, accounting for approximately 56% of the Pepsi-Cola beverages sold in the United States and Canada. Approximately 135 plants are operated by independent licensees or joint ventures in which PCNA participates, which manufacture, sell and distribute approximately 44% of the Pepsi-Cola beverages sold in the United States and Canada. PCNA has a minority interest in 6 of these licensees, comprising approximately 70 licensed territories.

PCI manufactures and sells soft drinks and soft drink concentrates outside the United States and Canada. PCI sells its concentrates to Pepsi-Cola bottlers and to joint ventures in which PepsiCo participates. Under appointments from PepsiCo, bottlers manufacture, sell and distribute, within defined territories, Pepsi-Cola beverages bearing PEPSI-COLA, DIET PEPSI, MIRINDA, PEPSI MAX, 7UP, DIET 7UP and other trademarks. There are approximately 530 plants outside the United States and Canada bottling PepsiCo's beverage products. These products are available in 195 foreign countries and territories. Principal international markets include Mexico, Saudi Arabia, Argentina, Spain, the United Kingdom, Thailand, Venezuela, Brazil and China.

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

Snack Foods

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

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

Frito-Lay's products are transported from its manufacturing plants to major distribution centers throughout the United States and Canada, principally by company-owned trucks. Frito-Lay utilizes a "store-door-delivery" system, whereby its 14,600 person sales force delivers the snacks directly to the store shelf. This system permits Frito-Lay to work closely with approximately 466,000 retail trade customers weekly and to be responsive to their needs. Frito-Lay believes this form of distribution is a valuable marketing tool and is essential for the proper distribution of products with a short shelf life.

PFI manufactures and markets snack foods outside the United States and Canada through company-owned facilities and joint ventures. On most of the European continent, PepsiCo's snack food business consists of Snack Ventures Europe, a joint venture between PepsiCo and General Mills, Inc., in which PepsiCo owns a 60% interest. Many of PFI's snack food products, such as SABRITAS brand potato chips in Mexico, are similar in taste to Frito-Lay snacks sold in the United States and Canada. PFI also sells a variety of snack food products which appeal to local tastes including, for example WALKERS CRISPS, which are sold in the United Kingdom, and GAMESA cookies and SONRIC'S candies, which are sold in Mexico. In addition, RUFFLES, CHEE.TOS, DORITOS, FRITOS and SUNCHIPS brand snack foods have been introduced to international markets. Principal international markets include Mexico, the United Kingdom, Spain, Brazil, Poland, the Netherlands, France, and Australia.

Restaurants

PepsiCo's worldwide restaurant business principally consists of Pizza Hut, Inc. ("Pizza Hut"), Taco Bell Corp. ("Taco Bell"), KFC Corporation ("KFC") and PepsiCo Restaurants International ("PRI").

Pizza Hut is engaged principally in the operation, development and franchising of a system of casual full service family restaurants, delivery/carryout units and kiosks operating under the name PIZZA HUT. The full service restaurants serve several varieties of pizza as well as pasta, salads and sandwiches. Pizza Hut (through its subsidiaries and affiliates) operates approximately 5,100 PIZZA HUT restaurants, delivery/carryout units and other outlets in the United States and approximately 240 in Canada. Franchisees operate approximately 2,650 additional domestic restaurants, delivery/carryout units and other outlets in the United States and 225 in Canada. Licensees operate approximately 650 kiosk outlets in the United States. These restaurants and units are located in all 50 states and throughout Canada.

Taco Bell is engaged principally in the operation, development and franchising of a system of fast-service restaurants serving carryout and dine-in moderately priced Mexican-style food, including tacos, burritos, taco salads and nachos and operating under the name TACO BELL. Taco Bell (through its subsidiaries and affiliates) operates approximately 3,200 TACO BELL outlets in the United States and 70 in Canada. Franchisees operate approximately 1,500 additional restaurants in the United States. Licensees operate approximately 930 special concept outlets in the United States and 30 in Canada.

KFC is engaged principally in the operation, development and franchising of a system of carryout and dine-in restaurants featuring chicken and operating under the names KENTUCKY FRIED CHICKEN and/or KFC. KFC (through its subsidiaries and/or

affiliates) operates approximately 2,000 restaurants in the United States and 250 in Canada. Franchisees operate approximately 3,000 additional restaurants in the United States and 600 in Canada. Licensees operate approximately 100 outlets in the United States. KFC restaurants are located in 48 states and throughout Canada.

PRI is engaged principally in the operation and development of casual dining and fast-service restaurants, delivery units and kiosks which sell PIZZA HUT, KFC and, to a lesser extent, TACO BELL products outside the United States and Canada. PRI operates approximately 800 PIZZA HUT restaurants, delivery/carryout units and kiosks, franchisees operate approximately 1,200 units, and joint ventures in which PRI participates operate approximately 460 units. PIZZA HUT units are located in a total of 83 foreign countries and territories (exclusive of Canada), and principal markets include Australia, the United Kingdom, Spain, Brazil, Mexico and South Korea. PRI also operates approximately 850 KFC restaurants and kiosks, franchisees operate approximately 2,150 restaurants and kiosks, and joint ventures in which PRI participates operate approximately 400 restaurants and kiosks. KFC units are located in 71 foreign countries and territories (exclusive of Canada), and principal markets include Japan, Australia, the United Kingdom, South Africa, Mexico and Malaysia. PRI also operates approximately 20 TACO BELL outlets, and franchisees operate approximately 35 outlets, in a total of 15 foreign countries and territories (exclusive of Canada).

PepsiCo also owns, operates, or participates as a joint venturer in a number of other restaurant concepts in the United States. Pizza Hut operates approximately 150 D'ANGELO SANDWICH SHOPS, and franchisees operate approximately 50 additional units. Pizza Hut or franchisees also operate approximately 25 EAST SIDE MARIO'S restaurants. Taco Bell operates approximately 135 HOT 'N NOW units, and franchisees operate approximately 40 units. Taco Bell also operates approximately 50 CHEVYS Mexican restaurants. PepsiCo participates in a joint venture which operates approximately 70 CALIFORNIA PIZZA KITCHEN restaurants.

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

Competition

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

Employees

At December 31, 1994, PepsiCo employed, subject to seasonal variations, approximately 471,000 persons (including 282,000 part-time employees), of whom approximately 340,000 (including 228,000 part-time employees) were employed within the United States. PepsiCo believes that its relations with employees are generally good.

Raw Materials and Other Supplies

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

Governmental Regulations

The conduct of PepsiCo's businesses, and the production, distribution and use of many of its products, are subject to various federal laws, such as the Food, Drug and Cosmetic Act, the Occupational Safety and Health Act

and the Americans with Disabilities Act. The conduct of PepsiCo's businesses is also subject to local, state and foreign laws.

Patents, Trademarks, Licenses and Franchises

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

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

Research and Development

PepsiCo spent approximately $152 million, $113 million and $102 million on research and development activities during the years 1994, 1993 and 1992, respectively.

Environmental Matters

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

Business Segments

Information as to net sales, operating profits and identifiable assets for each of PepsiCo's industry segments, restaurant chains and major geographic areas of operations, as well as capital spending, acquisitions and investments in affiliates, amortization of intangible assets and depreciation expense for each industry segment and restaurant chain, for 1994, 1993 and 1992 is contained in Item 8 "Financial Statements and Supplementary Data" in Note 2 on page F-9.

Item 2. Properties

Beverages

PepsiCo operates approximately 105 plants throughout the world in which beverage concentrates and syrups are manufactured, or beverages are bottled, or both, of which approximately 95 are owned and 10 are leased. Joint ventures in which PepsiCo participates operate approximately 85 plants and distribution operations. In addition, PepsiCo operates approximately 370 warehouses or offices for its beverage business in the United States and Canada, of which approximately 285 are owned and approximately 85 are leased.

The concentrate or syrup manufacturing facilities owned by PepsiCo are located in Argentina, Canada, China, India, Ireland, Japan, Mexico, Pakistan, the Philippines, Puerto Rico, Thailand, Turkey, the United States, Uruguay and Venezuela. PepsiCo owns bottling plants in Canada, the Czech Republic, Germany, Greece, Hungary, India, Japan, Mexico, Spain and the United States and leases bottling plants in the United States. Company-owned distribution operations are located in the Czech Republic, France, Hungary, Poland, Russia and Slovakia. Joint

ventures in which PepsiCo participates operate plants located in Argentina, Australia, The Bahamas, Brazil, Chile, China, Hong Kong, Indonesia, Japan, Kampuchea, Mexico, Myanmar, Nepal, New Zealand, the Philippines, Poland, Russia, Slovenia, South Africa, Thailand, the United Kingdom, Uruguay and Vietnam.

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

Snack Foods

Frito-Lay operates 43 food manufacturing and processing plants in the United States and Canada, of which 41 are owned and 2 are leased. PepsiCo also operates plants located in Argentina, Australia, Brazil, Chile, China, the Dominican Republic, Ecuador, Estonia, India, Japan, Mexico, Poland, Puerto Rico, Turkey, the United Kingdom, Uruguay and Venezuela while joint ventures in which PepsiCo participates operate plants located in Belgium, China, Cyprus, Egypt, France, Greece, Indonesia, Italy, Korea, the Netherlands, Poland, Portugal, Spain, Taiwan and Thailand. In addition, Frito-Lay owns approximately 185 warehouses and distribution centers and leases approximately 30 warehouses and distribution centers for storage of food products in the United States and Canada. Approximately 1,600 smaller warehouses and storage spaces located throughout the United States and Canada are leased or owned. Frito-Lay owns its headquarters building and a research facility in Plano, Texas. Frito-Lay also leases offices in Dallas, Texas and leases or owns sales/regional offices throughout the United States.

Restaurants

Through Pizza Hut, Taco Bell, KFC and PRI, PepsiCo owns approximately 3,800 and leases approximately 6,700 restaurants, delivery/carryout units and other outlets in the United States, and owns or leases approximately 2,220 additional units outside the United States. Joint ventures in which PepsiCo participates operate approximately 860 units outside the United States. Pizza Hut owns manufacturing facilities in Wichita, Kansas and owns its corporate headquarters and leases certain additions to the building in Wichita, Kansas. Taco Bell leases its corporate headquarters and certain additions to the building in Irvine, California. KFC owns a research facility and its corporate headquarters building in Louisville, Kentucky. PFS owns 1 and leases 22 distribution centers, 2 manufacturing plants and 4 offices in the United States. PFS owns 1 and leases 4 distribution centers outside of the United States.

General

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

With a few exceptions, leases of plants in the United States and Canada are on a long-term basis, expiring at various times to the year 2088, with options to renew for additional periods. Most international plants are leased for varying and usually shorter periods, with or without renewal options. PIZZA HUT, TACO BELL and KFC restaurants which are not owned are generally leased for initial terms of 15 or 20 years, and generally have renewal options, while PIZZA HUT delivery/carryout units generally are leased for significantly shorter initial terms with shorter renewal options.

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

Item 3. Legal Proceedings

PepsiCo is subject to various claims and contingencies related to lawsuits, taxes, environmental and other matters arising out of the normal course of business. Management believes that the ultimate liability, if any, in excess of amounts already provided arising from such claims or contingencies is not likely to have a material adverse effect on

PepsiCo's annual results of operations or financial condition.

Item 4. Submission of Matters to a Vote of Stockholders

Not applicable.

PART II

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

Stock Trading Symbol - PEP

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

Shareholders - At year-end 1994, there were approximately 168,000 shareholders of record.

Dividend Policy - Quarterly cash dividends are usually declared in November, February, May and July and paid at the beginning of January and the end of March, June and September. The dividend record dates for 1995 will be March 10, June 9, September 8 and December 8. Quarterly cash dividends have been paid since PepsiCo was formed in 1965, and dividends per share have increased for 22 consecutive years.

Consistent with PepsiCo's current payout target of approximately one-third of the prior year's income from ongoing operations, the 1994 dividends declared represented 34% of 1993 income from ongoing operations.

Dividends Declared Per Share (in cents)

Quarter	1994	1993
1	16	13
2	18	16
3	18	16
4	18	16
Total	70	61

Stock Prices - The high, low and closing prices for a share of PepsiCo Capital Stock on the New York Stock Exchange, as reported by The Dow Jones News/Retrieval Service, for each fiscal quarter of 1994 and 1993 were as follows (in dollars):

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

1993	High	Low	Close
Fourth Quarter	42 1/8	37 5/8	41 7/8
Third Quarter	40 1/8	34 5/8	39
Second Quarter	43 5/8	34 1/2	36 1/2
First Quarter	43 3/8	38 1/2	42

Item 6. Selected Financial Data

Included on pages F-42 through F-48.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Analysis - Overview

To enhance understanding of PepsiCo's financial performance, the various components of Management's Analysis are presented near the pertinent financial statements. Accordingly, in addition to this overview, separate analyses of the results of operations, financial condition and cash flows appear on pages 11, 12 and 14. respectively. Also, the analysis of each industry segment's net sales and operating profit performance begins on pages 15, 19 and 22.

Marketplace Actions

PepsiCo's domestic and international businesses operate in markets that are highly competitive and subject to global and local economic conditions including inflation, commodity price and currency fluctuations and governmental actions. In Mexico, for example, our businesses have benefited in past years from improving conditions. Conversely, the significant devaluation of the Mexican peso at the end of 1994 and continuing into 1995 will not only negatively impact reported earnings from Mexico due to translation, but is expected to create a much less favorable economic climate in the country. Other examples include risks associated with political instability and its related dislocations in countries where PepsiCo operates and possible employee benefit or minimum wage legislation in the U.S. and elsewhere, increasing the cost of providing benefits and compensation to employees. PepsiCo's operating and investing strategies are designed, where possible, to mitigate these factors through aggressive actions on several fronts including: (a) enhancing the appeal and value of its products through brand promotion, product innovation, quality improvement and prudent pricing actions; (b) providing better service to customers; (c) increasing worldwide availability of its products; (d) acquiring businesses and forming alliances to increase market presence and utilize resources more efficiently; and (e) containing costs through efficient and effective purchasing, manufacturing, distribution and administrative processes.

Restructurings

Restructuring actions realign resources for more efficient and effective execution of operating strategies. As a result, PepsiCo continually considers and executes restructuring actions that vary in size and impact, for example, from a minor sales force reorganization at a local facility to a significant organizational and process redesign affecting an entire operating division. The resulting cost savings or profits from increased sales are reinvested in the business to increase PepsiCo's shareholder value. Major restructuring actions announced in 1992 and now underway or completed in the beverage and international snack food segments resulted in charges totaling $193.5 million ($128.5 million after-tax or $0.16 per share). In 1994, $28.3 million ($17.4 million after-tax or $0.02 per share) of the 1992 restructuring accruals were reversed into income, primarily reflecting refinements of the original domestic beverage accrual estimate and management's decision to reduce the scope of the domestic beverage restructuring. The majority of the amount reversed into income was offset by additional charges in 1994 for new actions. The remaining accruals for the 1992 restructuring actions of $39 million outstanding at year-end 1994 represent expected cash payments of which $25 million, $11 million and $3 million are expected to be paid in 1995, 1996 and 1997, respectively.

Annual cost savings from the 1992 restructuring actions, when fully implemented, are expected to be approximately $75 million primarily from reduced employee and facility costs. In addition, while difficult to measure, the domestic beverage segment is also expected to benefit by an estimated $90 million annually from centralization of purchasing activities and incremental volume and pricing from improvements in administrative and business processes. The combined gross benefits realized in 1994 from the 1992 restructuring actions are estimated to be approximately $50 million. These benefits are

expected to increase annually until fully realized in 1998. See Notes 2 and 16 for additional detail related to the 1992 restructuring charges. See Management's Analysis of beverage and snack food performance on pages 15 and 19, respectively, for a discussion of the 1992 restructuring charges and related anticipated benefits.

Derivatives

PepsiCo uses derivative instruments primarily to reduce borrowing costs and hedge future purchases of certain commodities. PepsiCo's policy is to not use derivative instruments for speculative purposes and has procedures in place to monitor and control their use. PepsiCo's credit risk related to derivatives is considered low. Financing-related derivative contracts are only entered into with strong creditworthy counterparties and are generally of relatively short duration. Purchases of commodities are hedged with commodity futures contracts traded on national exchanges.

Reduce Borrowing Costs: PepsiCo enters into interest rate and foreign currency swaps to effectively change the interest rate and currency of specific debt issuances with the objective of reducing borrowing costs. These swaps are generally entered into concurrently with the issuance of the debt they are intended to modify. The notional value, payment and maturity dates of the swaps match the principal, interest payment dates and maturity dates of the related debt. Accordingly, any market impact (risk or opportunity) associated with these swaps is fully offset by the opposite market impact on the related debt. See Notes 9 and 10 for additional details regarding interest rate and currency swaps.

Hedge Commodity Costs: PepsiCo hedges future commodity purchases when we believe it will result in lower net costs. The futures contracts entered into do not exceed expected usage nor do they generally extend beyond one year. While PepsiCo expects to generate lower commodity costs over time by entering into these futures contracts, it is possible that the commodity costs will be higher than if futures contracts were not entered into. we believe it has the ability to raise prices if commodity prices increase; however, it expects to do so only if the increase is other than temporary and it would not place PepsiCo at a competitive disadvantage. Open contracts at year-end 1994 and gains and losses realized in 1994 or deferred at year-end were not significant.

Currency Exchange Effects

In 1994, 1993 and 1992, international businesses represented 18.6%, 18.0% and 17.7%, respectively, of PepsiCo's total segment operating profits. Operating in international markets sometimes involves volatile movements in currency exchange rates. The economic impact of currency exchange rate movements on PepsiCo is complex because such changes are often linked to variability in real growth, inflation, interest rates, governmental actions and other factors. In addition, these changes, if material, can cause PepsiCo to adjust its financing and operating strategies, for example, pricing, promotion and product strategies and decisions concerning sourcing of raw materials and packaging. Because PepsiCo operates in a mix of businesses and numerous countries, management believes currency exposures are fairly well diversified. Moreover, management believes that currency exposures are not a significant factor in competition at the local market operating level. When economically appropriate, however, PepsiCo enters into foreign currency hedges to minimize specific cash flow transaction exposures. The following paragraphs describe the effects of currency exchange rate movements on PepsiCo's reported results. See Other Factors Expected to Impact 1995 Results on page 10.

As currency exchange rates change, translation of the income statements of international businesses into U.S. dollars affects year-over-year comparability of operating results. In 1994 and 1993, sales and operating profit growth rates for our consolidated international businesses were not materially impacted by the translation effects of changes in currency exchange rates. The effects on comparability of sales and operating profits arising from translation of the income statements of international businesses are identified, where material, in Management's Analysis of segment operating results. These translation effects exclude the impact of businesses in highly inflationary countries, where the functional currency is the U.S. dollar.

Changes in currency exchange rates also result in reported foreign exchange gains and losses which are included as a component of unallocated expenses, net (see pages F-12 and F-13). PepsiCo reported a net foreign exchange gain of $4.5 million in 1994 compared to net foreign exchange losses of $41.2 million and $17.4

million in 1993 and 1992, respectively. These reported amounts include translation gains and losses arising from remeasurement into U.S. dollars of the net monetary assets of businesses in highly inflationary countries as well as transaction gains and losses. Transaction gains and losses arise from monetary assets such as receivables and short-term investments as well as payables (including debt) denominated in currencies other than a business unit's functional currency. In implementing strategies to minimize after-tax financing costs, the effects of expected currency exchange rate movements on debt and short-term investments are considered along with related interest rates in measuring effective net financing costs.

Beginning in 1993, Mexico was no longer categorized as highly inflationary. PepsiCo did not calculate the net foreign exchange gain or loss that would have been reported in 1993 had businesses in Mexico been accounted for as highly inflationary; however, translation gains and losses for businesses in Mexico were not a significant component of the above 1992 amount.

Certain Factors Affecting Comparability

Accounting Changes

PepsiCo's financial statements reflect the noncash impact of accounting changes adopted in 1994 and 1992. In 1994, PepsiCo was required to adopt Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (SFAS 112). The cumulative effect of adopting SFAS 112, an $84.6 million charge ($55.3 million after-tax or $0.07 per share), principally represented estimated future severance costs related to services provided by employees prior to 1994. As compared to the previous accounting method, the current year impact of adopting SFAS 112 was immaterial to 1994 operating profits. See Note 14 for additional details.

Also in 1994, PepsiCo adopted a preferred method for calculating the market-related value of plan assets used in determining the return-on-asset component of annual pension expense and the cumulative net unrecognized gain or loss subject to amortization. The cumulative effect of adopting this change, which related to years prior to 1994, was a benefit of $37.8 million ($23.3 million after-tax or $0.03 per share). As compared to the previous accounting method, the change reduced 1994 pension expense by $35.1 million ($21.6 million after-tax or $0.03 per share). See Note 13 for additional details.

Effective the beginning of 1992, PepsiCo early adopted Statements of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106), and No. 109, "Accounting for Income Taxes" (SFAS 109). The cumulative effect of adopting SFAS 106, a $575.3 million charge ($356.7 million after-tax or $0.44 per share), represented estimated future retiree health benefit costs related to services provided by employees prior to 1992. The cumulative effect of adopting SFAS 109, a $570.7 million tax charge ($0.71 per share), primarily represented the recognition of additional deferred tax liabilities related to acquired identifiable intangible assets as of the beginning of 1992. See Notes 12 and 17 for additional details regarding the adoption of SFAS 106 and SFAS 109, respectively.

Other Factors

Comparisons of 1994 to 1993 are affected by an additional week of results in the 1994 reporting period. Because PepsiCo's fiscal year ends on the last Saturday in December, a fifty-third week is added every 5 or 6 years. The fifty-third week increased 1994 earnings by an estimated $54.0 million ($34.9 million after-tax or $0.04 per share). See Items Affecting Comparability, Fiscal Year, on page F-9 for the impact on PepsiCo's business segments.

PepsiCo recorded a one-time, noncash gain of $17.8 million ($16.8 million after-tax or $0.02 per share) resulting from a public share offering by BAESA, a bottling joint venture in South America. See Note 4 for additional details.

Significant U.S. Tax Changes Affecting Historical and Future Results

U.S. federal income tax legislation enacted in August 1993 included a provision for a 1% statutory income tax rate increase effective for the full year. As required under SFAS 109, the increase in the tax rate resulted in a noncash charge of $29.9 million ($0.04 per share) for the adjustment of net deferred tax liabilities as of the beginning of 1993.

The 1993 tax legislation also included a provision to reduce the tax credit associated with beverage concentrate operations in Puerto Rico. This change limited the tax credit on income earned in Puerto Rico in the first year to 60% of the amount allowed under the previous tax law, with the limit further reduced ratably over the following four years to 40%. The provision, which became effective for PepsiCo's operations on December 1, 1994, had an immaterial impact on 1994 earnings. Had the provision become effective at the beginning of 1994, earnings for the year would have been reduced by approximately $60 million or $0.07 per share. Similarly, had the 40% credit limit been effective in 1994, earnings would have been reduced by an additional $30 million or $0.04 per share over the 60% credit limit.

In 1994, the U.S. Department of the Treasury proposed a change to a current regulation (known as Q&A 12), which would further reduce the tax incentives associated with the beverage concentrate operations in Puerto Rico. This proposal applies to PepsiCo's sales of concentrate from its operations in Puerto Rico to its related bottlers in the U.S. If it had been adopted as proposed in 1994, the change would have become effective for PepsiCo on December 1, 1994 with an immaterial impact on 1994 earnings. However, had the 60% credit limit (discussed above) and the currently proposed Q&A 12 been in effect at the beginning of 1994, earnings for the year would have been reduced by an estimated $112 million or $0.14 per share. Had the 40% credit limit and proposed Q&A 12 both been effective in 1994, the impact would have reduced 1994 earnings for the year by an additional $30 million or $0.04 per share over the 60% credit limit. The estimated impacts are subject to change depending upon the final provisions of Q&A 12, if enacted. PepsiCo and others are vigorously opposing the proposed change.

PepsiCo's full year 1995 tax rate is not expected to exceed 35%. The expected tax rate reflects PepsiCo's forecasted 1995 mix of U.S. and generally lower taxed foreign earnings, the reduction in the tax credit on income earned in Puerto Rico resulting from the 1993 U.S. tax legislation and the assumed enactment in 1995 of Q&A 12, as currently proposed, partially offset by significant adjustments reflecting the anticipated resolution in 1995 of audit issues related to prior years.

The unfavorable effect of Q&A 12 will not be included in the 1995 effective tax rate unless it is enacted. The benefits due to the adjustments will be included in the 1995 tax rate when the audit issues related to prior years have been resolved. Accordingly, the potential exists for volatility in PepsiCo's 1995 quarterly effective tax rates depending on the timing of these events, as well as other factors.

Other Factors Expected to Impact 1995 Results

In late 1994 and early 1995, the Mexican peso devalued significantly relative to the U.S. dollar. The primary impact of the devaluation on 1994 financial results was an estimated $275 million unfavorable change in the currency translation adjustment account in Shareholders' Equity, representing the reduced book value of PepsiCo's Mexican peso-denominated net assets. The impact on 1994 earnings was immaterial. Quantifying the adverse impact of the devaluation on 1995 operating results, financial condition and cash flows is difficult because, in addition to the translation impact, the devaluation is likely to result in many changes to the business environment including government actions, accelerated inflation and its impact on prices and costs, reduced consumer demand and the impact of higher interest rates on our trade customers and bottlers. Although PepsiCo expects to report lower earnings in 1995 from its operations in Mexico than it

otherwise would have because of the devaluation and its related effects, PepsiCo has begun to take actions in Mexico and in other parts of the world to mitigate the effects of the devaluation. PepsiCo's operations in Mexico, primarily related to snack foods, constituted about 5% and 7% of PepsiCo's 1994 consolidated net assets and cash flows from operations, respectively, and contributed 7% and 8% of PepsiCo's 1994 net sales and segment operating profits, respectively. See Management's Analysis of each industry

segment for additional discussion regarding the impact of the devaluation of the Mexican peso. In addition, PepsiCo anticipates that earnings from its affiliates in Mexico accounted for by the equity method, primarily related to beverages, will also be unfavorably impacted. Equity results reported in 1994 from affiliates in Mexico were not material.

As quantified in Other Factors on page 9, comparisons of 1995 to 1994 will be adversely affected by the additional week's results in the 1994 fiscal year.

Management's Analysis - Results of Operations

(See Management's Analysis - Overview on page 7 for background information and Business Segments on page F-9 for detail of segment results.)

To improve comparability, Management's Analysis includes analytical data to indicate the impact of beverage and snack food acquisitions, net of operations sold or contributed to joint ventures (collectively, "net acquisitions"). Acquisition impacts represent the results of the acquired businesses for periods in the current year corresponding to the prior year periods that did not include the results of the businesses. Restaurant units acquired, principally from franchisees, and constructed units are treated the same for purposes of this analysis and are collectively referred to as "additional restaurant units." Also, the analysis indicates, as applicable, the impact of the ongoing effects of the 1994 accounting changes (see Notes 13 and 14), the 1994 BAESA gain (see Note 4), the 1993 deferred tax charge due to U.S. tax legislation (see Note 17) and the 1992 restructuring charges (see Note 16), collectively referred to as "the Unusual Items."

Comparisons of 1994 to 1993 were impacted by an additional week's results in 1994 which contributed about $433.5 million or 2 points to growth in Net Sales and increased earnings by about $54.0 million ($34.9 million after-tax or $0.04 per share).

Net Sales rose $3.5 billion or 14% in 1994 of which $215 million or 1 point was contributed by net acquisitions. The balance of the increase reflected volume gains of $2.2 billion and $934 million due to additional restaurant units. Sales grew $3.1 billion or 14% in 1993. Net acquisitions contributed $1.1 billion or 5 points to sales growth. The balance of the increase reflected $913 million from additional restaurant units, volume gains that contributed $850 million and higher pricing. International sales grew 23% in 1994 and 24% in 1993 with net acquisitions contributing 1 point and 16 points, respectively. International sales represented 29%, 27% and 25% of total sales in 1994, 1993 and 1992, respectively. The long-term trend of an increasing international component of sales may be interrupted in the near term as a result of the unfavorable impact of the devaluation of the Mexican peso in late 1994 and early 1995 and its related effects.

Cost of sales as a percentage of Net Sales was 48.2%, 47.7% and 48.3% in 1994, 1993 and 1992, respectively. The decline in the 1994 gross margin reflected a mix shift to lower-margin businesses in international beverages and worldwide restaurants and lower net pricing in domestic beverages, partially offset by a mix shift to higher-margin packages and products in international snack foods and manufacturing efficiencies in domestic snack foods. The 1993 gross margin improvement was driven by lower product costs (packaging and ingredients) in domestic beverages.

Selling, general and administrative expenses rose 14% in 1994 and 13% in 1993, reflecting base business growth. Excluding the Unusual Items, Selling, general and administrative expenses rose 14% in 1994 and 16% in 1993, and as a percentage of Net Sales were 39.6%, 39.4% and 38.8% in 1994, 1993 and 1992, respectively. In 1994, Selling, general and administrative expenses grew at the same rate as sales. In 1993, selling and distribution expenses grew at a faster rate than sales, but marketing expenditures grew at a slower rate. These changes reflect the impact of worldwide bottling acquisitions and flat marketing expenditures in domestic beverages.

Amortization of intangible assets rose 3% in 1994 and 14% in 1993. This noncash expense reduced Net Income Per Share by $0.29, $0.28 and $0.24 in 1994, 1993 and 1992, respectively.

Operating Profit increased 10% in 1994 and 23% in 1993. Excluding the Unusual Items, operating profit increased $262 million or 9% in 1994 and $342 million or 13% in 1993, driven by combined segment operating profit growth of 7% in 1994 and 14% in 1993. The 1994 increase reflected $850 million from higher volumes and $73 million from additional restaurant units, partially offset by higher operating expenses. Growth in 1993 reflected $425 million from higher volumes and $89 million from additional restaurant units, partially offset by increased operating expenses. International segment profits grew 12% in 1994 and 8% in 1993, reflecting double-digit increases in snack foods and beverages, partially offset by a double-digit decline in restaurants. International profits represented 19%, 18% and 19% of combined segment operating profits in 1994, 1993 and 1992, respectively. This percentage may be affected in the near term due to the devaluation of the Mexican peso and its related effects. Small foreign exchange gains in 1994 compared to 1993's foreign exchange losses, and increased equity in net income of affiliates, which are not included in segment profits, aided 1994 total operating profit growth.

Gain on Joint Venture Stock Offering of $17.8 million ($16.8 million after-tax or $0.02 per share) related to the public offering of shares by the BAESA joint venture. See Note 4.

Interest expense, net of Interest income, increased 15% in 1994 and 2% in 1993. The 1994 increase reflected higher average borrowings partially offset by higher interest rates on investment balances. The change in 1993 reflected higher average borrowings and lower average short-term investment balances partially offset by lower interest rates. Excluding the impact of net acquisitions, net interest expense increased 10% in 1994 and declined 9% in 1993.

Provision for Income Taxes as a percentage of pretax income was 33.0%, 34.5% and 31.4% in 1994, 1993 and 1992, respectively. The 1993 effective tax rate, excluding the Unusual Item, was 33.3%. The slight decline in 1994 reflected reversal of valuation allowances related to deferred tax assets and an increase in the proportion of income taxed at lower foreign rates offset by the absence of 1993's favorable adjustment of certain prior year foreign accruals. The 1993 increase of 1.9 points reflected higher U.S. and foreign effective tax rates, an increase in the proportion of income taxed at the higher U.S. tax rate and higher state taxes, partially offset by the favorable adjustment of prior year accruals.

Income and Income Per Share Before Cumulative Effect of Accounting Changes ("income" and "income per share") in 1994 increased 12% to $1.8 billion and 13% to $2.22, respectively, and in 1993 increased 22% to $1.6 billion and 22% to $1.96, respectively. Excluding the Unusual Items, income and income per share rose 8% and 9%, respectively, in 1994 and 13% and 12%, respectively, in 1993. Growth in income per share was depressed by estimated dilution from acquisitions of $0.03 or 1 point in 1994 and $0.05 or 3 points in 1993, primarily due to international beverage acquisitions in both years.

The Mexican peso devaluation may unfavorably impact Net Sales and Net Income in 1995; however, due to many uncertainties in Mexico, we are unable to quantify the impacts. See Management's Analysis - Overview on page 7 and pages 15 , 19 and 22 for each industry segment for discussion regarding the impacts.

Management's Analysis - Financial Condition

(See Management's Analysis - Overview on page 7 for background information.)

Assets increased $1.1 billion or 5% over 1993. Short-term investments largely represent high-grade marketable securities portfolios held outside the U.S. The portfolio in Puerto Rico, which totaled $853 million at year-end 1994 and $1.3 billion at year-end 1993, arises from the operating cash flows of the centralized concentrate manufacturing facility that operates under a tax incentive grant. The grant provides that the

portfolio funds may be remitted to the U.S. without any additional tax. PepsiCo remitted $380 million of the portfolio to the U.S. in 1994 and $564 million in 1993. PepsiCo continually reassesses its alternatives to redeploy its maturing investments in this and other portfolios held outside the U.S., considering other investment opportunities and risks, tax consequences and overall financing strategies.

Liabilities rose $569 million or 3% over 1993. Income taxes payable decreased $152 million or 18%, reflecting the prepayment of taxes in 1994 related to a federal tax audit. Other liabilities increased $510 million or 38%, reflecting a reclassification of amounts from Other current liabilities, normal growth in long-term liabilities and recognition of a liability for postemployment benefits under SFAS 112.

At year-end 1994 and 1993, $4.5 billion and $3.5 billion, respectively, of short-term borrowings were classified as long-term, reflecting PepsiCo's intent and ability, through the existence of its unused revolving credit facilities, to refinance these borrowings. PepsiCo's unused credit facilities with lending institutions, which exist largely to support the issuances of short-term borrowings, were $3.5 billion at year-end 1994 and 1993. Effective January 3, 1995, PepsiCo replaced its existing credit facilities with new credit facilities aggregating $4.5 billion, of which $1.0 billion expire in 1996 and $3.5 billion expire in 2000. Annually, these facilities can be extended an additional year upon the mutual consent of PepsiCo and the lending institutions.

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

PepsiCo believes that market leverage (defined as net debt as a percent of net debt plus the market value of equity, based on the year-end stock price) is an appropriate measure of PepsiCo's financial leverage. Unlike historical cost measures, the market value of equity primarily reflects the estimated net present value of expected future cash flows that will both support debt and provide returns to shareholders. The market net debt ratio was 26% at year-end 1994 and 22% at year-end 1993. The increase was due to a 13% decrease in PepsiCo's stock price as well as an 8% increase in net debt. PepsiCo has established a long-term target range of 20-25% for its market net debt ratio to optimize its cost of capital.

As measured on an historical cost basis, the ratio of net debt to net capital employed (defined as net debt, other liabilities, deferred income taxes and shareholders' equity) was 49% at year-end 1994 and 50% at year-end 1993. The decline was due to a 9% increase in net capital employed, partially offset by the increase in net debt.

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

At year-end 1994, about 60% of PepsiCo's net debt portfolio was exposed to variable interest rates, up from about 55% in 1993. In addition to variable rate debt, all net debt with maturities of less than one year is categorized as variable. PepsiCo prefers funding its operations with variable rate debt because it believes that, over the long-term, variable rate debt provides more cost effective financing than fixed rate debt. PepsiCo will issue fixed rate debt if advantageous market opportunities arise. A 1 point change in interest rates on variable rate net debt would impact annual interest expense, net of interest income, by approximately $38 million ($21 million after-tax or $0.03 per share) assuming the level and mix of the December 31, 1994 net debt portfolio was maintained.

PepsiCo's negative operating working capital position, which principally reflects the cash sales nature of its restaurant operations, effectively provides additional capital for investment. Operating working capital, which excludes short-term investments and short-term borrowings, was a negative $677 million and $849 million at year-end 1994 and 1993, respectively. The $172 million decline in negative working capital primarily

reflected reclassification of amounts from Other current liabilities to Other Liabilities and base business growth in the more working capital intensive bottling and snack food operations exceeding the growth in restaurant operations.

Shareholders' Equity increased $517 million or 8% from 1993. This change reflected an 18% increase in retained earnings due to $1.8 billion in net income less dividends declared of $555 million. This growth was offset by a $448 million increase in treasury stock that reflected share repurchases, net of shares used for stock option exercises and acquisitions, and a $287 million unfavorable change in the currency translation adjustment account

(CTA). The CTA change primarily reflected the impact of the devaluation of the Mexican peso in late 1994 on the translation of our peso denominated net assets.

Based on income before cumulative effect of accounting changes, PepsiCo's return on average shareholders' equity (ROAE) was 27.0% in 1994 and 27.2% in 1993. The ROAE was 26.5% in 1994 and 25.3% in 1993, excluding from both income and shareholders' equity the effect of the accounting changes and BAESA gain in 1994 as well as the $29.9 million charge in 1993 due to 1993 U.S. tax legislation.

Management's Analysis - Cash Flows

(See Management's Analysis - Overview on page 7 for background information.)

Cash flow activity in 1994 reflected strong cash flows from operations of $3.7 billion and $421 million in net proceeds from short-term investment activities. These amounts were used to fund capital spending of $2.3 billion, purchases of treasury stock totaling $549 million, dividend payments of $540 million, acquisition activity of $316 million and net debt repayments of $204 million.

One of PepsiCo's most significant financial strengths is its internal cash generation capability. In fact, after capital spending and acquisitions, each industry segment generated positive cash flows in 1994, with particularly strong results from beverages and snack foods. Net cash flows from PepsiCo's domestic businesses were partially offset by international uses of cash, reflecting strategies to accelerate growth of international operations.

The significant devaluation of the Mexican peso in late 1994 and early 1995 did not materially impact 1994 consolidated cash flows. However, because PepsiCo's operations in Mexico represented approximately 7% of consolidated cash flows from operations in 1994, the devaluation and its related effects are expected to have an unfavorable impact on 1995 cash flows from operations. In addition to the actions taken to mitigate the unfavorable impact on operating profits, the operations in Mexico will defer a portion of their capital spending. Nonetheless, significant uncertainties remain in Mexico and, as a result, it is not possible to quantify the impact on 1995 cash flows. In addition, actions are being taken in other parts of the world intended to mitigate the impact. See Management's Analysis - Overview on page 7 for additional discussion.

Net Cash Provided by Operating Activities in 1994 rose $582 million or 19% over 1993, and in 1993 grew $423 million or 16% over 1992. Income before noncash charges and credits rose 6% in 1994 and 24% in 1993. The increases in depreciation and amortization noncash charges of $132 million in 1994 and $229 million in 1993 reflected capital spending and in 1993, acquisitions. The 1994 decrease of $150 million in the deferred income tax provision was primarily due to the effect in 1994 of converting from premium based casualty insurance to self-insurance for most of these risks and adopting SFAS 112 for accounting for postemployment benefits. The 1993 increase of $135 million in the deferred income tax provision was primarily due to the lapping of 1992 effects related to restructuring accruals and prefunded employee benefit expenses and the impact of 1993 U.S. tax legislation. The cash provided in 1994 from working capital was $357 million better than 1993, reflecting normal increases in accrued liabilities across all of our businesses, lapping the effect of higher income tax payments and a lower provision in 1993 and improved trade receivable collections, partially offset by the impact on accounts payable of the timing of a large year-end payment to prefund employee benefits. The 1993 over 1992 net increase of $257 million in cash used for operating working capital reflected slower collections of domestic accounts receivable, advance domestic purchases of product ingredients, the higher payments of income taxes and the lapping of 1992 and 1991 effects related to restructuring accruals, partially offset by the payment to prefund employee benefits.

Investing Activities over the past three years reflected strategic spending in all three industry segments through capital spending, acquisitions and investments in affiliates. PepsiCo seeks investments that generate cash returns in excess of its long-term cost of capital, which is estimated to be approximately 11% at year-end 1994. See Note 5 for a discussion of acquisition activity. About 75% of the total acquisition activity in 1994 represented international transactions, compared to 45% in 1993 and 60% in 1992. PepsiCo continues to seek opportunities to strengthen its position in its domestic and international industry segments through such strategic acquisitions.

Increased capital spending in 1994 was driven by beverages reflecting investments in equipment for new packaging and new products in the U.S. and emerging international markets, primarily Eastern Europe. Capital spending increases in 1993 and 1992 were driven by restaurants, primarily for new units. Restaurants represented about half of the total capital spending in all three years. Restaurants, beverages and snack foods represent 40%, 30% and 30%, respectively, of the estimated $2.4 billion spending in 1995. This reflects a shift primarily from restaurants to snack foods. Beverages and snack foods 1995 capital spending reflects production capacity expansion and equipment replacements, while restaurants is primarily for new units. Restaurant capital spending in 1995 may be further reduced depending upon future decisions as described beginning on page 23. Approximately one-third of the planned 1995 capital spending relates to international businesses, about the same as the prior three years. Cash provided by operations is expected to be sufficient to fund the expected capital spending.

Investment activity in PepsiCo's short-term portfolios, primarily held outside the U.S., provided $421 million in 1994 and $259 million in 1993, respectively, compared to the increased net investment of $52 million in 1992.

Financing Activities. The 1994 over 1993 change in cash flows from net financing activities was a use of $937 million, primarily reflecting net repayments of short and long-term debt of $204 million compared to net proceeds of $590 million in 1993. The 1993 over 1992 change in cash flows from financing activities was a use of $328 million, primarily due to increased purchases of treasury stock.

At year-end 1994, PepsiCo had authority to issue $3.4 billion of long-term debt and had facilities in place in the U.S., Europe and Japan to take advantage of marketplace opportunities. The principal purposes of these shelf registrations are for financing growth activities and refinancing borrowings.

Cash dividends declared were $555 million in 1994 and $486 million in 1993. PepsiCo targets a dividend payout of about one-third of the prior year's income from ongoing operations, thus retaining sufficient earnings to provide financial resources for growth opportunities.

Share repurchase decisions are evaluated considering management's target capital structure and other investment opportunities. In 1994, PepsiCo repurchased 15.0 million shares at a cost of $549 million. Subsequent to year-end, PepsiCo repurchased 3.4 million shares through February 7, 1995 at a cost of $121 million. Including these repurchases, 18.8 million shares have been repurchased under the 50 million share repurchase authority granted by PepsiCo's Board of Directors on July 22, 1993.

Beverages

Management's Analysis

See Management's Analysis - Overview on page 7 for background information and discussion of the fifty-third week in 1994 and Business Segments on page F-9 for detailed results. Net sales and operating profits within this discussion include the impact of the fifty-third week. System bottler case sales of Pepsi Corporate brands (case sales) were not impacted by the fifty-third week because they are measured on a calendar year basis.

1994 vs. 1993

Worldwide net sales increased $1.0 billion or 12% to $9.7 billion. The fifty-third week contributed approximately 1 point to the sales growth with domestic and international operations benefiting by about 2 points and 1 point, respectively. Comparisons are affected by acquisitions, consisting primarily of franchised bottling operations in the U.S. and Asia, as well as the absence of certain small bottling operations sold or contributed to joint ventures (collectively, "net acquisitions"). Net acquisitions, principally domestic, contributed $161 million

or 2 points to worldwide sales growth.

Domestic sales rose $623 million or 11% to $6.5 billion. Net acquisitions contributed $158 million or 3 points to sales growth. Volume growth contributed $510 million, driven by carbonated soft drink (CSD) packaged products. This benefit, combined with a mix shift to the higher-priced alternative beverage packaged products and higher concentrate and fountain syrup pricing, was partially offset by lower net pricing to retailers and a mix shift to The Cube, our value-priced 24-pack. The lower net pricing reflected increased price discounts and promotional allowances for CSD in response to private label competition and Lipton brand tea. See Note 1 for discussion concerning classification of promotional price allowances. Domestic alternative beverages comprise primarily Lipton brand tea, All Sport and Ocean Spray Lemonade products. CSD comprises the balance of the Pepsi Corporate beverage portfolio.

Case sales volume consists of sales of packaged products to retailers and through vending machines and fountain syrup by company-owned and franchised bottlers. Previously existing Ocean Spray products sold to retailers under a distribution agreement are not included in reported case sales growth. Domestic case sales increased 6%, reflecting strong double-digit growth in the Mountain Dew brand and solid gains in Brand Pepsi. Case sales growth also benefited by strong double-digit growth in Lipton brand tea and gains in the Diet Pepsi brand. These advances, combined with the national distribution of All Sport and Ocean Spray Lemonade in 1994 and gains in the Slice brands, were partially offset by significant declines in the Crystal Pepsi brands. Alternative beverages contributed 2 points to the case sales growth. Case sales of fountain syrup grew at a slower rate than packaged products.

International sales rose $426 million or 16% to $3.2 billion. This growth reflected higher volume of $300 million, the start-up of company-owned bottling and distribution operations, principally in Eastern Europe, and the first year of sales of Stolichnaya vodka under the 1994 appointment of an affiliate of Grand Metropolitan as the exclusive U.S. and Canadian distributor. Higher concentrate pricing was offset by an unfavorable currency translation impact and lower net pricing on packaged products. The unfavorable currency translation impact reflected a weaker Canadian dollar, Spanish peseta and Mexican peso, partially offset by a stronger Japanese yen.

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

Worldwide operating profits increased $108 million or 10% to $1.2 billion. The fifty-third week enhanced profit growth by approximately 2 points with domestic and international operations benefiting by about 1 point and 2 points, respectively.

Domestic profits increased $85 million or 9% to $1.0 billion. Volume gains, driven by packaged products, contributed $305 million to profit growth. This benefit, combined with the higher concentrate and fountain syrup pricing, was partially offset by higher operating expenses, the lower net pricing to retailers, the mix shift to The Cube and increased product costs. Selling and distribution expenses grew at a faster rate than sales, driven by higher volume-driven labor costs. Advertising and marketing costs grew at a slower rate than sales. Administrative expenses declined modestly reflecting savings from a 1994 consolidation of headquarters and field operations and a reduction in the scope of the 1992 restructuring actions, both discussed below. These benefits were largely offset by normal increases in administrative expenses. The increased product costs reflected the mix shift to the higher cost alternative beverages and higher ingredient costs, partially offset by lower packaging costs. Alternative beverages, driven by Lipton brand tea, aided the profit growth. The domestic profit margin declined slightly to 15.6%.

In the third quarter of 1994, Pepsi-Cola reversed into income $24.2 million of the $115.4 million restructuring accrual established in 1992 and, in the third and fourth quarters, recorded additional charges totaling $22.3 million, primarily reflecting management's decision to further consolidate headquarters and field operations. The 1994 charges cover severance costs associated with employee terminations and relocation costs for employees

who, in 1994, have accepted offers to relocate. See 1993 vs. 1992 discussion for a description of the 1992 restructuring charge.

The $24.2 million reversal reflects both refinements of the estimates originally used to establish the accrual, principally for costs associated with displaced employees, and management's decision to reduce the scope of the restructuring. The nationwide implementation of several of the anticipated administrative and business process redesigns has been completed, with the balance of the redesigns projected to be completed over the next three years.

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

International profits increased $23 million or 13% to $195 million. Net acquisitions reduced profits by $9 million or 5 points. The increased profits reflected volume growth of $75 million, led by concentrate shipments. This benefit, combined with a decline in advertising and marketing expenses not attributed to volume growth, was partially offset by increased field and headquarters administrative expenses, start-up losses, principally in Eastern Europe, and an unfavorable currency translation impact, primarily from the Mexican peso and the Canadian dollar. The increased administrative expenses reflected costs to support expansion in developing markets. The higher concentrate pricing was partially offset by a decline in finished product sales to franchised bottlers, principally in Japan, and the lower net pricing on packaged products. Increased profits from the first year of sales of Stolichnaya, under the 1994 appointment of an affiliate of Grand Metropolitan as the exclusive U.S. and Canadian distributor, aided profit growth. The new Pepsi Max product significantly contributed to profit growth. Profits increased in Latin America, led by Mexico, and in Western Europe, reflecting significantly reduced losses in Germany. Profits also grew in Asia, reflecting advances in Japan. The profit growth was restrained by start-up losses in Eastern Europe and declines in Canada, reflecting private label competition. The international profit margin remained relatively unchanged at 6.2%.

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

The significant devaluation of the Mexican peso in late 1994 and early 1995 did not materially impact 1994 international beverage operating profits. However, because Mexico, our largest profit country, represented approximately 22% of international beverage operating profits in 1994, the devaluation and its related effects are expected to have an unfavorable impact on

1995 operating profits. The operations in Mexico have begun to take actions to increase volume, enhance net pricing and reduce costs, including evaluating alternative sourcing of raw materials. Nonetheless, significant uncertainties remain in Mexico and, as a result, it is not possible to quantify the impact. International beverages has also begun to take actions in several other countries in 1995 to help mitigate the impact.

1993 vs. 1992

Worldwide net sales increased $1.0 billion or 14% to $8.6 billion. Comparisons are affected by net acquisitions, consisting primarily of acquisitions of franchised bottling operations in Spain and the U.S., as well as the absence of results of certain small international bottling and distribution operations sold or contributed to a joint venture. Net acquisitions contributed $697 million or 10 points to worldwide sales growth.

Domestic sales grew $433 million or 8% to $5.9 billion. Acquisitions contributed $222 million or 4 points of domestic sales growth. Volume growth, driven by new products, contributed approximately $170 million. The balance of the sales growth reflected a mix shift to new products with higher net prices, principally the new Lipton Original brand ready-to-drink tea products and certain Ocean Spray brand juice products.

Domestic case sales increased 3%, reflecting the impact of the late 1992 introduction of Crystal Pepsi and Diet Crystal Pepsi brands, the growth in Mountain Dew brands and the expanded distribution of new Lipton brand tea products. Case sales of fountain syrup grew at the same rate as packaged products. Excluding the Lipton products, case sales volume grew 2%, driven by a double-digit increase in Mountain Dew. Case sales of the Crystal Pepsi brands offset a decline in brands Pepsi and Diet Pepsi.

International sales rose $600 million or 28% to $2.7 billion. Net acquisitions contributed $476 million or 22 points of sales growth. The balance of the sales growth reflected higher concentrate pricing, led by Latin America as well as the start-up of company-owned distribution operations in France and Eastern Europe. Sales growth was depressed by the unfavorable currency translation impact of a stronger U.S. dollar in both concentrate and bottling operations. A small decline in existing bottling operations reflected lower pricing in Germany, largely offset by higher prices and volumes in Greece.

International case sales rose 7%. Excluding the newly acquired KAS flavor brands in Spain, international case sales grew 5%. This performance reflected solid advances in Latin America as well as double-digit growth in Asia, led by China and Pakistan, and in Eastern Europe, led by Turkey and Hungary. The Middle East, particularly Saudi Arabia, also contributed to case sales growth.

Worldwide operating profits increased $310 million or 39% to $1.1 billion. Excluding the 1992 restructuring charges totaling $145 million ($115.4 million for domestic and $29.6 million for international), profits were up 18%.

The 1992 domestic charge arose from an organizational restructuring designed to improve customer focus by realigning resources consistent with Pepsi-Cola's "Right Side Up" operating philosophy, as well as a redesign of key administrative and business processes. The organizational restructuring was completed in 1992. The redesign of core processes is ongoing. The charge included provisions for costs associated with redeployed and displaced employees, the redesign of core processes and office closures.

The international restructuring charge, which related primarily to displaced employees, included $18.5 million to streamline the acquired Spanish franchised bottling operation. This amount represented 30% (PepsiCo's ownership interest prior to the acquisition of the remaining interest) of the total cost of the streamlining. The remaining $11.1 million of the charge represented costs associated with streamlining the worldwide field management organization which was substantially completed in 1993.

The costs provided for in these domestic and international restructuring actions and the related savings are principally of a cash nature. The benefits of the completed international worldwide actions resulted in annual savings of $7 million, as originally projected. The savings will continue to be reinvested

in the business to strengthen our competitive position.

Domestic profits increased $250 million or 37% to $937 million. Excluding the 1992 restructuring charge, profits grew $135 million or 17%. Volume gains, led by new products, contributed about $90 million to profits.

The combined benefit of lower packaging and ingredient costs and the favorable product mix shift was largely offset by higher operating expenses. Profit growth also benefited from a $12 million reduction in retiree health care expense due to 1993 plan amendments described in Note 12, as well as a $9 million credit arising from a net adjustment of accruals related to prior years' acquisitions. Promotional costs were about even with last year; however, selling and administrative expenses grew at a faster rate than sales due to transitional costs to support the organizational and process redesign initiatives discussed above. This higher level of selling and administrative costs as a percentage of sales is expected to continue until the benefits of these initiatives are realized. Sales of the new higher-margin Lipton Original brand tea products resulted in a significant contribution to profit growth. The Crystal Pepsi products particularly aided first quarter results, but did not significantly impact full year profits. The domestic profit margin, excluding the 1992 restructuring charge, grew over 1 point to 15.8%.

International profits increased $60 million or 53% to $172 million. Excluding the 1992 restructuring charge, profits grew $30 million or 21%. The profit advance, led by Latin America, reflected higher concentrate pricing in excess of increased operating expenses, and concentrate shipment growth that contributed about $15 million. These benefits were partially offset by increased losses in company-owned bottling and distribution operations, led by Germany. Start-ups of distribution operations also contributed to the increased losses. Unfavorable currency translation impacts, principally in concentrate operations, also negatively affected profit growth. A profit decline in bottling operations in Japan, due to increased operating expenses, was offset by growth in Canada, reflecting administrative cost reductions through consolidation of support functions in recently acquired operations. The Canadian improvement was achieved despite a $12.2 million fourth quarter 1993 charge to further streamline operations and strengthen its competitive position. Offsetting this effect was an $11.9 million credit in the second quarter of 1993 related to a settlement of litigation with a former franchised bottler in Europe. The international profit margin, excluding the 1992 restructuring charge, declined almost one-half point to 6.3%. Excluding the impact of the lower margin net acquisitions, the profit margin grew 1 point.

Snack Foods

Management's Analysis

See Management's Analysis - Overview on page 7 for background information and discussion of the fifty-third week in 1994 and Business Segments on page F-9 for detailed results. Net sales and operating profits within this discussion include the impact of the fifty-third week while pound and kilo growth have been adjusted to exclude its impact.

1994 vs. 1993

Worldwide net sales rose $1.2 billion or 18% to $8.3 billion. The fifty-third week contributed approximately 2 points to the sales growth with domestic and international operations benefiting by about 2 points and 1 point, respectively.

Domestic sales grew $646 million or 15% to $5.0 billion, reflecting volume growth of $660 million. Volume gains reflected growth in most major brands and line extensions of existing products. Sales growth was further aided by increased promotional price allowances and marketing programs to retailers, which are reported as marketing expenses and therefore do not reduce reported sales. See Note 1 for further discussion concerning classification of promotional allowances. Higher gross pricing was offset by a sales mix shift to larger, value-oriented packages and products with lower gross prices.

Total domestic pound volume advanced 13%. This performance was led by strong double-digit growth in Lay's brand potato chips, reflecting the successful promotion of Wavy Lay's brand potato chips and growth of Lay's KC Masterpiece Barbecue Flavor brand potato chips, Rold Gold and Rold Gold Fat Free Thins brand

pretzels and Tostitos brand tortilla chips, driven by Restaurant Style Tostitos brand and the expanded distribution of Baked Tostitos brand. Doritos brand tortilla chips had solid single-digit volume growth while Fritos brand corn chips and

Chee.tos brand cheese flavored snacks reflected low double-digit growth. Ruffles brand potato chips showed modest growth.

International sales rose $592 million or 22% to $3.3 billion. Confectioneries (primarily candy and cookies) account for approximately 30% of international snack food sales. Acquisitions contributed $67 million or 2 points to sales growth. The balance of the sales growth was driven by higher volumes, which contributed $590 million, led by successful promotions by the Sabritas snack chip and candy business in Mexico. A favorable brand mix shift to higher-priced products, primarily in Latin America and the U.K., and higher pricing were largely offset by the unfavorable currency translation impact of a stronger U.S. dollar, principally against the Mexican peso.

International kilo growth is reported on a systemwide basis, which includes both consolidated businesses and joint ventures operating for at least one year. Systemwide snack chip kilos rose 16%, led by strong double-digit growth at Sabritas, in Spain and Brazil and solid gains in the U.K. Systemwide confectionary kilos also grew 16%, reflecting double-digit advances at Gamesa and Sabritas and gains in Egypt and Poland.

Worldwide operating profits increased $187 million or 16% to $1.4 billion. The fifty-third week enhanced profits by approximately 2 points with domestic and international operations benefiting by about 3 points and 1 point, respectively.

Domestic profits grew $124 million or 14% to $1.0 billion. This performance reflected strong volume growth, which contributed $340 million. This growth was partially offset by the impact of increased operating and manufacturing costs and an unfavorable sales mix shift to lower-margin packages and products. Increased operating costs were driven by higher selling, distribution and new system costs in addition to increased investment in marketing costs to maintain strong momentum in 1995. Increased capacity costs were partially offset by manufacturing efficiencies. Higher vegetable oil costs were substantially offset by lower packaging and potato costs. Increased promotional price allowances and merchandising support largely offset higher pricing on certain brands. The domestic profit margin remained relatively unchanged at 20.5%.

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

International profits increased $63 million or 22% to $352 million. Higher volumes contributed $95 million to international profit growth, led by Sabritas. The combined impact of the favorable product and package mix shifts, primarily in the U.K. and Latin America, and modestly higher pricing were more than offset by higher direct and administrative costs and an unfavorable currency translation impact from the Mexican peso. Higher direct costs resulted primarily from investment initiatives to build brand equity and enhance distribution channels in Mexico. Profit growth was also dampened by the lapping of last year's noncash credit of $6.1 million resulting from the decision to retain a small snack chip business in Japan previously held for sale. The international profit margin remained relatively unchanged at 10.8%.

The international restructuring charge in 1992 related primarily to actions to consolidate and streamline the Walkers business in the U.K. that were substantially completed during 1994. These actions are estimated to result in annual savings of about $32 million, which continue to be reinvested in the business to strengthen our competitive position. See 1993 vs. 1992 discussion for a further explanation of the 1992 restructuring charge.

Strong double-digit profit growth at Sabritas was driven by higher snack chip and candy volumes. This benefit, combined with a favorable product mix shift to higher-margin snacks and lower manufacturing overhead and administrative costs, more than offset

increased potato costs, higher promotional spending and an unfavorable currency translation impact.

Walkers profits advanced at a strong double-digit rate, driven by a favorable product mix shift, reflecting increased sales of higher-margin branded products and the elimination of most lower-margin private label products,

increased volumes, lower raw material and packaging costs and lower manufacturing expenses resulting from the 1992 restructuring actions. These benefits offset start-up costs related to the launch of Doritos brand tortilla chips which exceeded incremental profits generated.

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

The significant devaluation of the Mexican peso in late 1994 and early 1995 did not materially impact 1994 international snack food operating profits. However, because Sabritas and Gamesa combined represented approximately 63% of international snack food operating profits in 1994, the devaluation and its related effects are expected to have an unfavorable impact on 1995 operating profits. Sabritas and Gamesa have begun to increase pricing and reduce costs, including evaluating alternative sourcing of raw materials. Nonetheless, significant uncertainties remain in Mexico and, as a result, it is not possible to quantify the impact. International snack foods has also begun to take actions in several of its other countries in 1995 to help mitigate the impact.

1993 vs. 1992

Worldwide net sales rose $895 million or 15% to $7.0 billion. Comparisons are affected by international acquisitions, consisting principally of the securing of a controlling interest in the Gamesa (Mexico) cookie business and the buyout of the joint venture partner at Hostess Frito-Lay (Canada), both in 1992, as well as the 1993 reconsolidation of a small snack chip business in Japan previously held for sale (collectively, "acquisition activity"). Acquisition activity added $383 million or 7 points to the worldwide sales growth.

Domestic sales grew $415 million or 11% to $4.4 billion. Volume growth contributed $320 million to the domestic increase. Sales growth also reflected higher effective pricing through lower package weights, partially offset by a sales mix shift to larger, value-oriented packages and products with lower gross prices. The higher effective pricing was mitigated by increased promotional price allowances to retailers, which are reported as marketing expenses and therefore do not reduce reported sales.

Total domestic pound sales advanced 8%, reflecting double-digit growth in Lay's brand potato chips, Doritos and Tostitos brand tortilla chips and Rold Gold brand pretzels.

International sales rose $480 million or 22% to $2.6 billion. Acquisition activity contributed $383 million or 18 points to the increase. The balance of the sales growth, led by the Sabritas snack chip and candy business in Mexico, reflected higher volumes, which contributed $150 million, and higher pricing. This growth was partially offset by the unfavorable currency translation impact of a stronger U.S. dollar, principally against the British pound.

International systemwide snack chip volume rose 5%,led by double-digit growth in Canada and Turkey and gains at Sabritas and in the U.K. Confectioneries (primarily candy and cookies) account for about 30% of reported international snack food sales. Systemwide confectionery volume grew 7% reflecting gains at Gamesa and double-digit advances at Sabritas.

Worldwide operating profits increased $205 million or 21% to $1.2 billion. Excluding a 1992 international restructuring charge of $40.3 million, profits increased 16%.

The largest component of the 1992 restructuring charge related to actions, many of which were completed in 1993, to consolidate and streamline the Walkers business in the U.K. The costs provided for in these restructuring actions and related

savings are principally of a cash nature. As originally projected, these actions, when fully implemented, are currently expected to result in annual savings of about $35 million, providing additional resources for reinvestment in the business to strengthen our competitive position.

Domestic profits rose $125 million or 16% to $901 million. This performance reflected volume growth, which contributed $165 million to domestic profits, and a $24 million reduction in retiree health care expense due to 1993 plan amendments described in Note 12. These benefits were partially offset by increased manufacturing costs and other operating expenses that exceeded the higher effective pricing. The unfavorable sales mix shift also depressed profit growth. The higher manufacturing costs reflected a temporary increase in potato costs of approximately $25 million resulting from the effects of extreme weather conditions in March on the potato crop in the Southern U.S. The domestic profit margin rose 1 point to 20.6%.

Though difficult to forecast, higher prices in 1994 for vegetable oil, resulting from the past summer's flooding in the Midwestern U.S., were expected to be partially offset by a decline in potato prices from 1993 levels.

International profits grew $80 million or 38% to $289 million. Excluding the 1992 restructuring charge, profits rose $39 million or 16%. The profit performance was driven by Sabritas and reflected higher volumes, which contributed $85 million to profit growth, and a $6.1 million credit resulting from the decision to retain the business in Japan. This growth was partially offset by operating cost increases, net of savings from the restructuring actions announced in 1992, that exceeded higher pricing, and unfavorable currency translation impacts. The international profit margin, excluding the 1992 restructuring charge, declined one-half point to 10.9%. Excluding the impact of lower margin acquisitions, the profit margin increased over 1 point.

Double-digit profit growth at Sabritas was driven by higher snack chip and candy volumes. Increased manufacturing and other operating expenses were partially offset by higher pricing.

Profits in the U.K. declined due to an unfavorable currency translation impact. Double-digit profit growth on a local currency basis reflected the cost savings from the 1992 restructuring actions, volume gains and a sales mix shift to higher margin products, partially offset by increased manufacturing costs. Profit growth was also depressed by the effect of a 1992 credit arising from the final settlement of pension assets related to the 1989 acquisition of the U.K. operations. A decline in profits for Poland reflected increased manufacturing costs and lower pricing.

Gamesa and Hostess Frito-Lay, both acquired midyear 1992, posted volume-driven profit growth for the comparable period since acquisition; i.e., the second half of 1993 vs. 1992. Acquisition activity, which includes only the results for the first half of 1993 for Gamesa and Hostess Frito-Lay, did not, however, significantly affect the full year international profit comparison, as losses at Gamesa offset profits contributed by Hostess Frito-Lay and other smaller acquisitions. Gamesa posted a profit for the full year despite the first half loss.

Restaurants

Management's Analysis

See Management's Analysis - Overview on page 7 for background information and discussion of the fifty-third week in 1994 and Business Segments on page F-9 for detailed results. Net sales and operating profits within this discussion include the impact of the fifty-third week while same store sales growth has been adjusted to exclude its impact. Also, for purposes of this analysis, the net sales and operating profits of the franchisee operations of PFS, PepsiCo's restaurant distribution operation, have been allocated to each restaurant chain.

1994 vs. 1993

Worldwide net sales increased $1.2 billion or 12% to $10.5 billion. The fifty-third week contributed approximately 1 point to the sales growth with domestic and international operations benefiting by about 1 point and 2 points, respectively. The sales growth was primarily due to $934 million from additional

units (units constructed and acquired, principally from franchisees, net of units closed and sold) and volume growth of $185 million. Domestic sales increased $668 million or 8% to $8.7 billion and international sales rose $497 million or 37% to $1.8 billion.

Worldwide operating profits declined $48 million or 6% to $730 million. The fifty-third week mitigated the profit decline by approximately 3 points with domestic and international operations benefiting at the same rate. The decline reflected increased administrative and support costs, including spending for strategic initiatives and aggressive international unit development, higher store operating costs and a sales mix shift to lower-margin products. These were partially offset by additional units that contributed $73 million, lower raw material costs and higher franchise royalty revenues. Volume growth of $30 million was offset by lower net prices. Domestic profits declined $26 million or 4% to $659 million. International profits fell $22 million or 23% to $71 million, which included a $7 million charge to consolidate the headquarters operations for the three international restaurant businesses into one.

The significant devaluation of the Mexican peso in late 1994 and early 1995 did not materially impact 1994 international restaurant operating profits. Results from Mexico constitute an immaterial portion of international restaurant profits. However, the devaluation and its related effects are expected to have an unfavorable impact on 1995 results. The operations in Mexico have begun to increase pricing and reduce costs, including evaluating alternative sourcing of raw materials. In addition, further expansion of company-owned units has been temporarily halted pending stabilization of the economy. Nonetheless, significant uncertainties remain in Mexico and, as a result, it is not possible to quantify the impact.

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

Pizza Hut

Worldwide sales increased $346 million or 8% to $4.5 billion driven by international operations. However, the domestic operations continue to represent the major portion of worldwide Pizza Hut. The worldwide sales increase was driven by additional units that contributed $460 million, including $80 million from the domestic acquisition of D'Angelo Sandwich Shops late in 1993. This benefit was partially offset by lower volumes of $60 million, reflecting domestic volume declines that exceeded international volume gains, and lower net pricing. The domestic volume declines primarily reflected lapping the successful national roll-out of Bigfoot Pizza in 1993.

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

Worldwide profits decreased $77 million or 21% to $295 million. This decline reflected the lower net pricing due to value-oriented promotions, increased administrative and support spending, primarily to develop international markets, lower volumes of $35 million, reflecting the domestic volume declines partially offset by the international volume advances, and higher store operating costs. These were partially offset by additional units that contributed $27 million, increased franchise royalty revenues and favorable food costs, as slightly higher cheese prices were more than offset by favorable meat costs. Though difficult to forecast, these food costs are expected to decrease in 1995. The profit decline was also mitigated by a favorable impact of $14 million from extending depreciable lives on certain domestic delivery assets and the absence of last year's start-up costs associated with Bigfoot Pizza. The worldwide profit margin declined more than 2 points to 6.6%.

International sales posted strong double-digit growth driven by additional units, particularly in Korea, Brazil, Canada, Mexico and Spain. Volume gains were partially offset by lower net pricing. International profits declined sharply, reflecting increased start-up and administrative costs to support aggressive development strategies,

partially offset by additional units and increased franchise royalty revenues. International profits also reflected Pizza Hut's share of the international restaurants'consolidation charge.

Strong gains in Korea, the largest profit market, primarily reflected additional units and strong volume growth. Profits declined in the largest sales markets, Australia and Canada. Additionally, significant start-up losses were experienced in the new Poland operations.

Taco Bell

Worldwide sales increased $500 million or 17% to $3.4 billion. The domestic operations represent substantially all of worldwide Taco Bell. The worldwide sales growth was led by additional Taco Bell units which contributed $281 million and volume gains that provided $125 million, half of which was the result of food and paper sales to additional franchisees. The sales growth also reflected $84 million due to the acquisition of Chevys in the third quarter of 1993 and new Chevys units. Same store sales for domestic company-owned Taco Bell units grew 2%, though volume grew at a slower rate.

Worldwide profits rose $17 million or 7% to $270 million. The profit growth reflected lower food costs, additional units which contributed $24 million, volume gains of $20 million, higher soft drink prices and increased franchise royalty revenues. These benefits were partially offset by higher store operating costs, driven by increased labor costs, an unfavorable mix shift to lower-margin products and higher headquarters administrative expenses. Profit growth was restrained by increased losses posted by Hot 'n Now. Taco Bell plans to transition Hot 'n Now during 1995 from primarily a company-operated to a licensee/franchisee-operated business. This is expected to significantly reduce Hot 'n Now's operating losses in 1995. Taco Bell worldwide profit margin fell almost 1 point to 7.9%.

International operations posted strong double-digit sales growth, principally due to additional units. Volume gains were largely offset by an unfavorable currency translation impact of a weaker Canadian dollar. International operating results improved slightly, although still resulting in a modest loss in 1994, as volume gains were partially offset by start-up losses of new units.

KFC

Worldwide sales rose $319 million or 14% to $2.6 billion. The sales growth reflected additional units that contributed $193 million and volume gains of $120 million.

Worldwide profits increased $12 million or 8% to $165 million, reflecting the absence of last year's start-up costs associated with the Colonel's Rotisserie Gold roasted chicken product and accompanying side items (collectively, "CRG"). Higher volumes of $40 million, additional units that contributed $22 million and increased franchise royalty revenues were largely offset by a sales mix shift to lower-margin products, higher field and headquarters administrative and support costs and lower net pricing. The worldwide profit margin declined almost one-half point to 6.2% due to international operations.

The improvement in KFC's domestic sales reflected an increase in volume, as gains from CRG and the value-oriented Mega Meal were partially offset by lower volumes of existing products, and higher net pricing. Same store sales advanced 2% from last year, though volumes grew at a slightly slower rate.

Domestic profits grew at a double-digit rate in 1994. Operating profit benefited from the absence of last year's start-up costs associated with CRG. Higher net pricing and volume gains were offset by a mix shift to the lower-margin CRG and Mega Meal offerings. Reduced store operating costs, including lower product costs, primarily due to reformulation of side items late in the second quarter, and the 1994 impact of favorable actuarial adjustments to prior year workers' compensation claim accruals, were partially offset by increased administrative costs. Profit

growth was depressed by lapping last year's $3.3 million favorable adjustment to a 1991 reorganization accrual.

Double-digit international sales growth was led by the combined impact of acquired units in the U.K. and new units in Mexico, Australia and Canada. The balance of the sales growth reflected volume gains due, in part, to new value-priced offerings, partially offset by the related lower net pricing.

International profit growth was modest. Excluding KFC's share of the international restaurants' consolidation charge, strong single-digit international operating profit growth reflected gains from additional units and higher franchise royalty revenues, partially offset by increased store operating costs and higher field administrative and support costs. The volume gains were offset by the lower net pricing.

Profits increased in Australia, the largest market, and New Zealand. Mexico's profits declined sharply and Canada reported significantly lower results.

International sales represented about 40% of worldwide sales in 1994 and 30% in 1993. International profits represented about 40% of worldwide profits in 1994 and 1993.

1993 vs. 1992

Worldwide net sales rose $1.1 billion or 14% to $9.4 billion. This advance was driven by additional units, which contributed $913 million. Volume growth, led by domestic Pizza Hut, provided $175 million of the sales advance. Domestic sales grew $910 million or 13% to $8.0 billion and international sales rose $213 million or 19% to $1.4 billion. The unfavorable currency translation impact of a stronger U.S. dollar depressed international sales growth.

Worldwide operating profits grew $60 million or 8% to $778 million. Additional units provided $89 million and volume growth contributed $75 million to the profit increase. Increased operating costs were partially offset by modestly higher net pricing (principally at domestic KFC) and increased franchise royalty revenues. Domestic profits rose $87 million or 15% to $685 million, while international profits declined $27 million or 23% to $93 million reflecting weakness in Australia.

Pizza Hut

Worldwide sales increased $525 million or 15% to $4.2 billion. The domestic operations represent the major portion of worldwide Pizza Hut. Additional units contributed $392 million to the worldwide sales increase. Volume growth provided $140 million, driven by strong domestic gains resulting from the national roll-out of the new value-priced Bigfoot Pizza in the second quarter.

Same store sales advanced 5% though volume growth was slightly higher. This performance reflected growth in all three distribution channels: delivery, carryout and dine-in. Improved sales in both delivery and carryout were driven by the success of Bigfoot. The growth in dine-in reflected the impact of the third quarter 1992 roll-out of the all-you-can-eat pizza and salad lunch buffet. Results late in 1993 indicated a softening of same store sales trends in dine-in due primarily to lapping last year's roll-out of the lunch buffet.

Worldwide profits advanced $37 million or 11% to $372 million. This profit performance reflected $55 million from volume growth, $41 million from additional units, increased franchise royalty revenues and higher international net pricing. These benefits were partially offset by increased store operating costs as well as administrative and support expenses, which included the start-up costs associated with Bigfoot. Bigfoot contributed significantly to U.S. profit growth as incremental volume, net of estimated cannibalization of other products, more than offset the effect of the product's lower margin and the start-up costs. Prices for cheese have fluctuated significantly in recent years. Lower cheese costs in 1993 were offset by higher meat and produce costs. The effect of these increasing costs was exacerbated by a sales mix shift to more heavily-topped pizzas and the lunch buffet. Though difficult to forecast, commodity costs (led by cheese) were expected to increase. The

worldwide profit margin declined almost one-half point to 9.0%
due to lower international profits.

International sales posted double-digit growth driven by additional units in several markets, including Canada, Belgium, Australia, Spain and Puerto Rico. This benefit, combined with higher net pricing and increased franchise royalty revenues, was partially offset by an unfavorable currency translation impact, principally in Australia and Canada. International profits declined slightly, primarily reflecting an unfavorable currency translation impact. The contributions of the additional units, higher net pricing and increased franchise royalty revenues were largely offset by higher operating expenses, principally development and support costs.

In the largest sales markets, profits declined in Australia, but rose in Canada. Australia's performance reflected lower volumes, despite introduction of Bigfoot Pizza in the third quarter, and intense competitive pricing activity. To provide even greater value and stimulate volume growth in 1994, a more heavily-topped Bigfoot was relaunched late in 1993 and a new value-oriented menu was introduced. Canada's profit growth reflected higher net pricing, additional units and volume growth. A product similar to Bigfoot, launched in the third quarter, contributed to improved results.

Taco Bell

Worldwide sales grew $441 million or 18% to $2.9 billion. The domestic operations represent substantially all of worldwide Taco Bell. The worldwide sales increase was driven by additional units, which contributed $364 million, including $78 million from additional Hot 'n Now units and the acquired Chevys units. The balance of the sales growth reflected the impact of higher store volumes, partially offset by lower distribution sales by PFS caused by the late 1992/early 1993 switch to another supplier by certain franchisees. Same store sales for Taco Bell units rose 6% due to volume growth.

Worldwide profits increased $39 million or 18% to $253 million. Additional units contributed $35 million and volume growth provided $25 million. These benefits, combined with higher franchise royalty revenues and a small decline in food and promotional costs, were partially offset by increased headquarters administrative and support expenses. Profit growth was depressed by increased losses at Hot 'n Now, reflecting costs associated with a decision to not develop certain sites as well as losses at new units. The worldwide profit margin was even at 8.7%. Profits in 1994 were expected to be aided by a late 1993 price increase for certain soft drink sizes.

International operations posted double-digit sales growth and a small loss compared to a small profit in 1992, reflecting increased development and support costs, as well as costs associated with a store closure in the U.K.

KFC

Worldwide sales rose $157 million or 7% to $2.3 billion. Additional units, principally in international markets, contributed $158 million to sales growth. Higher domestic net pricing and increased franchise royalty revenues also aided sales growth. Sales growth was depressed by an unfavorable currency translation impact as well as lower store volumes.

Worldwide profits decreased $16 million or 9% to $153 million as lower international profits were partially offset by an increase domestically. The worldwide profit decline reflected higher store operating costs, which included start-up costs associated with the roll-out of the new roasted chicken products in the U.S. and Australia, and increased international administrative and support expenses, partially offset by the higher net pricing and increased franchise royalty revenues. The contribution from additional units of $13 million was partially offset by the impact of lower volumes. The worldwide profit margin fell over 1 point to 6.6% due to lower international profits.

Improvement in domestic sales reflected additional units and higher net pricing, principally from a lower level of price discounting, partially offset by lower store volumes. Same store

sales were about even with last year. The introduction of CRG late in the year contributed significantly to strong same store sales growth in the fourth quarter of 1993.

Domestic profits grew at a high single-digit rate reflecting the higher net pricing that exceeded increased store operating costs. This benefit, combined with the impact of additional units and higher franchise royalty revenues, was partially offset by the effect of lower volumes. The profit performance also reflected a favorable adjustment of the 1991 restructuring accrual. For the year, the benefits from incremental volume of CRG, net of estimated cannibalization of other products, were more than offset by the effect of CRG's lower margin and the start-up expenses for the roll-out. However, CRG contributed significantly to profit growth in the fourth quarter of 1993.

International sales posted double-digit growth, driven by additional units in Singapore, Canada and Mexico, partially offset by an unfavorable currency translation impact. A double-digit decline in profits was caused principally by Australia, the largest sales market. Increased administrative and support costs also contributed to the profit decline.

Australia's performance was depressed by the start-up expenses associated with its new value-priced TenderRoast chicken product, the combined impact of the product's lower margin and its greater than expected cannibalization of other higher-margin products and an overall decline in volumes. Initiatives were underway to drive incremental sales of TenderRoast. Canada, the next largest sales market, posted a relatively modest decline in profits reflecting lower volumes and competitive pricing activity. To improve results in 1994 for both Australia and Canada, KFC introduced new value-oriented menus and rolled out delivery in certain markets.

International sales represented about 30% of worldwide sales in 1993 and 1992. International profits represented about 40% of worldwide profits in 1993 and 50% in 1992.

Item 8. Financial Statements and Supplementary Data

See Index to Financial Information on page F-1.

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

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

The name, age and background of each of the Company's directors nominated for reelection are contained under the caption "Election of Directors" in the Company's Proxy Statement for its 1995 Annual Meeting of Shareholders and are incorporated herein by reference.

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

NAME	POSITION	AGE
D. Wayne Calloway	Chairman of the Board and Chief Executive Officer	59
Roger A. Enrico	Vice Chairman of the Board and Chairman and Chief Executive Officer, PepsiCo Worldwide Restaurants	50
Robert G. Dettmer	Executive Vice President and Chief Financial Officer	63
Randall C. Barnes	Senior Vice President and Treasurer	43
Robert L. Carleton	Senior Vice President and Controller	54

Edward V. Lahey, Jr.	Senior Vice President, General Counsel and Secretary	56
Indra K. Nooyi	Senior Vice President, Strategic Planning	39

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

Item 11. Executive Compensation

Information on compensation of the Company's directors and executive officers is contained in the Company's Proxy Statement for its 1995 Annual Meeting of Shareholders under the caption "Executive Compensation" and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information on the number of shares of PepsiCo Capital Stock beneficially owned by each director and by all directors and officers as a group is contained under the caption "Ownership of Capital Stock by Directors and Officers" in the Company's Proxy Statement for its 1995 Annual Meeting of Shareholders and is incorporated herein by reference. As far as is known to the Company, no person owns beneficially more than 5% of the outstanding shares of PepsiCo Capital Stock.

Item 13. Certain Relationships and Related Transactions

Not applicable.

PART IV

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

(a) 1. Financial Statements

See Index to Financial Information on page F-1.

2. Financial Statement Schedules

See Index to Financial Information on page F-1.

3. Exhibits

See Index to Exhibits on page E-1.

(b) Reports on Form 8-K

None.

SIGNATURES

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

Dated: March 28, 1995

PEPSICO, INC.

By: /s/ EDWARD V. LAHEY, JR.
Edward V. Lahey, Jr.
Attorney-in-Fact

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

SIGNATURE	TITLE	DATE
/s/ D. WAYNE CALLOWAY D. Wayne Calloway	Chairman of the Board and Chief Executive Officer	March 28, 1995
/s/ ROBERT G. DETTMER Robert G. Dettmer	Executive Vice President and Chief Financial Officer	March 28, 1995
/s/ ROBERT L. CARLETON Robert L. Carleton	Senior Vice President and Controller (Chief Accounting Officer)	March 28, 1995
/s/ ROGER A. ENRICO Roger A. Enrico	Vice Chairman of the Board, Chairman and Chief Executive Officer, PepsiCo Worldwide Restaurants, and Director	March 28, 1995
/s/ JOHN F. AKERS John F. Akers	Director	March 28, 1995
/s/ ROBERT E. ALLEN Robert E. Allen	Director	March 28, 1995
/s/ JOHN J. MURPHY John J. Murphy	Director	March 28, 1995
/s/ ANDRALL E. PEARSON Andrall E. Pearson	Director	March 28, 1995

/s/ SHARON PERCY ROCKEFELLER Sharon Percy Rockefeller	Director	March 28, 1995
/s/ ROGER B. SMITH Roger B. Smith	Director	March 28, 1995
/s/ ROBERT H. STEWART, III Robert H. Stewart, III	Director	March 28, 1995
/s/ FRANKLIN A. THOMAS Franklin A. Thomas	Director	March 28, 1995
/s/ P. ROY VAGELOS P. Roy Vagelos	Director	March 28, 1995
/s/ ARNOLD WEBER Arnold R. Weber	Director	March 28, 1995

PepsiCo, Inc. and Subsidiaries

FINANCIAL INFORMATION

FOR INCLUSION IN ANNUAL REPORT ON FORM 10-K

FISCAL YEAR ENDED DECEMBER 31, 1994

PEPSICO, INC. AND SUBSIDIARIES

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All other financial statements and schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the above listed financial statements or the notes thereto.

Consolidated Statement of Income
(in millions except per share amounts)
PepsiCo, Inc. and Subsidiaries
Fifty-three weeks ended December 31, 1994 and fifty-two weeks ended December 25, 1993 and December 26, 1992

	1994	1993	1992
Net Sales	$28,472.4	$25,020.7	$21,970.0
Costs and Expenses, net			
Cost of sales	13,715.4	11,946.1	10,611.7
Selling, general and administrative expenses	11,243.6	9,864.4	8,721.2
Amortization of intangible assets	312.2	303.7	265.9
Operating Profit	3,201.2	2,906.5	2,371.2
Gain on joint venture stock offering	17.8	-	-
Interest expense	(645.0)	(572.7)	(586.1)
Interest income	90.4	88.7	113.7
Income Before Income Taxes and Cumulative Effect of Accounting Changes	2,664.4	2,422.5	1,898.8
Provision for Income Taxes	880.4	834.6	597.1
Income Before Cumulative Effect of Accounting Changes	1,784.0	1,587.9	1,301.7
Cumulative Effect of Accounting Changes			
Postemployment benefits (net of income tax benefit of $29.3)	(55.3)	-	-
Pension assets (net of income tax expense of $14.5)	23.3	-	-
Postretirement benefits other than pensions (net of income tax benefit of $218.6)	-	-	(356.7)
Income taxes	-	-	(570.7)
Net Income	$ 1,752.0	$ 1,587.9	$ 374.3
Income (Charge) Per Share			
Before cumulative effect of accounting changes	$ 2.22	$ 1.96	$ 1.61
Cumulative effect of accounting changes			
Postemployment benefits	(0.07)	-	-
Pension assets	0.03	-	-
Postretirement benefits other than pensions	-	-	(0.44)
Income taxes	-	-	(0.71)
Net Income Per Share	$ 2.18	$ 1.96	$ 0.46
Average shares outstanding used to calculate income (charge) per share	803.6	810.1	806.7

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet
(in millions except per share amount)
PepsiCo, Inc. and Subsidiaries
December 31, 1994 and December 25, 1993

	1994	1993
ASSETS		
Current Assets		
Cash and cash equivalents	$ 330.7	$ 226.9
Short-term investments, at cost	1,157.4	1,573.8
	1,488.1	1,800.7
Accounts and notes receivable, less allowance: $150.6 in 1994 and $128.3 in 1993	2,050.9	1,883.4
Inventories	970.0	924.7
Prepaid expenses, taxes and other current assets	563.2	499.8
Total Current Assets	5,072.2	5,108.6
Investments in Affiliates	1,295.2	1,090.5
Property, Plant and Equipment, net	9,882.8	8,855.6
Intangible Assets, net	7,842.1	7,929.5
Other Assets	699.7	721.6
Total Assets	$24,792.0	$23,705.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 1,451.6	$ 1,390.0
Accrued compensation and benefits	753.5	726.0
Short-term borrowings	678.5	2,191.2
Income taxes payable	671.7	823.7
Accrued marketing	546.2	400.9
Other current liabilities	1,168.9	1,043.1
Total Current Liabilities	5,270.4	6,574.9
Long-term Debt	8,840.5	7,442.6
Other Liabilities	1,852.1	1,342.0
Deferred Income Taxes	1,972.9	2,007.6
Shareholders' Equity		
Capital stock, par value 1 2/3 cents per share: authorized 1,800.0 shares, issued 863.1 shares	14.4	14.4
Capital in excess of par value	934.4	879.5
Retained earnings	7,739.1	6,541.9
Currency translation adjustment and other	(470.6)	(183.9)
	8,217.3	7,251.9
Less: Treasury stock, at cost: 73.2 shares and 64.3 shares in 1994 and 1993, respectively	(1,361.2)	(913.2)
Total Shareholders' Equity	6,856.1	6,338.7
Total Liabilities and Shareholders' Equity	$24,792.0	$23,705.8

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows (page 1 of 2)
(in millions)
PepsiCo, Inc. and Subsidiaries
Fifty-three weeks ended December 31, 1994 and fifty-two weeks ended December 25, 1993 and December 26, 1992

	1994	1993	1992
Cash Flows - Operating Activities			
Income before cumulative effect of accounting changes	$ 1,784.0	$ 1,587.9	$ 1,301.7
Adjustments to reconcile income before cumulative effect of accounting changes to net cash provided by operating activities:			
Depreciation and amortization	1,576.5	1,444.2	1,214.9
Deferred income taxes	(66.9)	83.3	(52.0)
Other noncash charges and credits, net	391.1	344.8	315.6
Changes in operating working capital, excluding effects of acquisitions:			
Accounts and notes receivable	(111.8)	(161.0)	(45.7)
Inventories	(101.6)	(89.5)	(11.8)
Prepaid expenses, taxes and other current assets	1.2	3.3	(27.4)
Accounts payable	30.4	143.2	(102.0)
Income taxes payable	54.4	(125.1)	(16.9)
Other current liabilities	158.7	(96.7)	135.2
Net change in operating working capital	31.3	(325.8)	(68.6)
Net Cash Provided by Operating Activities	3,716.0	3,134.4	2,711.6
Cash Flows - Investing Activities			
Acquisitions and investments in affiliates	(315.8)	(1,011.2)	(1,209.7)
Capital spending	(2,253.2)	(1,981.6)	(1,549.6)
Proceeds from sales of property, plant and equipment	55.3	72.5	89.0
Short-term investments, by original maturity:			
More than three months-purchases	(218.6)	(578.7)	(1,174.8)
More than three months-maturities	649.5	846.0	1,371.8
Three months or less, net	(9.9)	(8.3)	(249.4)
Other, net	(268.3)	(109.4)	(30.8)
Net Cash Used for Investing Activities	$(2,361.0)	$(2,770.7)	$(2,753.5)

(Continued on following page)

Consolidated Statement of Cash Flows (page 2 of 2)
(in millions)
PepsiCo, Inc. and Subsidiaries
Fifty-three weeks ended December 31, 1994 and fifty-two weeks ended December 25, 1993 and December 26, 1992

	1994	1993	1992
Cash Flows - Financing Activities			
Proceeds from issuances of long-term debt	$ 1,285.2	$ 710.8	$ 1,092.7
Payments of long-term debt	(1,179.5)	(1,201.9)	(616.3)
Short-term borrowings, by original maturity:			
More than three months-proceeds	1,303.8	3,033.6	911.2
More than three months-payments	(1,727.7)	(2,791.6)	(2,062.6)
Three months or less, net	113.8	839.0	1,075.3
Cash dividends paid	(540.2)	(461.6)	(395.5)
Purchases of treasury stock	(549.1)	(463.5)	(32.0)
Proceeds from exercises of stock options	97.4	68.6	82.8
Other, net	(43.5)	(36.7)	(30.9)
Net Cash (Used for) Provided by Financing Activities	(1,239.8)	(303.3)	24.7
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(11.4)	(3.4)	0.4
Net Increase (Decrease) in Cash and Cash Equivalents	103.8	57.0	(16.8)
Cash and Cash Equivalents - Beginning of Year	226.9	169.9	186.7
Cash and Cash Equivalents - End of Year	$ 330.7	$ 226.9	$ 169.9
Supplemental Cash Flow Information			
Cash Flow Data			
Interest paid	$ 591.1	549.5	574.7
Income taxes paid	$ 663.1	675.6	519.7
Schedule of Noncash Investing and Financing Activities			
Liabilities assumed in connection with acquisitions	$ 223.5	897.0	383.8
Issuance of treasury stock and debt for acquisitions	$ 38.8	364.5	189.5
Book value of net assets exchanged for investment in affiliates	$ -	60.8	86.7

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Shareholders' Equity (page 1 of 2)
(in millions except per share amounts)
PepsiCo, Inc. and Subsidiaries
Fifty-three weeks ended December 31, 1994 and fifty-two weeks ended December 25, 1993 and December 26, 1992

	Capital Stock			
	Issued		Treasury	
	Shares	Amount	Shares	Amount
Shareholders' Equity, December 28, 1991	863.1	$14.4	(74.0)	$ (745.9)
1992 Net income	-	-	-	-
Cash dividends declared (per share-$0.51)	-	-	-	-
Currency translation adjustment	-	-	-	-
Shares issued in connection with acquisitions	-	-	4.3	44.2
Stock option exercises, including tax benefits of $57.5	-	-	6.3	65.3
Purchases of treasury stock	-	-	(1.0)	(32.0)
Other	-	-	0.1	1.4
Shareholders' Equity, December 26, 1992	863.1	$14.4	(64.3)	$ (667.0)
1993 Net income	-	-	-	-
Cash dividends declared (per share-$0.61)	-	-	-	-
Currency translation adjustment	-	-	-	-
Purchases of treasury stock	-	-	(12.4)	(463.5)
Shares issued in connection with acquisitions	-	-	8.9	170.2
Stock option exercises, including tax benefits of $23.4	-	-	3.4	46.0
Pension liability adjustment, net of deferred taxes of $5.1	-	-	-	-
Other	-	-	0.1	1.1
Shareholders' Equity, December 25, 1993	863.1	$14.4	(64.3)	$ (913.2)
1994 Net income	-	-	-	-
Cash dividends declared (per share-$0.70)	-	-	-	-
Currency translation adjustment	-	-	-	-
Purchases of treasury stock	-	-	(15.0)	(549.1)
Stock option exercises, including tax benefits of $27.1	-	-	4.9	80.8
Shares issued in connection with acquisitions	-	-	0.9	15.1
Pension liability adjustment, net of deferred taxes of $5.1	-	-	-	-
Other	-	-	0.3	5.2
Shareholders' Equity, December 31, 1994	863.1	$14.4	(73.2)	$(1,361.2)

(Continued on following page)

Consolidated Statement of Shareholders' Equity (page 2 of 2)
(in millions except per share amounts)
PepsiCo, Inc. and Subsidiaries
Fifty-three weeks ended December 31, 1994 and fifty-two weeks ended December 25, 1993 and December 26, 1992

	Capital in Excess of Par Value	Retained Earnings	Currency Translation Adjustment and Other	Total
Shareholders' Equity, December 28, 1991	$476.6	$5,470.0	$ 330.3	$5,545.4
1992 Net income	-	374.3	-	374.3
Cash dividends declared (per share-$0.51)	-	(404.6)	-	(404.6)
Currency translation adjustment	-	-	(429.3)	(429.3)
Shares issued in connection with acquisitions	115.3	-	-	159.5
Stock option exercises, including tax benefits of $57.5	74.9	-	-	140.2
Purchases of treasury stock	-	-	-	(32.0)
Other	0.8	-	-	2.2
Shareholders' Equity, December 26, 1992	$667.6	$5,439.7	$ (99.0)	$5,355.7
1993 Net income	-	1,587.9	-	1,587.9
Cash dividends declared (per share-$0.61)	-	(485.7)	-	(485.7)
Currency translation adjustment	-	-	(77.0)	(77.0)
Purchases of treasury stock	-	-	-	(463.5)
Shares issued in connection with acquisitions	164.6	-	-	334.8
Stock option exercises, including tax benefits of $23.4	46.1	-	-	92.1
Pension liability adjustment, net of deferred taxes of $5.1	-	-	(7.9)	(7.9)
Other	1.2	-	-	2.3
Shareholders' Equity, December 25, 1993	$879.5	$6,541.9	$(183.9)	$6,338.7
1994 Net income	-	1,752.0	-	1,752.0
Cash dividends declared (per share-$0.70)	-	(554.8)	-	(554.8)
Currency translation adjustment	-	-	(294.6)	(294.6)
Purchases of treasury stock	-	-	-	(549.1)
Stock option exercises, including tax benefits of $27.1	44.5	-	-	125.3
Shares issued in connection with acquisitions	13.7	-	-	28.8
Pension liability adjustment, net of deferred taxes of $5.1	-	-	7.9	7.9
Other	(3.3)	-	-	1.9
Shareholders' Equity, December 31, 1994	$934.4	$7,739.1	$(470.6)	$6,856.1

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements
(tabular dollars in millions except per share amounts)

Note 1 - Summary of Significant Accounting Policies

The preparation of the Consolidated Financial Statements requires estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Actual results could differ from those estimates. Certain reclassifications were made to prior year amounts to conform with the 1994 presentation. Significant accounting policies are discussed below, or where applicable, in the Notes that follow.

Principles of Consolidation. The financial statements reflect the consolidated accounts of PepsiCo, Inc. and its controlled affiliates. Intercompany accounts and transactions have been eliminated. Investments in affiliates in which PepsiCo exercises significant influence but not control are accounted for by the equity method and the equity in net income is included in Selling, general and administrative expenses.

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

Promotional discounts to retailers in the beverage segment are classified as a reduction of sales; in the snack food segment, such discounts are generally classified as marketing costs. The difference in classification reflects our historical view that promotional discounts had become so pervasive in the beverage industry, compared to the snack food industry, that they were effectively price discounts and should be classified accordingly. This differing accounting classification was also supported by a survey of the accounting practice of others in the beverage and snack foods industries. PepsiCo plans to review its accounting policy in 1995 to determine whether the different accounting classification for beverages and snack foods still reflects the substance of the activity and whether it continues to be consistent with others in our industries. Depending on the outcome of the review, PepsiCo may change its accounting classification of beverage or snack food promotional discounts. Any change will not impact reported earnings as it would only result in a reclassification of the cost of promotional discounts between Net Sales and Selling, general and administrative expenses.

Cash Equivalents. Cash equivalents represent funds temporarily invested (with original maturities not exceeding three months) as part of PepsiCo's management of day-to-day operating cash receipts and disbursements. All other investment portfolios, largely held outside the U.S., are primarily classified as short-term investments.

Net Income Per Share. Net income per share is computed by dividing net income by the weighted average number of shares and share equivalents outstanding during each year.

Research and Development Expenses. Research and development expenses, which are expensed as incurred, were $152 million, $113 million and $102 million in 1994, 1993 and 1992, respectively.

Fiscal Year. PepsiCo's fiscal year ends on the last Saturday in December and, as a result, a fifty-third week is added every 5 or 6 years. The fiscal year ending December 31, 1994 consisted of 53 weeks.

Note 2 - Business Segments

Business Segments

PepsiCo operates on a worldwide basis within three industry segments: beverages, snack foods and restaurants. The beverage segment primarily markets its Pepsi, Diet Pepsi, Mountain Dew and other brands worldwide and 7UP internationally, and manufactures concentrates for its brands for sale to franchised bottlers worldwide. The segment also operates bottling plants and distribution facilities located in the U.S. and in various international markets, and manufactures and distributes ready-to-drink Lipton tea products in North America. In addition, under separate distribution and joint venture agreements, the segment distributes certain previously existing, as well as manufactures and distributes new jointly-developed, Ocean Spray juice products in the U.S. and Canada. The snack food segment manufactures, distributes and markets chips and other snacks worldwide, with Frito-Lay representing the domestic business. The international snack food business includes major operations in Mexico, the U.K. and Canada. The restaurant segment consists primarily of the operations of the worldwide Pizza Hut, Taco Bell and KFC chains. PFS, PepsiCo's restaurant distribution operation, supplies company-owned and franchised restaurants, principally in the U.S. Net sales and operating profits of PFS' franchisee operations have been allocated to each restaurant chain.

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

PepsiCo has invested in about 75 joint ventures, principally international and all within PepsiCo's three industry segments, in which it exercises significant influence but not control. Equity in net income of these affiliates was $37.8, $30.1, and $40.1 in 1994, 1993 and 1992, respectively. The increase in 1994 primarily reflected increased profits at Snack Ventures Europe (SVE). The decline in 1993 primarily reflected the expansion costs in a beverage affiliate in India and lower profits at SVE. International snack food affiliates, which represented the largest component of equity in net income of affiliates, contributed $34.3, $24.1 and $23.2 in 1994, 1993 and 1992, respectively. Dividends received from affiliates totaled $33.1, $16.4 and $29.6 in 1994, 1993 and 1992, respectively.

PepsiCo's year-end investments in affiliates totaled $1.3 billion in 1994, $1.1 billion in 1993 and $904.9 in 1992. The increase in 1994 reflected advances to California Pizza Kitchen (CPK), a domestic casual dining restaurant chain, and investments in international franchised bottling operations in Thailand and China, partially offset by the translation impact of the late 1994 devaluation of the Mexican peso. Significant investments in affiliates at year-end 1994 included $234.3 in General Bottlers, a U.S. franchised bottler, $162.9 in CPK, $160.2 in a KFC Japan joint venture, $123.2 in BAESA, a franchised bottler with operations in South America, and $80.9 in SVE.

Items Affecting Comparability

Fiscal Year
1994 consisted of 53 weeks and the years 1989 through 1993 consisted of 52 weeks. The estimated favorable impact on net sales of the fifty-third week

was $433.5, increasing beverage, snack food and restaurant net sales by $118.9, $142.6 and $172.0, respectively. The estimated favorable impact on operating profits of the fifty-third week was $64.5, increasing beverage, snack food and restaurant operating profits by $16.8, $26.0 and $22.9, respectively, and increasing unallocated expenses, net by $1.2.

Unusual Items

Unusual charges totaled $193.5 in 1992, $170.0 in 1991 and $83.0 in 1990. These unusual items were as follows:

Beverages - 1992 included $145.0 in charges consisting of $115.4 and $29.6 to reorganize and streamline domestic and international operations, respectively. 1990 included a $10.5 domestic charge for trade receivables exposures.

Snack Foods - 1992 included a $40.3 charge principally to consolidate the Walkers businesses in the U.K. 1991 included $127.0 in charges consisting of $91.4 and $23.6 to streamline domestic and U.K. operations, respectively, and $12.0 to dispose of all or part of a small unprofitable business in Japan. 1990 included a $10.6 domestic charge for trade receivables exposures.

Restaurants - 1991 included $43.0 in charges at KFC consisting of $34.0 to streamline operations and $9.0 related to a delay in the U.S. roll-out of a new product. 1990 included $28.0 in charges consisting of $17.6 for closure of certain underperforming restaurants (Pizza Hut - $9.0, Taco Bell - $4.0 and KFC - $4.6) and $10.4 for reorganization charges for Pizza Hut.

Unallocated Expenses, net - 1992 included an $8.2 charge to streamline operations of the SVE joint venture. 1990 included $33.9 in charges consisting of $18.0 for accelerated contributions to the PepsiCo Foundation and $15.9 to reduce the carrying amount of an international Pizza Hut affiliate.

See Note 16 and Management's Analysis of beverage and snack food performance on pages 15 and 19, respectively, for additional information on restructurings.

Accounting Changes

In 1994, PepsiCo adopted a preferred method for calculating the market-related value of plan assets used in determining annual pension expense (see Note 13) and extended the depreciable lives on certain domestic Pizza Hut delivery assets. As compared to the previous accounting methods, these changes increased 1994 operating profit by $49.1, increasing beverage, snack food and restaurant profits by $12.4, $15.5 and $19.6 (almost all domestic), respectively, and decreasing 1994 unallocated expenses, net by $1.6.

In 1992, PepsiCo adopted Statements of Financial Accounting Standards No. 106 and 109, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and "Accounting for Income Taxes," respectively. As compared to the previous accounting methods, these changes reduced 1992 operating profit by $72.8, decreasing beverage, snack food and restaurant profits by $22.4, $30.8 and $15.4, respectively, and increasing 1992 unallocated expenses, net by $4.2. See Notes 12 and 17, respectively.

INDUSTRY SEGMENTS - NET SALES (page 1 of 7)
(dollars in millions)

	5-Year Compounded Growth Rate 1989 - 1994	1994	1993	1992
Beverages:				
Domestic	7.2%	$ 6,541.2	$ 5,918.1	$ 5,485.2
International	22.2%	3,146.3	2,720.1	2,120.4
	10.9%	9,687.5	8,638.2	7,605.6
Snack Foods:				
Domestic	9.3%	5,011.3	4,365.3	3,950.4
International	32.0%	3,253.1	2,661.5	2,181.7
	15.5%	8,264.4	7,026.8	6,132.1
Restaurants:				
Domestic	13.2%	8,693.9	8,025.7	7,115.4
International	26.4%	1,826.6	1,330.0	1,116.9
	14.9%	10,520.5	9,355.7	8,232.3
Combined Segments:				
Domestic	10.1%	20,246.4	18,309.1	16,551.0
International	26.6%	8,226.0	6,711.6	5,419.0
	13.6%	$28,472.4	$25,020.7	$21,970.0

	1991	1990
Beverages:		
Domestic	$ 5,171.5	$ 5,034.5
International	1,743.7	1,488.5
	6,915.2	6,523.0
Snack Foods:		
Domestic	3,737.9	3,471.5
International	1,512.2	1,295.3
	5,250.1	4,766.8
Restaurants:		
Domestic	6,258.4	5,540.9
International	868.5	684.8
	7,126.9	6,225.7
Combined Segments:		
Domestic	15,167.8	14,046.9
International	4,124.4	3,468.6
	$19,292.2	$17,515.5

INDUSTRY SEGMENTS - OPERATING PROFITS (page 2 of 7)
(dollars in millions)

	5-Year Compounded Growth Rate 1989 - 1994(a)	1994	1993	1992
Beverages:				
Domestic	12.1%	$ 1,022.3	$ 936.9	$ 686.3
International	20.0%	194.7	172.1	112.3
	13.2%	1,217.0	1,109.0	798.6
Snack Foods:				
Domestic	8.9%	1,025.1	900.7	775.5
International	27.1%	351.8	288.9	209.2
	12.2%	1,376.9	1,189.6	984.7
Restaurants:				
Domestic	12.2%	658.8	685.1	597.8
International	4.3%	71.5	92.9	120.7
	11.3%	730.3	778.0	718.5
Combined Segments:				
Domestic	11.1%	2,706.2	2,522.7	2,059.6
International	20.6%	618.0	553.9	442.2
	12.3%	3,324.2	3,076.6	2,501.8
Equity Income		37.8	30.1	40.1
Unallocated Expenses, net		(160.8)	(200.2)	(170.7)
Operating Profit	12.6%	$ 3,201.2	$ 2,906.5	$ 2,371.2

(a) Growth rates exclude the impact of previously disclosed 1989 unusual items affecting international beverages and domestic Taco Bell and KFC. There were no unusual items in 1994.

INDUSTRY SEGMENTS - OPERATING PROFITS (page 3 of 7)
(dollars in millions)

	1991	1990
Beverages:		
Domestic	$ 746.2	$ 673.8
International	117.1	93.8
	863.3	767.6
Snack Foods:		
Domestic	616.6	732.3
International	140.1	160.3
	756.7	892.6
Restaurants:		
Domestic	479.4	447.2
International	96.2	75.2
	575.6	522.4
Combined Segments:		
Domestic	1,842.2	1,853.3
International	353.4	329.3
	2,195.6	2,182.6
Equity Income	32.2	30.1
Unallocated Expenses, net	(116.0)	(170.6)
Operating Profit	$ 2,111.8	$ 2,042.1

NET SALES BY RESTAURANT CHAIN
(dollars in millions)

	5-Year Compounded Growth Rate 1989 - 1994	1994	1993	1992
Pizza Hut	12.8%	$ 4,474.4	$4,128.7	$3,603.5
Taco Bell	18.3%	3,401.4	2,901.3	2,460.0
KFC	14.7%	2,644.7	2,325.7	2,168.8
	14.9%	$10,520.5	$9,355.7	$8,232.3

	1991	1990
Pizza Hut	$3,258.3	$2,949.9
Taco Bell	2,038.1	1,745.5
KFC	1,830.5	1,530.3
	$7,126.9	$6,225.7

OPERATING PROFITS BY RESTAURANT CHAIN

	5 Year Compounded Growth Rate 1989 - 1994(a)	1994	1993	1992
Pizza Hut	7.5%	$ 294.8	$ 372.1	$ 335.4
Taco Bell	18.7%	270.3	253.1	214.3
KFC	9.0%	165.2	152.8	168.8
	11.3%	$ 730.3	$ 778.0	$ 718.5

	1991	1990
Pizza Hut	$ 314.5	$ 245.9
Taco Bell	180.6	149.6
KFC	80.5	126.9
	$ 575.6	$ 522.4

(a) Growth rates exclude the impact of previously disclosed 1989 unusual items affecting international beverages and domestic Taco Bell and KFC. There were no unusual items in 1994.

GEOGRAPHIC AREAS(b)
(dollars in millions)

	Net Sales		
	1994	1993	1992
United States	$20,246.4	$18,309.1	$16,551.0
Europe	2,177.1	1,819.0	1,349.0
Mexico	2,022.8	1,613.4	1,234.6
Canada	1,244.3	1,206.1	979.6
Other	2,781.8	2,073.1	1,855.8
	$28,472.4	$25,020.7	$21,970.0

	Segment Operating Profits		
	1994	1993	1992
United States	$ 2,706.2	$ 2,522.7	$ 2,059.6
Europe	16.7	47.4	52.6
Mexico	261.4	223.1	172.1
Canada	81.6	101.7	78.9
Other	258.3	181.7	138.6
	$ 3,324.2	$ 3,076.6	$ 2,501.8

	Identifiable Assets		
	1994	1993	1992
United States	$14,218.4	$13,589.5	$11,957.0
Europe	3,062.0	2,666.1	1,948.4
Mexico	994.7	1,217.1	1,054.6
Canada	1,342.1	1,364.0	1,340.6
Other	2,195.6	1,675.1	1,282.0
Combined Segments	21,812.8	20,511.8	17,582.6
Corporate	2,979.2	3,194.0	3,368.6
	$24,792.0	$23,705.8	$20,951.2

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

INDUSTRY SEGMENTS (page 6 of 7)
(dollars in millions)

	5-Year Compounded Growth Rate 1989 - 1994	Amortization of Intangible Assets 1994	1993	1992
Beverages	7.6%	$ 164.8	$ 157.4	$ 137.6
Snack Foods	17.8%	42.0	40.9	40.5
Restaurants	28.9%	105.4	105.4	87.8
	14.0%	$ 312.2	$ 303.7	$ 265.9
By Restaurant Chain:				
Pizza Hut	31.6%	$ 41.5	$ 44.7	$ 33.3
Taco Bell	22.9%	26.9	23.0	16.4
KFC	31.2%	37.0	37.7	38.1
	28.9%	$ 105.4	$ 105.4	$ 87.8

	5 Year Compounded Growth Rate 1989 - 1994	Depreciation Expense 1994	1993	1992
Beverages	14.9%	$ 385.4	$ 358.5	$ 290.6
Snack Foods	11.7%	297.0	279.2	251.2
Restaurants	17.5%	538.8	457.2	374.3
Corporate		7.0	6.6	6.9
	15.0%	$1,228.2	$1,101.5	$ 923.0
By Restaurant Chain:				
Pizza Hut	17.8%	$ 218.6	$ 193.4	$ 150.5
Taco Bell	18.1%	156.0	124.6	101.5
KFC	16.7%	164.2	139.2	122.3
	17.5%	$ 538.8	$ 457.2	$ 374.3

	5 Year Compounded Growth Rate 1989 - 1994	Identifiable Assets 1994	1993	1992
Beverages	9.1%	$ 9,566.0	$ 9,105.2	$ 7,857.5
Snack Foods	8.8%	5,043.9	4,994.5	4,628.0
Restaurants	18.6%	7,202.9	6,412.1	5,097.1
Corporate		2,979.2	3,194.0	3,368.6
	10.4%	$24,792.0	$23,705.8	$20,951.2
By Restaurant Chain:				
Pizza Hut	20.9%	$ 2,536.4	$ 2,232.9	$ 1,676.8
Taco Bell	21.1%	2,390.7	2,075.9	1,523.7
KFC	14.2%	2,275.8	2,103.3	1,896.6
	18.6%	$ 7,202.9	$ 6,412.1	$ 5,097.1

INDUSTRY SEGMENTS (page 7 of 7)
(dollars in millions)

	5-Year Compounded Growth Rate 1989 - 1994	Capital Spending (c) 1994	1993	1992
Beverages	20.4%	$ 677.1	$ 491.3	$ 343.7
Snack Foods	15.6%	532.1	491.4	446.2
Restaurants	20.3%	1,072.0	1,004.4	757.2
Corporate		7.2	20.8	18.0
	19.0%	$2,288.4	$2,007.9	$1,565.1
Domestic	13.7%	$1,492.6	$1,388.0	$1,069.0
International	35.7%	795.8	619.9	496.1
	19.0%	$2,288.4	$2,007.9	$1,565.1
By Restaurant Chain:				
Pizza Hut	19.3%	$ 389.0	$ 295.0	$ 212.8
Taco Bell	35.4%	473.4	459.4	339.0
KFC	5.6%	209.6	250.0	205.4
	20.3%	$1,072.0	$1,004.4	$ 757.2

	Acquisitions and Investments in Affiliates (d) 1994	1993	1992
Beverages	$ 195.0	$ 711.5	$ 717.5
Snack Foods	11.8	75.5	201.3
Restaurants	147.8	588.7	480.4
	$ 354.6	$1,375.7	$1,399.2
Domestic	$ 87.8	$ 757.3	$ 549.5
International	266.8	618.4	849.7
	$ 354.6	$1,375.7	$1,399.2
By Restaurant Chain:			
Pizza Hut	$ 94.6	$ 312.9	$ 247.7
Taco Bell	32.3	186.8	72.4
KFC	20.9	89.0	160.3
	$ 147.8	$ 588.7	$ 480.4

(c) Included noncash amounts related to capital leases, largely in the restaurant segment, of $35.2 in 1994, $26.3 in 1993 and $15.5 in 1992.

(d) Included noncash amounts related to treasury stock and debt issued in domestic transactions of $38.8 in 1994, $364.5 in 1993 and $189.5 in 1992. Of these noncash amounts, 14%, 65% and 58%, respectively, related to the beverage segment and the balance related to the restaurant segment.

Note 3 - Items Affecting Comparability

The fifty-third week, as described in Note 1, increased earnings in 1994 by approximately $54.0 million ($34.9 million after-tax or $0.04 per share). See Items Affecting Comparability on page F-9 for the estimated impact of the fifty-third week on comparability of net sales and operating profits.

The effects of unusual items, primarily restructuring charges, and accounting changes on comparability of operating profits are provided in Items Affecting Comparability on page F-10.

Information regarding the 1994 gain from a public share offering by PepsiCo's BAESA joint venture and a 1993 charge to increase net deferred tax liabilities as of the beginning of 1993 for a 1% statutory income tax rate increase due to 1993 U.S. tax legislation are provided in Notes 4 and 17, respectively.

Note 4 - Joint Venture Stock Offering

In 1993, PepsiCo entered into an arrangement with the principal shareholders of Buenos Aires Embotelladora S.A. (BAESA), a franchised bottler with operations in Argentina and Costa Rica. PepsiCo contributed certain assets, primarily bottling operations in Chile and Uruguay, while the shareholders contributed all of their outstanding shares in BAESA, representing 72.8% of the voting control and 42.5% of the ownership interest. Through this arrangement, PepsiCo's ownership in BAESA, which is accounted for by the equity method, was 25.9%.

On March 24, 1994, BAESA completed a public offering of 2.9 million American Depositary Shares (ADS) at $34.50 per ADS, which are traded on the New York Stock Exchange. In conjunction with the offering, PepsiCo and certain other shareholders exercised options for the equivalent of 1.6 million ADS. As a result of these transactions, PepsiCo's ownership in BAESA declined to 23.8%. The transactions generated cash proceeds for BAESA of $136.4 million. The resulting one-time, noncash gain to PepsiCo was $17.8 million ($16.8 million after-tax or $0.02 per share).

Note 5 - Acquisitions and Investments in Affiliates

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

During 1993, PepsiCo completed acquisitions and affiliate investments aggregating $1.4 billion, principally comprised of $1.0 billion in cash and $335 million in PepsiCo Capital Stock. Approximately $307 million of debt was assumed in these transactions, more than half of which was subsequently retired. This activity included acquisitions of domestic and international franchised restaurant operations, the buyout of PepsiCo's joint venture partners in a franchised bottling operation in Spain and the related acquisition of their fruit-flavored beverage concentrate operation, the acquisition of the remaining 85% interest in a large franchised bottling operation in the Northwestern U.S., the acquisition of a regional Mexican-style casual dining restaurant chain in the U.S. and equity investments in certain franchised bottling operations in Argentina and Mexico.

During 1992, acquisitions and affiliate investment activity aggregated $1.4 billion, principally for cash. In addition, approximately $218 million of debt was assumed in these transactions, most of which was subsequently retired. This activity included acquisitions of international (primarily Canada) and domestic franchised bottling operations and a number of domestic and international franchised restaurant operations, the buyout of PepsiCo's joint venture partner in a Canadian snack food business and an equity investment in a domestic casual dining restaurant chain featuring gourmet pizza. In addition, PepsiCo exchanged certain previously consolidated snack food operations in Europe with a net book value of $87 million for a 60% equity interest in an international snack food joint venture with General Mills, Inc. PepsiCo secured a controlling interest in its Mexican cookie affiliate, Gamesa, through an exchange of certain non-cookie operations of Gamesa for its joint venture partner's interest.

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

Note 6 - Inventories

Inventories are valued at the lower of cost (computed on the average, first-in, first-out or last-in, first-out [LIFO] method) or net realizable value. The cost of 38% of 1994 inventories and 41% of 1993 inventories was computed using the LIFO method. Use of the LIFO method increased the total 1994 and 1993 year-end inventory amounts below by $5.5 million and $8.9 million, respectively.

	1994	1993
Raw materials and supplies	$454.8	$463.9
Finished goods	515.2	460.8
	$970.0	$924.7

See page 8 of Management's Analysis - Overview, for a discussion of PepsiCo's use of futures contracts to hedge its exposure to market price fluctuations for certain raw materials. Gains and losses on these contracts are deferred and included in the related cost of raw materials when purchased. Gains and losses realized in 1994 or deferred at year-end were not significant. As of December 31, 1994, PepsiCo had various open contracts, generally expiring by December 1995, which were not material.

Note 7 - Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is calculated principally on a straight-line basis over the estimated useful lives of the assets. Depreciation expense in 1994, 1993 and 1992 was $1.2 billion, $1.1 billion and $923 million, respectively.

	1994	1993
Land	$ 1,321.6	$ 1,186.4
Buildings and improvements	5,664.1	5,017.6
Capital leases, primarily buildings	451.2	402.6
Machinery and equipment	8,208.1	7,175.0
Construction in progress	485.1	468.4
	16,130.1	14,250.0
Accumulated depreciation	(6,247.3)	(5,394.4)
	$ 9,882.8	$ 8,855.6

Note 8 - Intangible Assets

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

Intangible assets are amortized on a straight-line basis over appropriate periods generally ranging from 20 to 40 years. Accumulated amortization, included in the amounts below, was $1.6 billion and $1.3 billion at year-end 1994 and 1993, respectively.

	1994	1993
Reacquired franchise rights	$3,974.0	$3,959.7
Trademarks	768.5	849.1
Other identifiable intangibles	249.7	204.1
Goodwill	2,849.9	2,916.6
	$7,842.1	$7,929.5

The recoverability of carrying amounts of intangible assets is evaluated on a recurring basis. The primary indicators of recoverability are current or forecasted profitability over the estimated remaining life of the intangible assets, measured as the combined operating profit of the acquired business (including amortization of the intangible assets) and existing businesses that are directly related to the acquired business. Consideration is also given to the estimated disposal values of certain identifiable intangible assets compared to their carrying amounts. If recoverability of an intangible asset is unlikely based on the evaluation, the carrying amount is reduced by the amount it exceeds the forecasted operating profits and any disposal value. For the three-year period ended December 31, 1994, there were no significant adjustments to the carrying amounts of the intangible assets resulting from these evaluations.

Note 9 - Short-term Borrowings and Long-term Debt

	1994	1993
Short-term Borrowings		
Commercial paper (5.4% and 3.3%) (A)	$ 2,254.4	$ 3,535.0
Current maturities of long-term debt issuances (A)	987.5	1,183.1
Notes (5.4% and 3.5%) (A)	1,492.4	394.0
Other borrowings (6.5% and 6.3%)	444.2	529.1
Amount reclassified to long-term debt (B)	(4,500.0)	(3,450.0)
	$ 678.5	$ 2,191.2
Long-term Debt		
Short-term borrowings, reclassified (B)	$ 4,500.0	$ 3,450.0
Notes due 1995 through 2008 (6.6% and 6.5%) (A)	3,724.7	3,873.8
Euro notes, 8% due 1997	250.0	-
Zero coupon notes, $795 million due 1995-2012 (14.6% and 14.4% annual yield to maturity)	219.2	327.2
Japanese yen 3.3% bonds due 1997 (D)	200.8	-
Swiss franc perpetual Foreign Interest Payment bonds (C)	213.0	212.2
Swiss franc 5 1/4% bearer bonds due 1995 (D)	99.7	90.1
Swiss franc 7 1/8% notes due 1994 (D)	-	69.8
Capital lease obligations (See Note 11)	298.2	291.4
Other, due 1995-2015 (8.1% and 6.6%)	322.4	311.2
	9,828.0	8,625.7
Less current maturities of long-term debt issuances	(987.5)	(1,183.1)
	$ 8,840.5	$ 7,442.6

The interest rates in the above table indicate, where applicable, the weighted average rates at year-end 1994 and 1993, respectively.

The carrying amount of long-term debt includes any related discount or premium and unamortized debt issuance costs. The debt agreements include various restrictions, none of which are presently significant to PepsiCo. Subsequent to year-end 1994, PepsiCo issued $150 million of Notes through February 7, 1995.

The annual maturities of long-term debt through 1999, excluding capital lease obligations and the reclassified short-term borrowings, are: 1995-$1.0 billion, 1996-$1.1 billion, 1997-$1.0 billion, 1998-$1.2 billion and 1999-$280 million.

See Management's Analysis - Overview on page 8 for a discussion of PepsiCo's use of interest rate swaps and currency exchange agreements and its management of the inherent credit risk and Note 10.

(A) The following table indicates the notional amount and weighted average interest rates, by category, of interest rate swaps outstanding at year-end 1994 and 1993, respectively. The weighted average variable interest rates that PepsiCo pays, which are indexed primarily to either commercial paper or LIBOR rates, are based on rates as of the respective balance sheet date and are subject to change. Terms of interest rate swap agreements match the debt they modify and terminate in 1995 through 2008. The differential to be paid or received on interest rate swaps is accrued as interest rates change and is charged or credited to interest expense over the life of the agreements. The carrying amount of each interest rate swap is reflected in the Consolidated Balance Sheet as a receivable or payable under the appropriate current asset or liability caption.

	1994	1993
Receive fixed-pay variable:		
Notional amount	$1,557.0	$570.0
Weighted average receive rate	5.89%	5.96%
Weighted average pay rate	6.12%	3.28%
Receive variable-pay variable:		
Notional amount	$1,008.5	$465.0
Weighted average receive rate	4.90%	3.81%
Weighted average pay rate	5.99%	3.17%
Receive variable-pay fixed:		
Notional amount	$ 215.0	$265.0
Weighted average receive rate	6.56%	3.84%
Weighted average pay rate	8.22%	7.46%

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

	1994		1993	
	Carrying Amount	Weighted Average Interest Rate	Carrying Amount	Weighted Average Interest Rate
Variable interest rate debt:				
Short-term borrowings	$5,178.5	6.19%	$5,641.2	4.11%
Long-term debt	1,102.5	6.25%	567.6	4.75%
	6,281.0	6.20%	6,208.8	4.17%
Fixed interest rate debt	2,939.8	6.96%	3,133.6	6.95%
	$9,220.8	6.44%	$9,342.4	5.10%

(B) At year-end 1994 and 1993, PepsiCo had unused revolving credit facilities covering potential borrowings aggregating $3.5 billion. Effective January 3, 1995, PepsiCo replaced its existing credit facilities with new revolving credit facilities aggregating $4.5 billion, of which $1.0 billion expire in 1996 and $3.5 billion expire in 2000. At year-end 1994 and 1993, $4.5 billion and $3.5 billion, respectively, of short-term borrowings were classified as long-term debt, reflecting PepsiCo's intent and ability, through the existence of the unused credit facilities, to refinance these borrowings. These credit facilities exist largely to support the issuances of short-term borrowings and are available for acquisitions and other general corporate purposes.

(C) The coupon rate of the Swiss franc 400 million perpetual Foreign Interest Payment bonds issued in 1986 is 7 1/2% through 1996. The bonds have no stated maturity date. At the end of each 10-year period after the issuance of the bonds, PepsiCo and the bondholders each have the right to cause redemption of the bonds. If not redeemed, the coupon rate will be adjusted based on the prevailing yield of 10-year U.S. Treasury Securities. The principal of the bonds is denominated in Swiss francs. PepsiCo can, and intends to, limit the ultimate redemption amount to the U.S. dollar proceeds at issuance, which is the basis of the carrying amount. Interest payments are made in U.S. dollars and are calculated by applying the coupon rate to the original U.S. dollar principal proceeds of $214 million.

(D) PepsiCo has entered into currency exchange agreements to hedge its foreign currency exposure on these issues of non-U.S. dollar denominated debt. At year-end 1994, the carrying amount of this debt aggregated $301 million and the receivables and payables under related currency exchange agreements aggregated $50 million and $2 million, respectively, resulting in a net effective U.S. dollar liability of $253 million with a weighted average interest rate of 6.6%. At year-end 1993, the aggregate carrying amount of the debt and the receivables under related currency exchange agreements were $160 million and $41 million, respectively, resulting in a net effective U.S. dollar liability of $119 million with a weighted average fixed interest rate of 6.5%. The carrying amount of each currency exchange agreement is reflected in the Consolidated Balance Sheet as a receivable or payable under the appropriate current and noncurrent asset and liability captions. Changes in the carrying amount of a currency exchange agreement resulting from exchange rate movements are offset by changes in the carrying amount of the related non-U.S. dollar denominated debt, as both amounts are based on current exchange rates.

Note 10 - Fair Value of Financial Instruments

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

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

See Management's Analysis - Overview on page 8 and Note 9 for more information regarding PepsiCo's use of interest rate swaps and currency exchange agreements and its management of the inherent credit risk.

	1994 Carrying Amount	1994 Fair Value	1993 Carrying Amount	1993 Fair Value
Assets				
Cash and cash equivalents	$ 330.7	$ 330.7	$ 226.9	$ 226.9
Short-term investments	$1,157.4	$1,157.4	$1,573.8	$1,573.8
Other assets (noncurrent investments)	$ 48.0	$ 47.5	$ 55.5	$ 55.4
Liabilities				
Debt:				
Short-term borrowings and long-term debt, net of capital leases	$9,220.8	$9,265.4	$9,342.4	$9,626.0
Debt-related derivative instruments:				
Open contracts in asset position	(51.3)	(51.4)	(42.4)	(72.7)
Open contracts in liability position	7.9	54.1	1.2	32.8
Net debt	$9,177.4	$9,268.1	$9,301.2	$9,586.1
Guarantees	-	$ 2.7	-	$ 1.7

Note 11 - Leases

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

Future minimum commitments and sublease receivables under noncancelable leases are as follows:

	Commitments		Sublease Receivables	
	Capital	Operating	Direct Financing	Operating
1995	$ 58.9	$ 313.0	$ 3.2	$ 9.6
1996	53.9	276.4	3.0	8.8
1997	46.7	247.3	2.7	7.7
1998	65.2	228.7	2.3	6.7
1999	34.4	203.3	2.0	6.0
Later years	279.0	1,072.1	7.1	24.2
	$538.1	$2,340.8	$20.3	$63.0

At year-end 1994, the present value of minimum payments under capital leases was $298 million, after deducting $1 million for estimated executory costs and $239 million representing imputed interest. The present value of minimum receivables under direct financing subleases was $13 million after deducting $7 million of unearned interest income.

Rental expense and income were as follows:

	1994	1993	1992
Rental expense			
Minimum	$433.5	$392.3	$351.5
Contingent	31.7	27.5	27.5
	$465.2	$419.8	$379.0
Rental income			
Minimum	$ 11.7	$ 12.2	$ 10.2
Contingent	3.5	4.4	4.5
	$ 15.2	$ 16.6	$ 14.7

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

Note 12 - Postretirement Benefits Other Than Pensions

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

In 1992, PepsiCo adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The cumulative effect of this change in accounting for years prior to 1992 resulted in a noncash charge of $575.3 million pretax ($356.7 million after-tax or $0.44 per share).

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

The postretirement benefit expense for 1994, 1993 and 1992 included the following components:

	1994	1993	1992
Service cost of benefits earned	$ 18.6	$ 14.7	$25.5
Interest cost on accumulated postretirement benefit obligation	41.4	40.6	50.8
Amortization of prior service (gain) cost	(19.6)	(19.6)	0.1
Amortization of net loss	5.6	0.5	-
	$ 46.0	$ 36.2	$76.4

The decline in the 1993 expense was primarily due to the plan amendments, reflecting reductions in service and interest costs as well as the amortization of the unrecognized prior service gain.

The 1994 and 1993 postretirement benefit liability included the following components:

	1994	1993
Actuarial present value of postretirement benefit obligation:		
Retirees	$(288.6)	$(313.8)
Fully eligible active plan participants	(88.1)	(107.3)
Other active plan participants	(148.0)	(206.9)
Accumulated postretirement benefit obligation	(524.7)	(628.0)
Unrecognized prior service gain	(151.9)	(171.5)
Unrecognized net loss	11.5	148.6
	$(665.1)	$(650.9)

The discount rate assumptions used in computing the information above were as follows:

	1994	1993	1992
Postretirement benefit expense	6.8%	8.2	8.9
Accumulated postretirement benefit obligation	9.1%	6.8	8.2

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

As a result of the plan amendments discussed above, separate assumed health care cost trend rates are used for employees who retire before and after the effective date of the amendments. The assumed health care cost trend rate for employees who retired before the effective date is 9.5% for 1995, declining gradually to 5.5% in 2005 and thereafter. For employees retiring after the effective date, the trend rate is 8.0% for 1995, declining gradually to 0% in 2005 and thereafter. A 1 point increase in the assumed health care cost trend rate would have increased the 1994 postretirement benefit expense by $2.0 million and would have increased the 1994 accumulated postretirement benefit obligation by $20.6 million.

Note 13 - Pension Plans

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

sufficient to comply with local statutory requirements. The plans' assets consist principally of equity securities, government and corporate debt securities and other fixed income obligations. For 1994 and 1993, the domestic plan assets included 6.9 million shares of PepsiCo Capital Stock, with a market value of $227.2 million and $265.7 million, respectively. Dividends on PepsiCo Capital Stock of $4.7 million and $4.0 million were received by the domestic plans in 1994 and 1993, respectively.

The international plans presented below are primarily comprised of those in the U.K. and Canada for all three years as well as those in Mexico and Japan for 1994 and 1993. Information for 1992 has not been restated, since complete information for plans in Mexico and Japan was not available.

The net pension expense for domestic company-sponsored plans included the following components:

	1994	1993	1992
Service cost of benefits earned	$ 69.8	$ 57.1	$ 52.3
Interest cost on projected benefit obligation	84.0	75.6	72.0
Return on plan assets:			
Actual loss (gain)	19.7	(161.5)	(61.3)
Deferred (loss) gain	(130.5)	70.9	(26.2)
	(110.8)	(90.6)	(87.5)
Amortization of net transition gain	(19.0)	(19.0)	(19.0)
Net other amortization	9.1	8.8	8.2
	$ 33.1	$ 31.9	$ 26.0

The net pension expense (income) for international company-sponsored plans included the following components:

	1994	1993	1992
Service cost of benefits earned	$ 15.0	$ 12.4	$ 8.6
Interest cost on projected benefit obligation	15.4	15.0	10.9
Return on plan assets:			
Actual loss (gain)	8.1	(40.8)	(36.0)
Deferred (loss) gain	(32.5)	20.4	18.6
	(24.4)	(20.4)	(17.4)
Amortization of net transition (gain) loss	(0.2)	0.3	-
Net other amortization	1.7	1.7	(6.5)
	$ 7.5	$ 9.0	$ (4.4)

Inclusion of the plans in Mexico and Japan increased the 1994 and 1993 pension expense by $7.9 million and $5.5 million, respectively.

Reconciliations of the funded status of the domestic plans to the pension liability are as follows:

	Assets Exceed Accumulated Benefits		Accumulated Benefits Exceed Assets	
	1994	1993	1994	1993
Actuarial present value of benefit obligation:				
Vested benefits	$ (774.0)	$ (726.0)	$(21.6)	$(192.8)
Nonvested benefits	(97.4)	(99.0)	(1.6)	(28.3)
Accumulated benefit obligation	(871.4)	(825.0)	(23.2)	(221.1)
Effect of projected compensation increases	(111.1)	(131.6)	(47.6)	(41.7)
Projected benefit obligation	(982.5)	(956.6)	(70.8)	(262.8)
Plan assets at fair value	1,133.0	1,018.7	2.8	185.2
Plan assets in excess of (less than) projected benefit obligation	150.5	62.1	(68.0)	(77.6)
Unrecognized prior service cost	30.6	11.7	30.0	49.9
Unrecognized net (gain) loss	(71.3)	16.0	3.7	26.1
Unrecognized net transition (gain) loss	(73.1)	(89.0)	0.3	(2.8)
Adjustment required to recognize minimum liability	-	-	-	(33.0)
Prepaid (accrued) pension liability	$ 36.7	$ 0.8	$(34.0)	$ (37.4)

Reconciliations of the funded status of the international plans to the pension liability are as follows:

	Assets Exceed Accumulated Benefits		Accumulated Benefits Exceed Assets	
	1994	1993	1994	1993
Actuarial present value of benefit obligation:				
Vested benefits	$(124.4)	$(138.8)	$(22.8)	$(28.0)
Nonvested benefits	(2.3)	(3.4)	(7.4)	(5.4)
Accumulated benefit obligation	(126.7)	(142.2)	(30.2)	(33.4)
Effect of projected compensation increases	(24.1)	(22.9)	(10.1)	(18.4)
Projected benefit obligation	(150.8)	(165.1)	(40.3)	(51.8)
Plan assets at fair value	213.4	221.7	15.5	17.3
Plan assets in excess of (less than) projected benefit obligation	62.6	56.6	(24.8)	(34.5)
Unrecognized prior service cost	3.5	3.2	0.3	0.5
Unrecognized net loss (gain)	14.0	11.9	(3.1)	7.7
Unrecognized net transition (gain) loss	(1.8)	(2.6)	4.9	8.1
Adjustment required to recognize minimum liability	-	-	-	(4.3)
Prepaid (accrued) pension liability	$ 78.3	$ 69.1	$(22.7)	$(22.5)

The assumptions used to compute the domestic information above were as follows:

	1994	1993	1992
Discount rate - pension expense	7.0%	8.2	8.4
Expected long-term rate of return on plan assets	10.0%	10.0	10.0
Discount rate - projected benefit obligation	9.0%	7.0	8.2
Future compensation growth rate	3.3%-7.0%	3.3-7.0	3.3-7.0

The assumptions used to compute the international information above were as follows:

	1994	1993	1992
Discount rate - pension expense	7.3%	9.0	9.5
Expected long-term rate of return on plan assets	11.3%	10.8	10.8
Discount rate - projected benefit obligation	9.3%	7.4	9.0
Future compensation growth rate	3.0%-8.5%	3.5-8.5	5.0-7.0

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

The year-to-year fluctuations in the discount rate assumptions primarily reflect changes in interest rates. The discount rates represent the expected yield on a portfolio of high-grade (AA rated or equivalent) fixed-income investments with cash flow streams sufficient to satisfy benefit obligations under the plans when due. The higher assumed discount rates used to measure the 1994 projected benefit obligation compared to the assumed discount rate used to measure the 1993 projected benefit obligation changed the funded status of certain plans from underfunded to overfunded.

In 1994, PepsiCo changed the method for calculating the market-related value of plan assets used in determining the return-on-asset component of annual pension expense and the cumulative net unrecognized gain or loss subject to amortization. Under the previous accounting method, the calculation of the market-related value of assets reflected amortization of the actual capital return on assets on a straight-line basis over a five-year period. Under the new method, the calculation of the market-related value of assets reflects the long-term rate of return expected by PepsiCo and amortization of the difference between the actual return (including capital, dividends and interest) and the expected return over a five-year period. PepsiCo believes the new method is widely used in practice and preferable because it results in calculated plan asset values that more closely approximate fair value, while still mitigating the effect of annual market-value fluctuations. Under both methods, only the cumulative net unrecognized gain or loss which exceeds 10% of the greater of the projected benefit obligation or the market-related value of plan assets is subject to amortization. This change resulted in a noncash benefit in 1994 of $37.8 million ($23.3 million after-tax or $0.03 per share) representing the cumulative effect of the change related to years prior to 1994 and $35.1 million in lower pension expense ($21.6 million after-tax or $0.03 per share) related to 1994 as compared to the previous accounting method. Had this change been applied retroactively, pension expense would have been reduced by $16.4 million ($10.7 million after-tax or $0.01 per share) and $9.5 million ($6.5 million after-tax or $0.01 per share) in 1993 and 1992, respectively.

Note 14 - Postemployment Benefits Other Than to Retirees

Effective the beginning of 1994, PepsiCo adopted Statement of Financial Accounting Standards No. 112 (SFAS 112), "Employers' Accounting for Postemployment Benefits." SFAS 112 requires PepsiCo to accrue the cost of certain postemployment benefits to be paid to terminated or inactive employees other than retirees. The principal effect to PepsiCo results from accruing severance benefits to be provided to employees of certain business units who are terminated in the ordinary course of business over the expected service lives of the employees. Previously, these benefits were accrued upon the occurrence of an event. Severance benefits resulting from actions not in the ordinary course of business will continue to be accrued when those actions occur. The cumulative effect charge upon adoption of SFAS 112, which relates to years prior to 1994, was $84.6 million ($55.3 million after-tax or $0.07 per share). As compared to the previous accounting method, the current year impact of adopting SFAS 112 was immaterial to 1994 operating profits. PepsiCo's cash flows have been unaffected by this accounting change as PepsiCo continues to largely fund postemployment benefit costs as incurred.

Note 15 - Franchise Arrangements

Franchise arrangements with restaurant franchisees generally provide for initial fees and continuing royalty payments to PepsiCo based upon a percentage of sales. The arrangements are intended to assist franchisees through, among other things, product development and marketing programs initiated by PepsiCo for both its company-owned and franchised operations. On a limited basis, franchisees have also entered into leases of restaurant properties leased or owned by PepsiCo (see Note 11). Royalty revenues, initial fees and rental payments from franchisees, which are included in Net Sales, aggregated $407 million, $357 million and $344 million in 1994, 1993 and 1992, respectively. Franchise royalty revenues, which represent the majority of these amounts, are recognized when earned. PepsiCo also has franchise arrangements with beverage bottlers, which do not provide for royalty payments.

Note 16 - Restructurings

PepsiCo recorded restructuring charges of $193.5 million in 1992 ($128.5 million after-tax or $0.16 per share) and $149.0 million in 1991 ($102.3 million after-tax or $0.13 per share). The 1992 charge related principally to streamlining and reorganizing the domestic beverage business, consolidating the snack food businesses in the U.K. and streamlining an acquired beverage bottling business in Spain. The 1991 charge related to streamlining snack food operations in the U.S. and U.K. and operations at KFC. These charges were classified in Selling, general and administrative expenses and were primarily for costs requiring future cash outlays. The annual accrual activity, including asset valuation allowances, and the related components were as follows:

	1994	1993	1992
Annual Accrual Activity			
Balance - Beginning of year	$121.7	$ 253.2	$112.6
New restructuring charges	-	-	193.5
New restructuring accruals - purchase price adjustments (A)	-	-	41.5
Accretion of interest on net present value of severance	2.8	6.9	-
Cash payments	(50.6)	(122.8)	(83.5)
Asset write-offs	(4.0)	(9.1)	(10.3)
Change in estimates	(28.7)	(6.5)	(0.6)
Balance - End of year	$ 41.2	$ 121.7	$253.2
Accrual Components			
Facility closings/fixed asset disposals	$ 3.0	$ 13.9	$ 35.3
Employee terminations (A)	36.1	103.2	153.9
Relocation of employees and equipment	0.7	2.2	29.1
Nonrecurring costs of redesigning core business processes (B)	-	0.7	25.3
Other	1.4	1.7	9.6
Balance - End of year (C)	$ 41.2	$ 121.7	$253.2

(A) Included amounts for termination of employees of an acquired beverage bottling business in Spain accounted for as a purchase. The acquired business was formerly accounted for as a 30% owned equity investment. Upon acquisition of the remaining 70%, 30% of the restructuring charge was included in income and 70% was a purchase price adjustment.

(B) Included only specific nonrecurring incremental and direct costs for activities clearly identifiable with the redesign of the domestic beverages' core business processes.

(C) The 1994 year-end balance of $41 million, which was primarily included in Other current liabilities, represented estimated future cash payments of $26 million, $12 million and $3 million in 1995, 1996 and 1997, respectively.

Note 17 - Income Taxes

In 1992, PepsiCo adopted Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes." PepsiCo elected to adopt SFAS 109 on a prospective basis, resulting in a noncash tax charge in 1992 of $570.7 million ($0.71 per share) for the cumulative effect of the change related to years prior to 1992. The cumulative effect primarily represented the recording of additional deferred tax liabilities related to identifiable intangible assets, principally acquired trademarks and reacquired franchise rights, that have no tax bases. These deferred tax liabilities would be paid only in the unlikely event the related intangible assets were sold in taxable transactions.

Detail of the provision for income taxes on income before cumulative effect of accounting changes was as follows:

		1994	1993	1992
Current-	Federal	$642.0	$466.8	$413.0
	Foreign	174.1	195.5	170.4
	State	131.2	89.0	65.7
		947.3	751.3	649.1
Deferred-	Federal	(63.9)	78.2	(18.8)
	Foreign	(1.8)	(12.5)	(33.5)
	State	(1.2)	17.6	0.3
		(66.9)	83.3	(52.0)
		$880.4	$834.6	$597.1

In 1993, a charge of $29.9 million ($0.04 per share) was recorded to increase net deferred tax liabilities as of the beginning of 1993 for a 1% statutory income tax rate increase under 1993 U.S. tax legislation. The effect of the higher rate on the 1993 increase in net deferred tax liabilities through the enactment date of the legislation was immaterial.

U.S. and foreign income before income taxes and cumulative effect of accounting changes were as follows:

	1994	1993	1992
U.S.	$1,762.4	$1,633.0	$1,196.8
Foreign	902.0	789.5	702.0
	$2,664.4	$2,422.5	$1,898.8

PepsiCo operates centralized concentrate manufacturing facilities in Puerto Rico and Ireland under long-term tax incentives. The foreign amount in the above table includes approximately 50% (consistent with the allocation for tax purposes) of the income from U.S. sales of concentrate manufactured in Puerto Rico. See Management's Analysis - Overview on page 10 for a discussion of the reduction of the U.S. tax credit associated with beverage concentrate operations in Puerto Rico.

Reconciliation of the U.S. federal statutory tax rate to PepsiCo's effective tax rate on pretax income, based on the dollar impact of these major components on the provision for income taxes, was as follows:

	1994	1993	1992
U.S. federal statutory tax rate	35.0%	35.0%	34.0%
State income tax, net of federal tax benefit	3.2	2.9	2.3
Effect of lower taxes on foreign income (including Puerto Rico and Ireland)	(5.4)	(3.3)	(5.0)
Adjustment to the beginning-of-the-year deferred tax assets valuation allowance	(1.3)	-	-
Reduction of prior year foreign accruals	-	(2.0)	-
Effect of 1993 tax legislation on deferred income taxes	-	1.1	-
Nondeductible amortization of domestic goodwill	0.8	0.8	0.9
Other, net	0.7	-	(0.8)
Effective tax rate	33.0%	34.5%	31.4%

Detail of the 1994 and 1993 deferred tax liabilities (assets) was as follows:

	1994	1993
Intangible assets other than nondeductible goodwill	$ 1,627.8	$ 1,551.0
Property, plant and equipment	506.4	552.3
Safe harbor leases	171.2	177.5
Zero coupon notes	110.6	103.5
Other	336.7	549.0
Gross deferred tax liabilities	2,752.7	2,933.3
Net operating loss carryforwards	(306.0)	(241.5)
Postretirement benefits	(248.3)	(268.0)
Self-insurance reserves	(71.2)	(10.8)
Deferred state income taxes	(69.1)	(39.9)
Restructuring accruals	(15.8)	(42.0)
Various accrued liabilities and other	(551.2)	(686.8)
Gross deferred tax assets	(1,261.6)	(1,289.0)
Deferred tax assets valuation allowance	319.3	249.0
Net deferred tax liability	$ 1,810.4	$ 1,893.3
Included in:		
Prepaid expenses, taxes and other current assets	$ (166.9)	$ (138.2)
Other current liabilities	4.4	23.9
Deferred income taxes	1,972.9	2,007.6
	$ 1,810.4	$ 1,893.3

The valuation allowance related to deferred tax assets increased by $70.3 million in 1994 primarily resulting from additions related to current year net operating losses, partially offset by reversals related to prior year net operating losses. The net operating loss carryforwards largely related to a number of state and foreign jurisdictions and generally expire over a range of dates.

Deferred tax liabilities have not been recognized for bases differences related to investments in foreign subsidiaries and joint ventures. These differences, which consist primarily of unremitted earnings intended to be indefinitely reinvested, aggregated approximately $3.8 billion at year-end 1994 and $3.2 billion at year-end 1993, exclusive of amounts that if remitted in the future would result in little or no tax under current tax laws and the Puerto Rico tax incentive grant. Determination of the amount of unrecognized deferred tax liabilities is not practicable.

Tax benefits associated with exercises of stock options of $27.1 million in 1994, $23.4 million in 1993 and $57.5 million in 1992 were credited to shareholders' equity. A change in the functional currency of operations in Mexico from the U.S. dollar to local currency in 1993 resulted in a $19.3 million decrease in the net deferred foreign tax liability that was credited to shareholders' equity.

Note 18 - Employee Incentive Plans

PepsiCo has established certain employee incentive plans under which stock options are granted. A stock option allows an employee to purchase a share of PepsiCo Capital Stock (Stock) in the future at a price equal to the fair market value on the date of the grant.

Under the PepsiCo SharePower Stock Option Plan, approved by the Board of Directors and effective in 1989, essentially all employees other than executive officers, part-time and short-service employees may be granted stock options annually. The number of options granted is based on each employee's annual earnings. The options generally become exercisable ratably over five years from the grant date and must be exercised within 10 years of the grant date. SharePower options were granted to approximately 128,000 employees in 1994, 118,000 employees in 1993 and 114,000 employees in 1992.

The shareholder-approved 1987 Long-Term Incentive Plan (the 1987 Plan), which has provisions similar to prior plans, provides incentives to eligible senior and middle management employees. In addition to grants of stock options, which are generally exercisable between 1 and 15 years from the grant date, the 1987 Plan allows for grants of performance share units (PSUs) to eligible senior management employees. A PSU is equivalent in value to a share of Stock at the grant date and vests for payment four years from the grant date, contingent upon attainment of prescribed Corporate performance goals. PSUs are not directly granted, as certain stock options granted may be surrendered by employees for a specified number of PSUs within 60 days of the option grant date. During 1994, 1,541,187 stock options were surrendered for 513,729 PSUs. At year-end 1994, 1993 and 1992, there were 629,202, 491,200 and 484,698 outstanding PSUs, respectively.

Grants under the 1987 Plan are approved by the Compensation Committee of the Board of Directors (the Committee), which is composed of outside directors. Payment of awards other than stock options is made in cash and/or Stock as approved by the Committee, and amounts expensed for such awards were $7 million, $5 million and $11 million in 1994, 1993 and 1992, respectively. Under the 1987 Plan, a maximum of 54 million shares of Stock can be purchased or paid pursuant to grants.

There were 7 million, 20 million, 22 million and 32 million shares available for future grants at year-end 1994, 1993, 1992 and 1991, respectively. The Committee does not intend to grant future awards under the 1987 Plan.

On May 4, 1994, PepsiCo's shareholders approved the 1994 Long-Term Incentive Plan (the 1994 Plan). The 1994 Plan continues the principal features of the 1987 Plan and authorizes a maximum of 75 million shares of Stock which may be purchased or paid pursuant to grants by the Committee. The first awards under the 1994 Plan were made as of January 1, 1995.

1994, 1993 and 1992 activity for the stock option plans included:

(options in thousands)	Long-Term	
Outstanding at December 28, 1991	23,801	27,834
Granted	8,477	12,653
Exercised	(1,155)	(5,155)
Surrendered for PSUs	-	(503)
Canceled	(2,327)	(1,839)
Outstanding at December 26, 1992	28,796	32,990
Granted	9,121	2,834
Exercised	(1,958)	(1,412)
Surrendered for PSUs	-	(96)
Canceled	(2,524)	(966)
Outstanding at December 25, 1993	33,435	33,350
Granted	11,633	16,237
Exercised	(1,820)	(3,052)
Surrendered for PSUs	-	(1,541)
Canceled	(3,443)	(2,218)
Outstanding at December 31, 1994	39,805	42,776
Exercisable at December 31, 1994	16,115	18,439
Option prices per share:		
Exercised during 1994	$17.58 to $36.75	$4.11 to $38.75
Exercised during 1993	$17.58 to $36.75	$4.11 to $36.31
Exercised during 1992	$17.58 to $35.25	$4.11 to $29.88
Outstanding at year-end 1994	$17.58 to $36.75	$7.69 to $42.81

Note 19 - Contingencies

PepsiCo is subject to various claims and contingencies related to lawsuits, taxes, environmental and other matters arising out of the normal course of business. Management believes that the ultimate liability, if any, in excess of amounts already provided arising from such claims or contingencies is not likely to have a material adverse effect on PepsiCo's annual results of operations or financial condition. At year-end 1994 and 1993, PepsiCo was contingently liable under guarantees aggregating $187 million and $276 million, respectively. The guarantees are primarily issued to support financial arrangements of certain PepsiCo joint ventures, and bottling and restaurant franchisees. PepsiCo manages the risk associated with these guarantees by performing appropriate credit reviews in addition to retaining certain rights as a joint venture partner or franchisor. See Note 10 for information related to the fair value of the guarantees.

Management's Responsibility for Financial Statements

To Our Shareholders:

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

PepsiCo maintains a system of internal control over financial reporting designed to provide reasonable assurance as to the reliability of the financial statements. The system is supported by formal policies and procedures, including an active Code of Conduct program intended to ensure employees adhere to the highest standards of personal and professional integrity. PepsiCo's internal audit function monitors and reports on the adequacy of and compliance with the internal control system, and appropriate actions are taken to address significant control deficiencies and other opportunities for improving the system as they are identified. The Audit Committee of the Board of Directors, which is composed solely of outside directors, provides oversight to the financial reporting process through periodic meetings with our independent auditors, internal auditors and management. Both our independent auditors and internal auditors have free access to the Audit Committee.

Although no cost effective internal control system will preclude all errors and irregularities, we believe our controls as of December 31, 1994 provide reasonable assurance that the financial statements are reliable.

/s/ WAYNE CALLOWAY
Wayne Calloway
Chairman of the Board
and Chief Executive Officer

/s/ ROBERT G. DETTMER
Robert G. Dettmer
Executive Vice President
and Chief Financial Officer

/s/ ROBERT L. CARLETON
Robert L. Carleton
Senior Vice President
and Controller

February 7, 1995

Report of Independent Auditors

Board of Directors and Shareholders
PepsiCo, Inc.

We have audited the accompanying consolidated balance sheet of PepsiCo, Inc. and Subsidiaries as of December 31, 1994 and December 25, 1993, and the related consolidated statements of income, cash flows and shareholders' equity for each of the years in the three-year period ended December 31, 1994. These consolidated financial statements are the responsibility of PepsiCo, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PepsiCo, Inc. and Subsidiaries as of December 31, 1994 and December 25, 1993, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Notes 14 and 13 to the consolidated financial statements, PepsiCo, Inc. in 1994 adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits," and changed its method for calculating the market-related value of pension plan assets used in the determination of pension expense, respectively. As discussed in Notes 12 and 17 to the consolidated financial statements, PepsiCo, Inc. in 1992 adopted the provisions of the Financial Accounting Standards Board's Statements of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and No. 109, "Accounting for Income Taxes," respectively.

KPMG Peat Marwick LLP

New York, New York
February 7, 1995

Selected Quarterly Financial Data (page 1 of 3)
(in millions except per share amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

	First Quarter (12 Weeks) 1994 (a)	1993
Net sales	$5,728.9	5,091.6
Gross profit	$2,944.4	2,641.4
Operating profit	$ 550.5	506.0
Income before income taxes and cumulative effect of accounting changes	$ 438.4	391.6
Provision for income taxes	$ 155.6	131.2
Income before cumulative effect of accounting changes	$ 282.8	260.4
Cumulative effect of accounting changes (b)	$ (32.0)	-
Net income	$ 250.8	260.4
Income (charge) per share:		
Income before cumulative effect of accounting changes	$ 0.35	0.32
Cumulative effect of accounting changes (b)	$ (0.04)	-
Net income per share	$ 0.31	0.32

	Second Quarter (12 Weeks) 1994 (a)(c)	1993
Net sales	$6,557.0	5,890.3
Gross profit	$3,419.5	3,102.8
Operating profit	$ 785.0	750.4
Income before income taxes	$ 672.2	635.7
Provision for income taxes	$ 225.7	208.9
Net income	$ 446.5	426.8
Net income per share	$ 0.55	0.53

(a) Included the current year benefit of changing the method for calculating the market-related value of plan assets used in determining the return-on-asset component of annual pension expense and the cumulative net unrecognized gain or loss subject to amortization, which reduced full-year pension expense by $35.1 ($21.6 after-tax or $0.03 per share). This benefit was prorated over each of the four quarters. See Note 13.

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

(c) Included a $17.8 gain ($16.8 after-tax or $0.02 per share) arising from a public share offering by PepsiCo's BAESA joint venture in South America. See Note 4.

Selected Quarterly Financial Data (page 2 of 3)
(in millions except per share amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

	Third Quarter (12 Weeks)	
	1994 (a)	1993 (d)
Net sales	$ 7,064.0	6,316.4
Gross profit	$ 3,684.0	3,322.1
Operating profit	$ 961.7	851.6
Income before income taxes	$ 830.3	736.5
Provision for income taxes	$ 288.9	278.3
Net income	$ 541.4	458.2
Net income per share	$ 0.68	0.56

	Fourth Quarter (17/16 Weeks) (e)	
	1994 (a)	1993
Net sales	$ 9,122.5	7,722.4
Gross profit	$ 4,709.1	4,008.3
Operating profit	$ 904.0	798.5
Income before income taxes	$ 723.5	658.7
Provision for income taxes	$ 210.2	216.2
Net income	$ 513.3	442.5
Net income per share	$ 0.64	0.55

(a) Included the current year benefit of changing the method for calculating the market-related value of plan assets used in determining the return-on-asset component of annual pension expense and the cumulative net unrecognized gain or loss subject to amortization, which reduced full-year pension expense by $35.1 ($21.6 after-tax or $0.03 per share). This benefit was prorated over each of the four quarters. See Note 13.

(d) Included a $29.9 charge ($0.04 per share) to increase net deferred tax liabilities as of the beginning of 1993 for a 1% statutory income tax rate increase due to 1993 U.S. tax legislation. See Note 17.

(e) Fiscal years 1994 and 1993 consisted of 53 and 52 weeks, respectively. The estimated favorable impact of the 53rd week on 1994 fourth quarter and full-year earnings was $54.0 ($34.9 after-tax or $0.04 per share).

Selected Quarterly Financial Data (page 3 of 3)
(in millions except per share amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

	Full Year (53/52 Weeks) (e) 1994 (a)(c)	1993 (d)
Net sales	$28,472.4	25,020.7
Gross profit	$14,757.0	13,074.6
Operating profit	$ 3,201.2	2,906.5
Income before income taxes and cumulative effect of accounting changes	$ 2,664.4	2,422.5
Provision for income taxes	$ 880.4	834.6
Income before cumulative effect of accounting changes	$ 1,784.0	1,587.9
Cumulative effect of accounting changes (b)	$ (32.0)	-
Net income	$ 1,752.0	1,587.9
Income (charge) per share:		
Income before cumulative effect of accounting changes	$ 2.22	1.96
Cumulative effect of accounting changes (b)	$ (0.04)	-
Net income per share	$ 2.18	1.96

(a) Included the current year benefit of changing the method for calculating the market-related value of plan assets used in determining the return-on-asset component of annual pension expense and the cumulative net unrecognized gain or loss subject to amortization, which reduced full-year pension expense by $35.1 ($21.6 after-tax or $0.03 per share). This benefit was prorated over each of the four quarters. See Note 13.

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

(c) Included a $17.8 gain ($16.8 after-tax or $0.02 per share) arising from a public share offering by PepsiCo's BAESA joint venture in South America. See Note 4.

(d) Included a $29.9 charge ($0.04 per share) to increase net deferred tax liabilities as of the beginning of 1993 for a 1% statutory income tax rate increase due to 1993 U.S. tax legislation. See Note 17.

(e) Fiscal years 1994 and 1993 consisted of 53 and 52 weeks, respectively. The estimated favorable impact of the 53rd week on 1994 fourth quarter and full-year earnings was $54.0 ($34.9 after-tax or $0.04 per share).

Selected Financial Data (Page 1 of 7)
(in millions except per share and employee amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

	Growth Rates		
	Compounded		Annual
	10-Year 1984-94	5-Year 1989-94	1-Year 1993-94
Summary of Operations			
Net sales	15.0%	13.6%	13.8%
Cost of sales and operating expenses	-	-	-
Operating profit	18.6%	12.5%	10.1%
Gain on joint venture stock offering(h)	-	-	-
Interest expense	-	-	-
Interest income	-	-	-
Income from continuing operations before income taxes and cumulative effect of accounting changes	19.2%	14.7%	10.0%
Provision for income taxes	-	-	-
Income from continuing operations before cumulative effect of accounting changes	20.3%	14.6%	12.3%
Cumulative effect of accounting changes (i)	-	-	-
Net income (j)	23.5%	14.2%	10.3%
Per Share Data			
Income from continuing operations before cumulative effect of accounting changes	21.0%	14.5%	13.3%
Cumulative effect of accounting changes (i)	-	-	-
Net income (j)	24.2%	14.0%	11.2%
Cash dividends declared	14.2%	16.9%	14.8%
Average shares and equivalents outstanding	-	-	-
Cash Flow Data (k)			
Net cash provided by continuing operations	14.2%	14.5%	18.6%
Cash acquisitions and investments in affiliates	-	-	-
Cash capital spending	15.0%	19.0%	13.7%
Cash dividends paid	13.3%	17.4%	17.0%
Year-End Position			
Total assets	17.7%	10.4%	4.6%
Long-term debt	29.5%	7.8%	18.8%
Total debt (l)	25.9%	6.5%	(1.2)%
Shareholders' equity	-	-	-
Per share	14.8%	12.0%	9.3%
Market price per share	22.9%	11.1%	(13.4)%
Shares outstanding	-	-	-
Employees	12.1%	12.1%	11.3%
Statistics			
Return on average shareholders' equity (m)			
Market net debt ratio (n)			
Historical cost net debt ratio (o)			

Selected Financial Data (Page 2 of 7)
(in millions except per share and employee amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

	1994(a)(b)	1993(c)	1992(d)
Summary of Operations			
Net sales	$28,472.4	25,020.7	21,970.0
Cost of sales and operating expenses	25,271.2	22,114.2	19,598.8
Operating profit	3,201.2	2,906.5	2,371.2
Gain on joint venture stock offering(h)	17.8	-	-
Interest expense	(645.0)	(572.7)	(586.1)
Interest income	90.4	88.7	113.7
Income from continuing operations before income taxes and cumulative effect of accounting changes	2,664.4	2,422.5	1,898.8
Provision for income taxes	880.4	834.6	597.1
Income from continuing operations before cumulative effect of accounting changes	$ 1,784.0	1,587.9	1,301.7
Cumulative effect of accounting changes (i)	$ (32.0)	-	(927.4)
Net income (j)	$ 1,752.0	1,587.9	374.3
Per Share Data			
Income from continuing operations before cumulative effect of accounting changes	$ 2.22	1.96	1.61
Cumulative effect of accounting changes (i)	$ (0.04)	-	(1.15)
Net income (j)	$ 2.18	1.96	0.46
Cash dividends declared	$ 0.700	0.610	0.510
Average shares and equivalents outstanding	803.6	810.1	806.7
Cash Flow Data (k)			
Net cash provided by continuing operations	$ 3,716.0	3,134.4	2,711.6
Cash acquisitions and investments in affiliates	$ 315.8	1,011.2	1,209.7
Cash capital spending	$ 2,253.2	1,981.6	1,549.6
Cash dividends paid	$ 540.2	461.6	395.5
Year-End Position			
Total assets	$24,792.0	23,705.8	20,951.2
Long-term debt	$ 8,840.5	7,442.6	7,964.8
Total debt (l)	$ 9,519.0	9,633.8	8,671.6
Shareholders' equity	$ 6,856.1	6,338.7	5,355.7
Per share	$ 8.68	7.94	6.70
Market price per share	$ 36 1/4	41 7/8	42 1/4
Shares outstanding	789.9	798.8	798.8
Employees	471,000	423,000	372,000
Statistics			
Return on average shareholders' equity (m)	27.0%	27.2	23.9
Market net debt ratio (n)	26%	22	19
Historical cost net debt ratio (o)	49%	50	49

Selected Financial Data (Page 3 of 7)
(in millions except per share and employee amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

	1991(e)	1990(f)	1989
Summary of Operations			
Net sales	$19,292.2	17,515.5	15,049.2
Cost of sales and operating expenses	17,180.4	15,473.4	13,276.6
Operating profit	2,111.8	2,042.1	1,772.6
Gain on joint venture stock offering(h)	-	118.2	-
Interest expense	(613.7)	(686.0)	(607.9)
Interest income	161.6	179.5	175.3
Income from continuing operations before income taxes and cumulative effect of accounting changes	1,659.7	1,653.8	1,340.0
Provision for income taxes	579.5	563.2	438.6
Income from continuing operations before cumulative effect of accounting changes	$ 1,080.2	1,090.6	901.4
Cumulative effect of accounting changes (i)	$ -	-	-
Net income (j)	$ 1,080.2	1,076.9	901.4
Per Share Data			
Income from continuing operations before cumulative effect of accounting changes	$ 1.35	1.37	1.13
Cumulative effect of accounting changes (i)	$ -	-	-
Net income (j)	$ 1.35	1.35	1.13
Cash dividends declared	$ 0.460	0.383	0.320
Average shares and equivalents outstanding	802.5	798.7	796.0
Cash Flow Data (k)			
Net cash provided by continuing operations	$ 2,430.3	2,110.0	1,885.9
Cash acquisitions and investments in affiliates	$ 640.9	630.6	3,296.6
Cash capital spending	$ 1,457.8	1,180.1	943.8
Cash dividends paid	$ 343.2	293.9	241.9
Year-End Position			
Total assets	$18,775.1	17,143.4	15,126.7
Long-term debt	$ 7,806.2	5,899.6	6,076.5
Total debt (l)	$ 8,034.4	7,526.1	6,942.8
Shareholders' equity	$ 5,545.4	4,904.2	3,891.1
Per share	$ 7.03	6.22	4.92
Market price per share	$ 33 3/4	25 3/4	21 3/8
Shares outstanding	789.1	788.4	791.1
Employees	338,000	308,000	266,000
Statistics			
Return on average shareholders' equity (m)	20.7%	24.8	25.6
Market net debt ratio (n)	21%	24	26
Historical cost net debt ratio (o)	51%	51	54

Selected Financial Data (Page 4 of 7)
(in millions except per share and employee amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

	1988(b)	1987	1986
Summary of Operations			
Net sales	$12,381.4	11,018.1	9,017.1
Cost of sales and operating expenses	11,039.6	9,890.5	8,187.9
Operating profit	1,341.8	1,127.6	829.2
Gain on joint venture stock offering(h)	-	-	-
Interest expense	(342.4)	(294.6)	(261.4)
Interest income	120.5	112.6	122.7
Income from continuing operations before income taxes and cumulative effect of accounting changes	1,119.9	945.6	690.5
Provision for income taxes	357.7	340.5	226.7
Income from continuing operations before cumulative effect of accounting changes	$ 762.2	605.1	463.8
Cumulative effect of accounting changes (i)	$ -	-	-
Net income (j)	$ 762.2	594.8	457.8
Per Share Data			
Income from continuing operations before cumulative effect of accounting changes	$ 0.97	0.77	0.59
Cumulative effect of accounting changes (i)	$ -	-	-
Net income (j)	$ 0.97	0.76	0.58
Cash dividends declared	$ 0.267	0.223	0.209
Average shares and equivalents outstanding	790.4	789.3	786.5
Cash Flow Data (k)			
Net cash provided by continuing operations	$ 1,894.5	1,334.5	1,212.2
Cash acquisitions and investments in affiliates	$ 1,415.5	371.5	1,679.9
Cash capital spending	$ 725.8	770.5	858.5
Cash dividends paid	$ 199.0	172.0	160.4
Year-End Position			
Total assets	$11,135.3	9,022.7	8,027.1
Long-term debt	$ 2,656.0	2,579.2	2,632.6
Total debt (l)	$ 4,107.0	3,225.1	2,865.3
Shareholders' equity	$ 3,161.0	2,508.6	2,059.1
Per share	$ 4.01	3.21	2.64
Market price per share	$ 13 1/8	11 1/4	8 3/4
Shares outstanding	788.4	781.2	781.0
Employees	235,000	225,000	214,000
Statistics			
Return on average shareholders' equity(m)	26.9%	26.5	23.8
Market net debt ratio (n)	24%	22	28
Historical cost net debt ratio (o)	43%	41	46

Selected Financial Data (Page 5 of 7)
(in millions except per share and employee amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

	1985	1984(g)
Summary of Operations		
Net sales	$7,584.5	7,058.6
Cost of sales and operating expenses	6,802.4	6,479.3
Operating profit	782.1	579.3
Gain on joint venture stock offering(h)	-	-
Interest expense	(195.2)	(204.9)
Interest income	96.4	86.1
Income from continuing operations before income taxes and cumulative effect of accounting changes	683.3	460.5
Provision for income taxes	256.7	180.5
Income from continuing operations before cumulative effect of accounting changes	$ 426.6	280.0
Cumulative effect of accounting changes (i)	$ -	-
Net income (j)	$ 543.7	212.5
Per Share Data		
Income from continuing operations before cumulative effect of accounting changes	$ 0.51	0.33
Cumulative effect of accounting changes (i)	$ -	-
Net income (j)	$ 0.65	0.25
Cash dividends declared	$ 0.195	0.185
Average shares and equivalents outstanding	842.1	862.4
Cash Flow Data (k)		
Net cash provided by continuing operations	$ 817.3	981.5
Cash acquisitions and investments in affiliates	$ 160.0	-
Cash capital spending	$ 770.3	555.8
Cash dividends paid	$ 161.1	154.6
Year-End Position		
Total assets	$5,889.3	4,876.9
Long-term debt	$1,162.0	668.1
Total debt (l)	$1,506.1	948.9
Shareholders' equity	$1,837.7	1,853.4
Per share	$ 2.33	2.19
Market price per share	$ 7 7/8	4 5/8
Shares outstanding	789.4	845.2
Employees	150,000	150,000
Statistics		
Return on average shareholders' equity(m)	23.1%	15.4
Market net net debt ratio (n)	15%	12
Historical cost net debt ratio (o)	30%	17

Selected Financial Data (Page 6 of 7)
(in millions except per share and employee amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

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

(a) Included the current year benefit of changing the method for calculating the market-related value of plan assets, which reduced full-year pension expense by $35.1 ($21.6 after-tax or $0.03 per share). See Note 13.
(b) Fiscal years 1994 and 1988 each consisted of 53 weeks. Normally, fiscal years consist of 52 weeks; however, because the fiscal year ends on the last Saturday in December, a week is added every 5 or 6 years. The 53rd week increased 1994 earnings by approximately $54.0 ($34.9 after-tax or $0.04 per share) and 1988 earnings by approximately $23.2 ($15.7 after-tax or $0.02 per share).
(c) Included a $29.9 charge ($0.04 per share) to increase net deferred tax liabilities as of the beginning of 1993 for a 1% statutory income tax rate increase due to 1993 U.S. tax legislation. See Note 17.
(d) Included $193.5 in unusual charges for restructuring ($128.5 after-tax or $0.16 per share). See Note 2 on page F-9 and Note 16.
(e) Included $170.0 in unusual charges ($119.8 after-tax or $0.15 per share). See Note 2 on page F-9.
(f) Included $83.0 in unusual charges ($48.8 after-tax or $0.06 per share). See Note 2 on page F-9.
(g) Included a $156.0 unusual charge ($62.0 after-tax or $0.07 per share) related to a program to sell several international bottling operations.
(h) The $17.8 gain ($16.8 after-tax or $0.02 per share) in 1994 arose from a public share offering by PepsiCo's BAESA joint venture in South America. See Note 4. The $118.2 gain ($53.0 after-tax or $0.07 per share) in 1990 arose from an initial public offering of new shares by a KFC joint venture in Japan and a sale by PepsiCo of a portion of its shares.
(i) Represents the cumulative effect of adopting in 1994 SFAS 112, "Employers' Accounting for Postemployment Benefits," and changing the method for calculating the market-related value of plan assets used in determining the return-on-asset component of annual pension expense and the cumulative net unrecognized gain or loss subject to amortization (see Notes 14 and 13, respectively) and adopting in 1992 SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and SFAS 109, "Accounting for Income Taxes" (see Notes 12 and 17, respectively). Prior years were not restated for these changes in accounting.
(j) Included impacts of discontinued operations, the most significant of which were in 1985 and 1984. 1985 included income of $123.6 after-tax ($0.15 per share) and 1984 included charges of $62.5 after-tax ($0.07 per share) resulting from PepsiCo disposing of its sporting goods and transportation segments.

Selected Financial Data (Page 7 of 7)
(in millions except per share and employee amounts, unaudited)
PepsiCo, Inc. and Subsidiaries

(k) Cash flows from other investing and financing activities, which are not presented, are an integral part of total cash flow activity.

(l) Total debt includes short-term borrowings and long-term debt, which for 1987 through 1990 included a nonrecourse obligation.

(m) The return on average shareholders' equity is calculated using income from continuing operations before cumulative effect of accounting changes.

(n) The market net debt ratio represents net debt as a percent of net debt plus the market value of equity, based on the year-end stock price. Net debt is total debt, which for this purpose includes the present value of long-term operating lease commitments, reduced by the pro forma remittance of investment portfolios held outside the U.S. For 1987 through 1990, total debt was also reduced by the nonrecourse obligation in the calculation of net debt.

(o) The historical cost net debt ratio represents net debt (see Note n) as a percent of capital employed (net debt, other liabilities, deferred income taxes and shareholders' equity).

PEPSICO, INC. AND SUBSIDIARIES

SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
Years Ended December 31, 1994, December 25, 1993 and December 26, 1992
(in millions)

		Additions			
	Balance at beginning of year	Charged to costs and expenses	Other additions (1)	Deductions from reserves (2)	Balance at end of year
Deductions from assets:					
1994					
Allowance for doubtful accounts	$128.3	$ 59.4	$ 7.6	$ 44.7	$150.6
Valuation allowance for deferred tax assets	$249.0	$ 69.4	$ 0.9	$ -	$319.3
1993					
Allowance for doubtful accounts	$112.0	$ 43.9	$ 16.7	$ 44.3	$128.3
Valuation allowance for deferred tax assets	$181.3	$ 67.7	$ -	$ -	$249.0
1992					
Allowance for doubtful accounts	$ 97.5	$ 46.3	$ 14.1	$ 45.9	$112.0
Valuation allowance for deferred tax assets	$142.8	$ 38.5	$ -	$ -	$181.3

(1) Other additions to the allowance for doubtful accounts principally related to acquisitions and reclassifications.
(2) Principally accounts written off.

INDEX TO EXHIBITS
ITEM 14(a)(3)

EXHIBIT	
(3)(a)	Restated Articles of Incorporation of PepsiCo, Inc., which is incorporated herein by reference from Exhibit 4(a) to PepsiCo's Registration Statement on Form S-3 (Registration No. 33-57181).
(3)(b)	Copy of By-Laws of PepsiCo, Inc., as amended, which is incorporated by reference from Exhibit 3(ii) to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 26, 1992.
(4)	PepsiCo, Inc. agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any instrument defining the rights of holders of long-term debt of PepsiCo, Inc. and all of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed with the Securities and Exchange Commission.
(10)(a)	Description of PepsiCo, Inc. 1988 Director Stock Plan, which is incorporated herein by reference from Post-Effective Amendment No. 2 to PepsiCo's Registration Statement on Form S-8 (Registration No. 33-22970).
(10)(b)	Copy of PepsiCo, Inc. 1987 Incentive Plan (the "1987 Plan"), which is incorporated by reference from Exhibit 10(b) to PepsiCo's Annual Form 10-K for the Fiscal Year ended December 26, 1992.
(10)(c)	Copy of PepsiCo, Inc. 1979 Incentive Plan (the "Plan"), which is incorporated by reference from Exhibit 10(c) to PepsiCo's Annual Report on Form 10-K for the Fiscal year ended December 28, 1991.
(10)(d)	Copy of Operating Guideline No. 1 under the 1987 Plan, as amended through July 25, 1991, which is incorporated by reference from Exhibit 10(d) to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 28, 1991.
(10)(e)	Copy of Operating Guideline No. 2 under the 1987 Plan and the Plan, as amended through January 22, 1987, which is incorporated herein by reference from Exhibit 28(b) to PepsiCo's Registration Statement on Form S-8 (Registration No. 33-19539).
(10)(f)	Amended and Restated PepsiCo Long Term Savings Program, dated June 29, 1994
(10)(g)	Amendment to Amended and Restated PepsiCo Long Term Savings Program, dated September 14, 1994.
(10)(h)	Copy of PepsiCo, Inc. 1994 Long-Term Incentive Plan, which is incorporated herein by reference from Exhibit A to PepsiCo's Proxy Statement for its 1994 Annual Meeting of Shareholders.
(10)(i)	Copy of PepsiCo, Inc. Executive Incentive Compensation Plan, which is incorporated herein by reference from Exhibit B to PepsiCo's Proxy Statement for its 1994 Annual Meeting of Shareholders.
(11)	Computation of Net Income Per Share of Capital Stock ---- Primary and Fully Diluted.
(12)	Computation of Ratio of Earnings to Fixed Charges.
(21)	Active Subsidiaries of PepsiCo, Inc.
(23)	Report and Consent of KPMG Peat Marwick LLP.
(24)	Copy of Power of Attorney.
(27)	Financial Data Schedule

PEPSICO LONG TERM SAVINGS PROGRAM

As Amended and Restated

Effective July 1, 1992, Except as Otherwise Noted
[Subject to Approval by the Internal Revenue Service]

PEPSICO LONG TERM SAVINGS PROGRAM

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ARTICLE I

Foreword

The PepsiCo Long Term Savings Program permits eligible employees to defer receipt of a portion of their Eligible Pay in order to promote savings on a tax-favored basis. The Plan provides for distributions in the event of termination of employment, death, or attainment of age 59-1/2. In addition, in certain circumstances, withdrawals are permitted in the event of hardship.

The Plan has been established by PepsiCo, Inc. for the benefit of its salaried Employees and certain union employees and certain salaried, commissioned sales and hourly Employees of each subsidiary designated by PepsiCo, Inc. which adopts this Plan as an Employer.

The PepsiCo Long Term Savings Program was initially established effective July 1, 1983, and was subsequently amended. Effective December 31, 1991, the Kentucky Fried Chicken Corporation Long Term Savings Program, the Pizza Hut Long Term Savings Program, the Pepsi-Cola Operating Company Long Term Savings Program and the Taco Bell Long Term Savings Program (the "Merged Plans") were merged into the PepsiCo Long Term Savings Program (the "Plan"). The Plan was amended and restated effective July 1, 1992. Except as otherwise provided herein, this amendment and restatement is effective as of July 1, 1992 and applies to persons who are Participants in the Plan on or after that date. Except as so provided, the rights and benefits with respect to persons who terminated participation in the Plan or the Merged Plans prior to that date shall be governed by the prior provisions of the Plan and the Merged Plans. The provisions set forth in the following Articles apply to all Participants except to the extent otherwise provided. To provide for the investment of contributions to this Plan and other tax-favored savings plans maintained by it and its subsidiaries and affiliates, PepsiCo, Inc. has established the Master Trust described in Article X.

ARTICLE II

Definitions and Construction

2.1 Definitions: This section provides definitions for certain words and phrases listed below. These definitions can be found on the pages indicated.

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Where the following words and phrases in bold face and underlined appear in this Plan with initial capitals they shall have the meaning set forth below, unless a different meaning is plainly required by context.

(a) ACCOUNT: A Participant's total interest in the Plan, the aggregate of the Participant's Salary Deferral Account and Rollover Account (and any other accounts that may be provided for in the Appendix).

(b) AUTHORIZED LEAVES OF ABSENCE: Any absence: (i) that is authorized by an Employer under its standard personnel practices; and (ii) during which the individual's base pay is continued by the Employer. It is intended that all persons under similar circumstances shall be treated alike in the granting of such Authorized Leaves of Absence.

(c) ANNUITY STARTING DATE: The first day on which all events have occurred that entitle the Participant to payment of a benefit.

(d) BENEFICIARY: Any person or persons (natural or otherwise) determined under Article VIII to be entitled to receive benefits hereunder upon the death of a Participant.

(e) BOARD: The Board of Directors of the Company.

(f) CODE: The Internal Revenue Code of 1986, as amended from time to time.

(g) COMPANY: PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina, or its successor or successors.

(h) COMPANY STOCK: The capital stock issued by the Company.

(i) EFFECTIVE DATE: The date upon which this amendment and restatement is generally effective, July 1, 1992. Certain identified provisions are effective on different dates as noted herein. Provisions made effective prior to July 1, 1992 amend the corresponding terms of both the Plan and the Merged Plans as of the date indicated, and any reference in such provisions to the Plan shall be taken as a reference to both the Plan and the Merged Plans (unless the context clearly indicates to the contrary).

(j) ELECTIVE DEFERRAL: With respect to any taxable year, a Participant's Elective Deferral is the sum of all employer contributions made on his behalf pursuant to an election to defer under any (i) qualified cash or deferred arrangement (as defined in Code section 401(k), (ii) simplified employee pension cash or deferred arrangement (as defined in Code section 408(k)), (iii) eligible deferred compensation plan under Code section 457, (iv) plan described in Code section 501(c)(18), and (v) any employer contribution made on the behalf of a Participant for the purchase of an annuity contract under Code section 403(b) pursuant to a salary reduction agreement.

(k) ELIGIBLE PAY: Effective January 1, 1993, for each Plan Year, a Participant's Eligible Pay shall be determined as follows:

(1) Participants Other Than Those Employed by the KFC Division: With respect to all Participants other than those employed by the KFC division, Eligible Pay shall be determined as follows:

(i) In the case of a Participant who is a salaried Employee considered exempt from the minimum wage and overtime pay provisions of the Fair Labor Standards Act, Eligible Pay shall mean:

(A) If the Participant was an Employee on the Eligible Pay determination date (or dates), (hereinafter referred to as the determination date), designated by the Plan Administrator, with respect to Employees employed by the Frito division,

(I) the Participant's annual base salary in effect on the Eligible Pay determination date in the preceding Plan Year, plus

(II) any lump sum amount received by the Participant prior to the Salary Determination Date and during such preceding Plan Year under the PepsiCo Executive Incentive or PepsiCo's or subsidiary's Middle Management Incentive Plan, including any trimester Frito-Lay Management Incentive Plan payments received by the Participant.

(B) If the Participant was not an Employee on the Eligible Pay determination date in the preceding Plan Year, the Participant's annual base salary on his Employment Commencement Date.

(ii) In the case of a Participant who is a salaried Employee not considered exempt from the minimum wage and overtime pay provisions of the Fair Labor Standards Act, and in the case of a Participant who is an hourly Employee, Eligible Pay shall mean:

(A) If the Participant was an Employee on or before the Eligible Pay determination date in the Preceding Plan Year, the greater of:

(I) the Participant's W-2 earnings, plus any amounts designated as "Choice Pay" ("Flexible Pay" in the case of Frito-Lay and its subsidiaries, collectively "Flexible Pay") and contributed by salary reduction agreement to the Employer's Benefits Plus program or this Plan, in each case through the Eligible Pay determination date during such preceding Plan Year, annualized in accordance with rules adopted by the Plan Administrator, or

(II) the Participant's W-2 earnings plus Flexible Pay during the calendar year immediately prior to such preceding Plan Year.

(B) If the Participant was not an Employee on or before the Eligible Pay determination date, the Participant's annual base salary or hourly wage rate on his Employment Commencement Date, annualized in accordance with rules adopted by the Plan Administrator.

(iii) In the case of a Participant who is classified as a commissioned ("route sales") Employee, Eligible Pay shall mean:

(A) If the Participant was an Employee on or before the Eligible Pay determination date, the greater of:

(I) the Participant's W-2 earnings, plus any amounts of Flexible Pay through the Eligible Pay determination date during the preceding Plan Year, annualized in accordance eith rules adopted by the Plan Administrator, or

(II) the Participant's W-2 earnings plus Flexible Pay during the Calendar year immediately prior to such preceding Plan Year.

(B) If the Participant was not an Employee on or before the Eligible Pay determination date for the preceding Plan Year, the Participant's weekly guarantee on his Employment Commencement Date, annualized in accordance with rules adopted by the Plan Administrator.

(iv) In the case of a Participant who is an hourly Employee of the Pizza Hut division, Eligible Pay shall mean:

(A) If the Participant was an Employee on the Eligible Pay determination date designated by the Plan Administrator with respect to Pizza Hut division Employees, the sum of:

(I) the Participant's annualized hourly wage rate in effect on the Eligible Pay determination date, plus

(II) any overtime paid prior to the Eligible Pay determination date but within the same calendar year, annualized in accordance with rules adopted by the Plan Administrator.

(B) If the Participant was not an Employee on the Eligible Pay determination date with respect to Pizza Hut division Employees, the sum of the amounts under (I) and (II) above but determined as of the Participant's Employment Commencement Date.

(2) Participants Employed by the KFC Division: With respect to a Participant employed by the KFC division of the Company, his Eligible Pay shall be determined as follows:

(i) The Participant's salary or wages, including forms of pay delivered in alternative manners such as piecework and payment by mileage for drivers, overtime, shift differentials, commissions, bonuses received under the PepsiCo Executive Incentive Plan or the Company's or a subsidiary's Middle Management Incentive Plan, and

(ii) Any amount not included in (i) above which is contributed by the Employer on behalf of the Participant pursuant to a salary reduction agreement and which is not includable in gross income under Code sections 125, 402(e)(4), or 402(g).

The amounts under subparagraphs (i) and (ii) shall be taken from payroll records for the full calendar year that precedes the Plan Year by 2 years. For example, for the 1993 Plan Year, "Eligible Pay" shall be determined from amounts earned for the full calendar year ending December 31, 1990. For a Participant who has only a partial year's earnings during the full calendar year 2 years prior to the Plan Year, the partial year's earnings shall be annualized. For a Participant with no earnings during the full calendar year 2 years prior to the Plan Year, Eligible Pay shall equal the Participant's base salary or wages, not including alternative forms of base pay, overtime, shift differentials, commissions or bonuses on the later of: (A) the "Eligible Pay determination date" designated by the Plan Administrator with respect to Employees other than those employed by a restaurant division or a Frito division, or (B) the Participant's Employment Commencement Date.

(iii) In the case of a Participant who is an hourly Employee of the KFC division, Eligible Pay shall mean:

(A) If the Participant was an Employee on the Eligible Pay determination date designated by the Plan Administrator with respect to KFC division Employees, the sum of:

(II) any overtime paid prior to the Eligible Pay determination date but within the same calendar year, annualized in accordance with rules adopted by the Plan Administrator.

(B) If the Participant was not an Employee on the Eligible Pay determination date with respect to KFC division Employees, the sum of the amounts under (I) and (II) above but

determined as of the Participant's Employment Commencement Date.

(3) Special Rules for Determining Eligible Pay:

(i) For purposes of paragraphs (1) through (3) above and except for salary reduction amounts designated as Flexible Pay under an Employer's Benefits Plus program that are used to buy benefits and amounts contributed under the Plan, salary or wages shall not include amounts or the value of benefits received, or deemed received, under any performance share plan, stock option plan or similar plan or under any pension or welfare benefit plan maintained by the Employer, whether such plan is qualified or non-qualified and whether such amounts are deferred or not deferred.

(ii) In the case of Employees who transfer from one Employer to another during the year, Eligible Pay of such Employees shall be the amount of annualized base salary or hourly wage rate on the transfer date plus annualized overtime, commission pay received prior to the transfer date and prior to the determination date and the amount of any lump sum bonus paid from an Employer's Incentive Compensation program.

(iii) Notwithstanding the foregoing provisions of this subsection, in the case of an Employee who elects to make nonqualified deferrals under the PepsiCo Executive Income Deferral Program for an upcoming Plan Year, the Employee's Eligible Pay for such Plan Year shall not be greater than his current base pay and the prior year's bonus under the Employer's Incentive Compensation Program, decreased by any nonqualified deferrals elected for the upcoming Plan Year, and increased by amounts that will be received as distributions from the PepsiCo Executive Income Deferral Program for such Plan Year.

(iv) For any Plan Year beginning on or after January 1, 1989, the Eligible Pay of each Participant taken into account under the Plan shall not be less than $10,000 and shall not exceed $200,000, the latter as adjusted by the Secretary of the Treasury. In determining the Eligible Pay of a Participant for purposes of the $200,000 limitation set forth in the preceding sentence, the rules of section 414(q)(6) of the Code shall apply, except in applying such rules, the term "family" shall include only the spouse of the Participant and any lineal descendants of the Participant who have not attained age 19 before the close of the Plan Year. If, as a result of the application of such rules, the adjusted $200,000 limitation is exceeded, then the limitation shall be prorated among the affected individuals in proportion to each such individual's Eligible Pay as determined under this Section prior to the application of this limitation.

(v) For any Plan Year beginning on or after January 1, 1994, the Eligible Pay of each Participant taken into account under the Plan shall not be less than $10,000 and shall not exceed $150,000, the latter as adjusted by the Secretary of the Treasury. In determining the Eligible Pay of a Participant for purposes of the $150,000 limitation set forth in the preceding sentence, the rules of section 414(q)(6) of the Code shall apply, except in applying such rules, the term "family" shall include only the spouse of the Participant and any lineal descendants of the Participant who have not attained age 19 before the close of the Plan Year. If, as a result of the application of such rules, the adjusted $150,000 limitation is exceeded, then the limitation shall be prorated among the affected individuals in proportion to each such individual's Eligible Pay as determined under this Section prior to the application of this limitation.

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

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

(1) A United States citizen whose primary place of employment is within the United States and its possessions (collectively referred to in this subsection as "the U.S.");

(2) An alien who has been lawfully admitted for permanent residence in the U.S. (referred to in this subsections a "resident alien") and whose primary place of employment is within the U.S., but excluding any person working as a designate or in a U.S. assignment that the Employer classifies as primarily for training or temporary;

(3) A United States citizen or resident alien relocated by the Employer as an Unites States expatriate;

(4) Effective January 1, 1994, a resident alien who is classified by the Employer as a globalist; and

(5) Effective September 1, 1994, a third-country national (as defined below) who is a resident alien or whose primary place of employment is within the U.S.
For purposes of this subsection, a "third-country national" shall mean an alien who works for an Employer outside of his home country, and who previously worked for an Employer in another country that was not his home country.

(m) EMPLOYER: The Company, any foreign subsidiary which has Employees described in subsection (l)(2) above, and any other subsidiary which is authorized by the Company to participate herein and which adopts the Plan for its

Employees, in accordance with any conditions required by the Company. Any such other subsidiary shall be designated on the attached Schedules 1, 2, 3, 4, and 5.

(n) EMPLOYMENT: Service with an Employer.

(o) EMPLOYMENT COMMENCEMENT DATE: The date on which an Employee first performs an Hour of Service for a member of the PepsiCo Organization.

(p) ERISA: Public Law 93-406, the Employee Retirement Income Security Act of 1974, as amended from time to time.

(q) EXCESS CONTRIBUTIONS: With respect to any Plan Year, the excess of:

(1) The aggregate amount of Employer contributions paid to the Plan as Salary Deferral Contributions on behalf of Highly Compensated Employees for such Plan Year, over

(2) The maximum amount of such contributions permitted by the limitations contained in Section 4.3(a) (determined by reducing such contributions made on behalf of such Highly Compensated Employees in order of their Average Deferral Percentages, beginning with the Highly Compensated Employee(s) with the highest Average Deferral Percentage).

(r) EXCESS ELECTIVE DEFERRALS: Those Elective Deferrals that are includable in an individual's gross income under Code section 402(g) because they exceed the dollar limitation in effect for the year under such Code section. Excess Elective Deferrals shall be treated as annual additions under the Plan for purposes of Section 4.5.

(s) FIDUCIARIES: The named fiduciaries, as defined in section 402 of ERISA, who shall be the Plan Administrator and the Trustee, and other parties designated as fiduciaries, as defined in section 3(21) of ERISA, by such named fiduciaries in accordance with the terms of the Plan and the Trust (but only with respect to the specific responsibilities of each in connection with the Plan and Trust).

(t) HIGHLY COMPENSATED EMPLOYEE:

(1) General Definition: Effective for Plan years beginning on or after January 1, 1987, any Employee who during the relevant Plan Year or the preceding Plan Year:

(i) Was, at any time, a 5 percent owner (as defined in Code section 416(i)(1));

(ii) Received compensation from an Employer in excess of $75,000 (as adjusted pursuant to Code section 415(d));

(iii) Received compensation from an Employer in excess of $50,000 (as adjusted pursuant to Code section 415(d)) and was a member of the group consisting of the top 20 percent of the employees when ranked on the basis of compensation paid during the relevant year (i.e., the top-paid group), or

(iv) Was an officer of an Employer and received compensation greater than 50 percent of the dollar limitation in effect under Code section 415(b)(1)(A) for such Plan Year.

(2) Certain Current Year Exclusions: In applying paragraph (1) with respect to the current Plan Year, any Employee not described in subparagraphs (ii), (iii) or (iv) above for the preceding Plan Year (without regard to this sentence) shall not be treated as described in subparagraphs (ii), (iii) or (iv) for the current Plan Year unless such Employee is among the 100 Employees receiving the greatest compensation from the Employer for the current Plan Year.

(3) Determination of Officers: For purposes of applying subparagraph (iv) of paragraph (1) above, no more than 50 Employees, or, if less, the greater of 3 Employees or 10 percent of all Employees, shall be treated as officers. In addition, if, for any year, no officer of the Employer is de scribed in subparagraph (a)(iv) above, the officer of the Employer with the greatest

compensation shall be treated as an officer described in subparagraph (a)(iv) above.

(4) Former Employees: A former Employee shall be treated as a Highly Compensated Employee if:

(i) Such Employee was a Highly Compensated Employee when such Employee separated from service, or

(ii) Such Employee was a Highly Compensated Employee at any time after attaining age 55.

(5) Treatment of Certain Family Members: Any family member of a 5 percent owner or one of the 10 Highly Compensated Employees receiving the greatest compensation from the Employer during the relevant year shall be aggregated with such 5 percent owner or top-ten Highly Compensated Employee for purposes of Section 4.3 of the Plan. In such case, the family member and 5 percent owner or top 10 Highly Compensated Employee shall be treated as a single Employee having compensation and Plan contributions equal to the sum of such compensation and contributions of the family member and 5 percent owner or top 10 Highly Compensated Employee. For purposes of this subsection, family member includes the spouse, lineal ascendants and descendants of the Employee and the spouses of such lineal ascendants and descendants.

(6) Compensation: For purposes of this subsection, compensation means an Employee's compensation as determined under Code section 415(c)(3), increased by elective contributions that are: (i) made on behalf of the Employee under this Plan, a Merged Plan, another section 401(k) plan or a cafeteria plan of his Employer, and (ii) that are excludable from income under Code sections 125 or 402(a)(8).

The determination of who is a Highly Compensated Employee, including the determinations of the number and identity of Employees in the top-paid group, the top 100

employees, the number of employees treated as officers and the compensation that is considered, will be made in accordance with Code section 414(q) and the regulations thereunder.

(u) HOUR OF SERVICE: Each hour for which an Employee is:

(1) Paid, or entitled to payment, by the Employer for the performance of duties.

(2) Directly or indirectly compensated or entitled to compensation by the Employer for reasons other than the performance of duties (such as vacation, holidays, sickness, jury duty, disability, lay-off, military duty or leave of absence) irrespective of whether the employment relationship has terminated unless such compensation is solely for the purposes of complying with applicable workers' compensation or disability insurance laws; or

(3) Awarded back-pay or back-pay is agreed to by the Employer without regard to mitigation of damages, except that no Hour of Service shall be credited under this paragraph for any period for which the Employee is credited with an Hour of Service under paragraph (1) or (2) above.

In addition, each hour for which a leased employee, within the meaning of Code section 414(n), is paid or entitled to payment by the Employer for the performance of duties shall be considered an Hour of Service.

(v) INVESTMENT EXPENSES: All expenses related to the management and maintenance, on a separate basis, of the individual investment options under the Plan. The term "Investment Expenses" shall not include general fees for management and maintenance of the Trust as a whole.

(w) LIMITATION YEAR: The 12-month period commencing on January 1 and ending on December 31.

(x) MERGED PLANS: The Kentucky Fried Chicken Corporation Long Term Savings Program, the Pizza Hut Long Term Savings Program, the Taco Bell Long Term Savings Program and the Pepsi-Cola Operating Company Long Term

Savings Program, as in effect prior to their merger into this Plan on December 31, 1991.

(y) NON-HIGHLY COMPENSATED EMPLOYEE: Effective for Plan Years beginning on or after January 1, 1987, any Employee who is not a Highly Compensated Employee.

(z) PARTICIPANT: Any individual who is either an Active Participant or an Inactive Participant.

(1) Active Participant: Any eligible Employee, as defined in Section 3.1, who has a current election in effect to make Salary Deferral Contributions in accordance with Article IV.

(2) Inactive Participant: Any individual (other than an Active Participant) who has an Account under the Plan.

(aa) PEPSICO ORGANIZATION: The controlled group of corporations of which the Company is a member, as defined in Code Section 414(b) and regulations issued thereunder.

(bb) PLAN: The PepsiCo Long Term Savings Program, the Plan set forth herein, as it may be amended from time to time. The Plan Administrator may also designate certain informal names for the Plan, such as "Save-Up", for use in communications regarding the Plan.

(cc) PLAN ADMINISTRATOR: The Company, or its successor or successors, which shall have authority to administer the Plan as provided in Article VIII.

(dd) PLAN YEAR: The 12-month period commencing on January 1 and ending on December 31. From December 1, 1988 to December 31, 1991, the Plan Year commenced on December 1.

(ee) RECORDKEEPER: The party designated by the Plan Administrator to maintain records of Participants' Accounts in accordance with procedures established by the Plan Administrator.

(ff) RETIRED EMPLOYEE: Any person: (i) who has received, while age 55 or over, a qualifying lump sum distribution from a defined benefit pension plan sponsored by an Employer, and (ii) who was an Employee eligible to participate in this Plan immediately prior to his retirement from the Employer. For purposes of this subsection, a qualifying lump sum distribution shall refer to lump sums other than single sum distributions with a value of $3,500 or less, determined in accordance with Code section 417(e).

(gg) ROLLOVER ACCOUNT: The account maintained to record any rollover contributions pursuant to Section 4.4, and any adjustments relating thereto. A Participant's Rollover Account shall at all times be fully vested.

(hh) ROLLOVER CONTRIBUTIONS: Contributions to the Plan that are made pursuant to Section 4.4.

(ii) SALARY DEFERRAL ACCOUNT: The account maintained for a Participant to record amounts deferred pursuant to the election described in Section 4.1, as well as any adjustments relating to such amount. A Participant's Salary Deferral Account shall at all times be fully vested.

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

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

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

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

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

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

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

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

(pp) YEAR OF SERVICE: A 12-month period of service generally commencing on an Employee's Employment Commencement Date and ending on the first anniversary thereof. However, if an Employee has a Severance from Service Date prior to this first anniversary and then later returns to service, the following periods shall be counted in determining whether the Employee has completed 12 months of service:

(1) If an Employee terminates employment because of a quit, discharge or retirement and then returns to the employment of the PepsiCo Organization within 12 months from his Severance from Service Date, the Employee's period of severance shall be taken into account.

(2) If an Employee terminates employment because of a quit, discharge or retirement (during any other absence from service of 12 months or less) and then returns to the employment of the PepsiCo Organization within 12 months

from the date on which he was first absent, the Employee's period of severance shall be taken into account.

(3) If an Employee who terminates employment because of a quit, discharge or retirement returns to the employment of the PepsiCo Organization following a 12-month period of severance, the Employee's prior period of employment shall be taken into account provided his period of severance is less than the greater of (i) 5 years or (ii) his prior period of employment.

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

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

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

ARTICLE III

Eligibility and Participation

3.1 Eligibility: The following Employees shall be eligible to participate in the Plan: all full-time salaried Employees of the Company, all full-time salaried, hourly, commissioned sales or transportation Employees of the Employers designated on the attached Schedules 1, 2, 3 and 4; all full-time hourly Employees of the Company designated on the attached Schedule 5, all salaried part-time Employees who are currently eligible to enroll in his Employee's Benefits Plus Program of the Employer, all full-time hourly Employees designated in Article B, all hourly Employees designated in Article C, and any Employee described in Section 2.1(1)(2); provided, however, that to be eligible such Employee must be currently eligible to enroll in his Employer's Benefits Plus program. Except as provided in this section 3.1, the following Employees or classes of Employees or classes of Employees shall not be eligible to participate in this Plan:

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

(b) Any Employee who is classified by an Employer in accordance with its usual practices as associate, casual, temporary or part-time (determined considering only the Employee's service with each individual Employer);

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

(d) Effective December 1, 1989, any Highly Compensated Employee who has not attained age 21 and completed a Year of Service.

3.2 Participation:

(a) Commencement of Active Participation: An Employee who is eligible for the Plan under Section 3.1 or the Appendix (an eligible Employee) shall become an Active Participant upon enrolling in the Plan. The Participant's enrollment in

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

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

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

ARTICLE IV

Contributions and Deferral Amounts

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

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

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

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

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

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

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

(c) Changes in Deferral Election: Subject to subsection (d), an Active Participant may elect to increase, decrease or terminate the amount of his deferral at any time by completing and returning a change of election form, or using the telephone

enrollment system to designate the revised deferral rate to be contributed to the Plan. A Participant's election under this subsection shall be effective as soon as practicable for his Employer.

(d) Election Procedures: To be effective, an election made pursuant to subsection (b) or (c) above must be made in the manner specified by the Plan Administrator. In addition, any election shall specify the amount of the deferral desired for each Plan Year as a whole dollar amount, subject to the limitation in subsection (a) above. Any election purporting to defer more than 10 percent of Eligible Pay shall be treated as an election to defer 10 percent of Eligible Pay. Notwithstanding the preceding sentence, the Plan Administrator shall not give effect to elections that do not meet the minimum standards for completeness and accuracy the Plan Administrator establishes from time to time.

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

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

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

(b) Additional Limit: Effective for Plan Years beginning after 1987, a Participant's Elective Deferrals, which are made in any calendar year to the Plan or any other arrangement maintained by the Employer, shall be limited to the amount permissible under Code section 402(g) for taxable years beginning in such calendar year.

(c) Distribution of Excess Elective Deferral:

(1) Assignment: If the Elective Deferral made on behalf of a Participant under all plans in which such individual is a participant, whether or not maintained by the Employer, exceeds the dollar limitation contained in Code section 402(g), such Participant may assign to this Plan any Excess Elective Deferral made during a taxable year of the Participant no later than March 1 following the close of, and with respect to, the taxable year in which such Excess Elective Deferral was made by:

(i) Notifying the Plan Administrator in writing of the Elective Deferral made under any plan other than this Plan,

(ii) Allocating in writing such Excess Elective Deferral between or among such other plans and this Plan, and

(iii) Stating in writing that if such Excess Elective Deferral allocable to the Plan is not distributed, the deferral limitations of Code section 402(g) will be exceeded for the Participant's taxable year with respect to which such Elective Deferral occurred.

(2) Distribution: Upon notification in accordance with paragraph (1), the Plan Administrator shall distribute any Excess Elective Deferral allocated to the Plan (plus any income and minus any loss allocable thereto) to the relevant Participant no later than April 15 of the calendar year following the close of the taxable year of the Participant with respect to which such Excess Elective Deferral was made.

(3) Determination of Income or Loss: Excess Elective Deferrals shall be adjusted for any income or loss through the end of the taxable year of the Participant with respect to which such Excess Elective Deferral was made. The income or loss allocable to a Participant's Excess Elective Deferral is the income or loss allocable to the Participant's Salary Deferral Account for such taxable year, multiplied by a fraction, the numerator of which is the Participant's

Excess Elective Deferrals for such taxable year and the denominator of which is the Participant's account balance attributable to Salary Deferral Contributions as of the end of the taxable year without regard to any income or loss occurring during such taxable year. To the extent necessary to ensure compliance with subsection (b) above, the Plan Administrator shall distribute Excess Elective Deferrals to a Participant, notwithstanding the fact that the Participant has not assigned such Excess Elective Deferrals to this Plan by the deadline specified in subsection (c)(1). Such distribution shall be accomplished as contemplated in subsection (c)(2) above.

4.3 Limitation on Deferral Percentage:

(a) Limitation: Notwithstanding anything herein to the contrary, in any Plan Year beginning on or after January 1, 1987, the Average Deferral Percentage of the eligible Employees who are Highly Compensated Employees for such Plan Year shall not exceed the greater of (1) or (2) below:

(1) The Average Deferral Percentage of the eligible Employees who are Non-Highly Compensated Employees for such Plan Year multiplied by 1.25, or

(2) The Average Deferral Percentage of the eligible Employees who are Non-Highly Compensated Employees for such Plan Year multiplied by 2.0, provided, however, that in this case the Average Deferral Percentage of the eligible Employees who are Highly Compensated Employees shall not exceed the Average Deferral Percentage of the eligible Employees who are Non-Highly Compensated Employees by more than 2 percentage points.

(b) Average Deferral Percentage: For purposes of subsection (a) above, the Average Deferral Percentage for a specified group of Employees for a Plan Year shall mean the average of the ratios (calculated separately for each Participant in such group) of:

(1) The amount of the Salary Deferrals made on behalf of the Employee for the Plan Year (including Excess Elective Deferrals of Highly Compensated Employees), to

(2) The Employee's compensation for the Plan Year (whether or not the Employee was a Participant for the entire Plan Year).

For Plan Years beginning on or after January 1, 1989, the Average Deferral Percentage shall be computed to the nearest one hundredth of one percent.

(c) Special Rules: In applying the limits set forth in subsection (a) above, the following rules shall apply:

(1) For purposes of this subsection, compensation means compensation as defined in Code section 414(s) and, for Plan Years beginning on or after January 1, 1989, limited to $200,000 (adjusted at the same time and in such manner as permitted under Code section 415(d)) provided that for Plan Years beginning on or after January 1, 1994, compensation is limited to $150,000 (adjusted at the same time and in such manner as permitted under Code section 415(d)).

(2) If a Highly Compensated Employee is eligible to participate under more than one cash or deferred arrangement described in Code section 401(k) maintained by the Employer, all such cash or deferred arrangements shall be treated as one for purposes of calculating such Employee's Average Deferral Percentage.

(3) For purposes of determining the Deferral Percentage of a Highly Compensated Employee who is a 5 percent owner or one of the 10 most highly-paid Highly Compensated Employees, as described in Section 2.1(t)(5), the Salary Deferral Contributions and compensation of such Employee shall include the Salary Deferral Contributions and compensation for the Plan Year of such Highly Compensated Employee's Family Members, as described in Code section 414(q)(6). Family Members, with respect to such Highly

Compensated Employees, shall be disregarded as separate Employees in determining the Average Deferral Percentage both for eligible Employees who are Non-Highly Compensated Employees and for eligible Employees who are Highly Compensated Employees.

(d) Adjustment of Salary Deferrals: If during a Plan Year the Plan Administrator determines that there is a likelihood that the Average Deferral Percentage of the Highly Compensated Employees will exceed the limitation specified in subsection (a), then the Plan Administrator may prospectively reduce or limit the deferrals of the Highly Compensated Employees to such amount and beginning as of such pay period during the Plan Year as is deemed necessary by the Plan Administrator in its sole discretion to prevent the limitation in subsection (a) from being exceeded for the Plan Year. The Plan Administrator may terminate (in whole or in part) any reduction or limitation on deferrals under this subsection which is no longer necessary to prevent the limitation specified in subsection (a) from being exceeded for the Plan Year. Whenever necessary during the Plan Year, the Plan Administrator may institute further reductions or limitations on deferrals, or reinstate reductions or limitations on deferrals, to the extent required to prevent the limitation in subsection (a) from being exceeded.

(e) Distribution of Excess Contributions and Income: If the Average Deferral Percentage of the eligible Employees who are Highly Compensated Employees exceeds the limitations of subsection (a) for any Plan Year, then notwithstanding any other provision of the Plan, any Excess Contributions for such Plan Year (plus any income and minus any loss allocable thereto) shall be distributed to the appropriate Highly Compensated Employees and, where applicable, family members, not later than two and one-half months following the Plan Year with respect to which such Excess Contributions were made.

(1) Determination of Income or Loss: Excess Contributions shall be adjusted for any income or loss through the end of the Plan Year for which

the Excess Contributions occurred. The income or loss allocable to a Participant's Excess Elective Deferral shall be as follows:

(i) For the Plan Year beginning in 1987, the Employer may use any reasonable and consistently applied method for computing the income allocable to any Excess Contributions for such Plan Year.

(ii) For Plan Years beginning on or after January 1, 1988, the income or loss allocable to Excess Contributions is the income or loss allocable to the Participant's Salary Deferral Account for the Plan Year for which the Excess Contributions occurred multiplied by a fraction, the numerator of which is the Participant's Excess Contributions for such Plan Year and the denominator of which is the Participant's account balance attributable to Salary Deferral Contributions as of the end of the Plan Year without regard to any income or loss occurring during such Plan Year.

(2) Special Rules:

(i) In the event family members are aggregated for pur poses of this section, distributions to such family members of any Excess Contributions shall be made in the manner prescribed by the regulations under Code section 401(k).

(ii) Any distribution of Excess Contributions and income thereon shall be made to Highly Compensated Employees on the basis of the respective portions of the total Excess Contributions attributable to each such Employee.

(iii) Any distribution of Excess Contributions and income thereon may and shall be made without regard to any other provision of this Plan restricting distributions.

(f) Determination By Plan Administrator: Notwithstanding the foregoing provisions of this section, any determination required by this section shall be made by

the Plan Administrator, and the determination by such Plan Administrator of the method of compliance with subsection (a) and reduction of deferrals in excess of that permitted by subsection (a), in accordance with subsection (d), and the determination of any Excess Contribution to be distributed pursuant to subsection (e), shall be final, binding, and conclusive as to all Participants, former Participants, Beneficiaries, and any other person or entity associated with or benefiting from this Plan.

(g) Priority of Application of Sections: Section 4.2 shall be applied before this section.

4.4 Rollover Contributions: At the request of a Participant, a Retired Employee or an Employee who is eligible under section 3.1 (or could be upon the completion of any requirements with respect to age or service), the Plan may accept a rollover of cash amounts from another qualified plan described in section 401(a) of the Code, including an individual retirement account or annuity whose assets came solely from a qualified plan. Any such rollover amount will be held for the Participant, Employee, or Retired Employee, as the case may be, in a Rollover Account established for his benefit. A person who makes such a rollover contribution to the Plan, but who is not otherwise eligible to make (or who chooses not to make) a deferral election under Section 4.1(b), shall be considered an Inactive Participant. The Plan Administrator and the Trustee may request such information from the Participant, Employee, or Retired Employee, as the case may be, any documents or opinion of counsel which it, in its discretion, deems necessary to determine that a proper rollover contribution will be made. Amounts in a Rollover Account shall be invested as designated by the Participant pursuant to Section 5.2(c). The amounts in the Rollover Account shall be distributed at the same time and in the same manner as amounts in the Salary Deferral Account.

4.5 Maximum Allocations:

(a) The amount of Annual Additions (as defined in subsection (d) below) which may be credited to the Participant under this Plan during any Limitation Year shall not exceed the lesser of $30,000 (or, if greater, one fourth of the defined benefits dollar limitation set forth in Code section 415(b)(1) as in effect for the Limi-

tation Year) or 25% of the Participant's Annual Compensation (as defined in subsection (e) below) for the applicable Limitation Year.

(b) For any Participant in the Plan who is also a participant in one or more defined benefit plans (as defined in section 414(j) of the Code) maintained by the Company or by the Employer, the sum of the fractions in (1) and (2) below, computed as of the close of the Limitation Year, may not exceed 1.0, where the fractions are determined as follows:

(1) The Projected Annual Benefit (as defined in subsection (d) below) of the Participant under such defined benefit plans, divided by the lesser of:

(i) the product of the dollar limitation determined for the Limitation Year under Code sections 415(b) and (d) multiplied by 1.25 (or 1.0, if the Plan is a Top-Heavy Plan, as defined by Section 14.2(c)), or

(ii) 140 percent of the Participant's Average Compensation (as defined in subsection (d) below), including any adjustments under Code section 415(b) plus

(2) The sum of the Annual Addition to such Participant's accounts under this Plan and all other defined contribution plans maintained by the Employer for such Limitation Year and for all Prior Years (as defined in subsection (d) below) divided by the sum of the lesser of the following amounts determined for such Plan Year and all Prior Years:

(i) the product of the Dollar Limitation (as defined in subsection (d) below) in effect for the year multiplied by 1.25 (or 1.0, if the Plan is a Top-Heavy Plan, as defined by Section 14.2(c)), or

(ii) 35 percent of the Participant's Annual Compensation for the year.

(c) In the event that a Participant's Annual Addition under this Plan, when added to the Annual Addition under any other defined contribution plan (as defined in section 414(i) of the Code) or the Projected Annual Benefit under any defined benefit plan maintained by the Employer, exceeds the limitations specified in Section 4.5(a) or (b), appropriate reductions in such Annual Addition or Projected Annual Benefit shall be made in the following order:

(1) First, under any defined benefit plan(s) maintained by the Employer,

(2) To the extent that additional reductions are still necessary, under this Plan, and

(3) To the extent that any additional reductions are still necessary, under a PepsiCo employee stock ownership plan.

(d) For purposes of this Section 4.5, the following definitions and rules of interpretation shall apply:

(1) Effective for years beginning after December 31, 1986, the "Annual Addition" of a Participant means the sum credited to a Participant's account for any year of (i) employer contributions; (ii) employee contributions; (iii) forfeitures and (iv) amounts described in Code sections 415(l)(2) and 419A(d)(2). Notwithstanding the foregoing, for years beginning prior to January 1, 1987, only that portion of the employee's contributions equal to the lesser of: (A) the portion of his employee contributions (if any) during such year in excess of 6 percent of his annual compensation, or (B) one-half of his employee contributions during such plan year shall be considered an "Annual Addition." The Annual Addition for any year beginning prior to January 1, 1987, shall not be recomputed to treat all employee contributions as an Annual Addition.

(2) "Projected Annual Benefit" means the Annual Benefit (as defined in paragraph (3) below) to which a Participant would be entitled under

a defined benefit plan (after giving effect to any limitation on such benefit contained in such plan that may be applicable to the Participant) on the as sumptions that he continues employment until his Normal Retirement Date thereunder, that his compensation continues at the same rate as in effect for the Limitation Year under consideration until such Normal Retirement Date, and that all other relevant factors used to determine benefits under such plan remain constant for all future Limitation Years.

(3) The "Annual Benefit" of a Participant means the annual amount payable under a defined benefit plan computed in accordance with the following rules:

(i) Where the Annual Benefit payable under a defined benefit plan is other than in the form of either a single life annuity or a qualified joint and survivor annuity within the meaning of Code section 417(b) it shall be adjusted to an actuarial equivalent benefit in the form of a single life annuity.

(ii) In the case of a benefit under a defined benefit plan which begins prior to the Participant's Social Security Retirement Age (as defined below), such benefit shall be adjusted so that it is the actuarial equivalent of a benefit commencing at the Participant's Social Security Retirement Age for purposes of applying the Code section 415(b) dollar maximum.

(iii) In the case of a benefit under a defined benefit plan which begins after the Participant's Social Security Retirement Age, such benefit shall be adjusted to the actuarial equivalent of a benefit commencing at the Participant's Social Security Retirement Age for purposes of applying the Code section 415(b) dollar maximum.

(iv) For years beginning prior to January 1, 1987, sub paragraph (B) shall be applied by substituting "age 62" for "the Participant's Social Security Retirement Age," and subparagraph (C) shall be applied by substituting "age 65" for "the

Participant's Social Security Age."

(4) "Average Compensation" means a Participant's average compensation for the period of 3 consecutive Plan Years (or the actual number of consecutive years of employment for Participants employed by an Employer less than 3 consecutive years) during which the Participant had the greatest aggregate Annual Compensation.

(5) "Prior Year" means a year, preceding the current Limitation Year, in which the Participant was in the service of the Employer. For purposes of the preceding sentence, "year" shall mean (in the event the Plan was in existence during such year) a Limitation Year, or (in the event the Plan was not in existence during such year) a 12- month period which begins and ends on the same dates as the Limitation Year.

(6) "Dollar Limitation" means the limitation provided in Code section 415(c)(1)(A) (adjusted in accordance with Internal Revenue Service Regulations) as in effect for the particular Plan Year.

(7) "Social Security Retirement Age" means age 65 in the case of a Participant who attains age 62 before January 1, 2000; age 66 in the case of a Participant who attains age 62 after December 31, 1999 but before January 1, 2017; and age 67 in the case of a Participant who attains age 62 after December 31, 2016.

(8) For purposes of Section 4.5(b)(1)(i) above, if as of the last Plan Year ending before January 1, 1983, a Participant's accrued benefit (within the meaning of Section 235(g)(4) of the Tax Equity and Fiscal Responsibility Act of 1982) under the Employer's defined benefit plans is greater than $90,000 (and also such other amount as may apply pursuant to automatic adjustments of the $90,000 figure), then Section 4.5(b)(1)(i) shall be

applied by substituting such accrued benefit for $90,000 where it appears therein.

(9) For purposes of computing the maximum allocation under either subsection (a) or (b), all defined benefit plans (whether or not terminated) of the Employer shall be treated as one defined benefit plan, and all defined contribution plans (whether or not terminated) of the Employer shall be treated as one defined contribution plan.

(10) When the term "Employer" is used in this section, it shall mean the Employer and any other corporation or division which is a member of a controlled group of corporations (within the meaning of Code Section 414(b), as modified by Code section 415(h)) of which the Employer is also a member.

(e) Annual Compensation: A Participant's annual compensation as determined solely for purposes of this section and Article IX of the Plan.

(1) A Participant's Annual Compensation shall include:

(i) the Participant's earned income, wages, salaries, and fees for professional services, and other amounts received for personal services actually rendered in the course of employment with the Employer maintaining the plan to the extent that the amounts are includable in gross income (including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips and bonuses, fringe benefits, reimbursements, and expense allowances);

(ii) Amounts described in Code sections 104(a)(3), 105(a) and 105(h), but only to the extent that such amounts are includable in the gross income of the Participant;

(iii) Amounts paid or reimbursed by the Employer for moving expenses incurred by a Participant, but only to the extent that

such amounts are not deductible by the Participant under Code section 217;

(iv) The value of a non-qualified stock option granted to a Participant, but only to the extent that the value of the option is includable in the gross income of the Participant for the taxable year in which granted; and

(v) The amount includable in the gross income of a Participant upon making the election described in Code section 83(b).

(2) A Participant's Annual Compensation shall not include:

(i) Employer contributions to a plan of deferred com pensation which are not included in the Participant's gross income for the taxable year in which contributed or Employer contributions under a simplified employee pension plan to the extent such contributions are deductible by the Participant, or any distributions from a plan of deferred compensation;

(ii) Amounts realized from the exercise of a non-qualified stock option, or when restricted stock (or property) held by the Participant either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;

(iii) Amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option; and

(iv) Other amounts which received special tax benefits, or contributions made by the Employer (whether or not under a salary reduction agreement) towards the purchase of an annuity described in section 403(b) of the Code (whether or not the amounts are actually excludable from the gross income of the Participant).

Compensation for any limitation year is the compensation actually paid or includable in gross income during such year.

4.6 Excess Allocations: If, pursuant to Section 4.5 immediately above, there is an excess allocation with respect to a Participant for a Limitation Year, such excess amount shall be disposed of as follows:

(a) In the event that the Participant is in the service of the Employer in succeeding Limitation Years, then such excess amounts shall not be distributed to the Participant, but shall be carried over for the Participant's benefit and allocated to the Participant's Salary Account for such succeeding Limitation Years to the extent consistent with the limits in Section 4.5.

(b) In the event that the Participant is not in the service of the Employer in a succeeding Limitation Year for which an allocation is to be made hereunder, then such excess amount shall not be distributed to the Participant, but shall be reapplied for the benefit of all remaining Participants subject to the limits in Section 4.5.

4.7 Fund for Exclusive Benefit of Participants: Except as otherwise provided hereinafter (i) all assets of the Trust Fund, including investment income, shall be retained for the exclusive benefit of Participants and Beneficiaries, and shall be used to pay benefits to such persons or to pay administrative expenses of the Plan and Trust to the extent not paid by the Employer, and (ii) contributions made by the Employer may not under any circumstances revert to or inure to the benefit of the Employer; except that, and notwithstanding anything contained herein to the contrary, contributions (a) made by the Employer by mistake of fact, or (b) conditioned upon the deductibility of the contribution under Code section 404, shall be returned to the Employer within 1 year of the mistaken payment or the disallowance of the deduction (to the extent disallowed), whichever is applicable. Each contribution by the Employer is expressly made contingent on the deductibility of such con tribution for the year with respect to which the contribution is made.

ARTICLE V
Interests of Participants

5.1 Accounts of Participants: The Plan Administrator, or its agent, shall maintain separate accounts on its books, for recordkeeping purposes only, for each Participant. A given Participant may have two accounts if he has: (i) deferred a percentage of his Eligible Pay pursuant to Section 4.1, and (ii) made a rollover contribution pursuant to Section 4.4, i.e., a Salary Deferral Account, and a Rollover Account. The maintenance of individual accounts is only for accounting purposes, and a segregation of the assets of the Trust Fund to each account shall not be required (except as the Trustee deems necessary under the Brokerage Option). Distributions and withdrawals from a Participant's Account shall be charged to the appropriate account at the time the transaction is processed.

5.2 Investment of Participant Accounts: The investment options under the Plan are described in subsection (a), subject to the limitations set forth in subsection (b) and other provisions of the Plan.

(a) Investment Options: In accordance with the rules provided in subsection (c) below, a Participant shall direct the investment of the amounts credited to his Account to any of the following separate investment options within the Trust Fund for which he is eligible at the time:

(1) The Security Plus Fund: This investment option, available effective January 1, 1992, is an investment portfolio comprised of investment funds and contracts issued by highly rated banks and insurance companies and short-term securities. The objective of the Fund is to provide, over a period of time, a higher rate of return than average money market funds, while preserving principal and providing liquidity. The Fund's rate of return will fluctuate and is not intended to provide a guaranteed rate of return. The Participant's interest in the fund will be denominated as "units". The value of a unit in this Fund will be $1.00. The number of units credited to a Participant will fluctuate based upon the performance of the Fund. As of January 1, 1992, two 1991 Guaranteed Income

Fund contracts, both issued by Metropolitan Life, were transferred to the Security Plus Fund. In addition to the transferred investment contracts, the Fund is expected to invest primarily in: (A) short-term investment funds (including government short-term investment funds) that invest in certificates of deposit, time deposits, bankers' acceptances, commercial paper, U.S. Treasury and agency securities, and mortgage and asset-backed securities; and (B) new investment contracts issued by highly-rated insurance companies, banks, and other financial institutions. The transfer of funds invested in the Security Plus Fund to other separate investment options within the Trust Fund shall be subject to the following restrictions:

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

(ii) A Participant can transfer amounts from the Security Plus Fund into some other investment option (or options) under the Plan no more than 12 times during the Plan Year; and

(iii) Withdrawals of amounts invested in the Security Plus Fund are subject to the limitations specified in Section 6.3(c).

(2) The Equity Index Fund: This investment option is a diversified stock fund, invested primarily in the Vanguard Institutional Index Fund. It is a passively managed fund designed to mirror the performance of Standard and Poor's 500 Index, a broadly-based average of stock market performance. Investments in this investment option are subject to fluctuations, and there is no guarantee of future performance. The Participant's interest in

the fund will be denominated as "units". The value of a unit in this Fund will be $1.00. The number of units credited to a Participant will fluctuate based upon the performance of the Fund.

(3) The Equity-Income Fund: This fund is primarily invested in the Fidelity Equity-Income Fund, which invests primarily in income-producing stocks. The fund's chief objective is to provide reasonable income, although some consideration is given to capital appreciation. Amounts invested in this investment option are subject to fluctuations, and there is no guarantee of future performance. The Participant's interest in the fund will be denominated as "units". The value of a unit in this Fund will be $1.00. The number of units credited to a Participant will fluctuate based upon the performance of the Fund. Effective January 1, 1993, the Equity-Income Fund will no longer accept future contributions. The Equity-Income fund, however, is currently scheduled to be available under the Brokerage Option.

(4) The PepsiCo Capital Stock Fund: This investment option is invested primarily in Company Stock. Earnings will be applied primarily to the purchase of additional shares of Company Stock. Shares of Company Stock held by the Trustee, which have been allocated to Participants' accounts, will be voted by the Trustee as the Participant to whom such shares are allocated directs in writing from time to time. Any such shares with respect to which the Participant does not give directions for voting in a timely manner will not be voted by the Trustee. For voting purposes, allocated fractional shares of Company Stock will be aggregated into whole shares of stock and voted by the Trustee to the extent possible to reflect the voting directions of the Participants with respect to the whole shares of Company Stock. Any shares of Company Stock held by the Trustee which have not yet been allocated to Participants' accounts will be voted by the Trustee to the extent possible to reflect the voting directions of Participants with respect to allocated shares of

stock. The Participant's interest in the fund will be denominated as "units". The initial value of a unit (as of July 1, 1992) in this Fund is $10.00 and thereafter the value of a unit will fluctuate in response to various factors including, but not limited to, the price of and dividends paid on Company Stock, earnings and losses on other investments in the fund and the mix of assets in the fund. The number of units credited to a Participant's account will not fluctuate based upon the performance of the Fund. Each Participant's investment in the PepsiCo Capital Stock Fund will be based on the proportion of his investment in the fund to the total investment in the fund of all Plan Participants.

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

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

(5) The Brokerage Option:

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

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

(B) The following trading practices are prohibited under the Brokerage Option: Short sales, margin trades, third party trades, direct

trades, and any trades occurring outside the procedures established by the Plan Administrator.

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

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

(B) No amounts invested either in the Security Plus Fund or in the Guaranteed Income Fund may be directly transferred to the Brokerage Option, and no amounts invested either in the Security Plus Fund or in the Guaranteed Income Fund may be indirectly transferred to the Brokerage Option, i.e., by first transferring the amounts to some other

investment fund (or funds) under the Plan, unless such amounts remain invested in the intervening fund (or funds) for at least 3 months.

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

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

insurance company or other financial institution issuing the contract. The transfer of funds invested in the Guaranteed Income Fund to other separate investment funds within the Trust Fund will be restricted in the following manner:

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

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

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

investment options specified in subsection (a). In any such case, the Plan Administrator shall temporarily change the Plan's Valuation Date or, in its discretion, the Valuation Date for a specific option. During this period, contributions to any affected option may be redirected to substitute investments chosen by the Trustee.

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

(1) The Participant will have sole responsibility for the investment of his savings and for transfers among the available investment funds, and no named fiduciary or other person will have any liability for any loss or diminution in value resulting from the Participant's exercise of such investment responsibility. It is intended that section 404(c) of ERISA will apply to a Participant's exercise of investment responsibilities under this Article.

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

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

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

(d) Miscellaneous:

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

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

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

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

(a) Investment Expenses,

(b) Investment income, and

(c) Gains and losses in asset values,

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

ARTICLE VI

Distributions To Participants

6.1 Termination of Employment: Subject to Section 6.2, a Participant who incurs a Termination of Employment under the Plan shall be entitled to receive the entire amount of his interest in the Plan computed as of: (i) the Valuation Date on which the final distribution form for the Participant is processed by the Recordkeeper, or (ii) if the Participant's interest in the Plan is $3,500 or less, the Valuation Date on which the Recordkeeper processes the distribution of the Participant's Account (such distribution to be processed as soon as practicable after the 90 days specified in section 6.6(d)). Subject to Section 6.6(a), the Participant's interest at Termination of Employment shall be payable to the Participant as a lump sum distribution as soon as practicable.

6.2 Death: Subject to Section 7.1(b), in the event of the death of a Participant, the entire amount, if any, of the interest of such Participant in the Plan shall be paid as provided in Section 6.1, except that it shall be payable to such Participant's Beneficiary or Beneficiaries determined in accordance with Article VIII.

6.3 Withdrawals: Subject to the restriction on direct withdrawals from the Brokerage Option specified in Subsection (c), below, a Participant who has made a Salary Deferral Contribution or a Rollover Contribution may withdraw certain amounts credited to his Salary Deferral Account and Rollover Account to the extent permitted by this section.

(a) Hardship Withdrawals: In the case of a Participant who has not yet attained the age of 59-1/2, withdrawals shall only be permitted on account of the Participant's hardship. For this purpose, a withdrawal is made on account of hardship only if the Plan Administrator (or its delegate) determines the withdrawal is: (A) made on account of an immediate and heavy financial need of the Participant, and (B) necessary to satisfy this financial need. Such determinations are intended to follow applicable regulations and rulings issued by the Internal Revenue Service.

(1) Immediate and Heavy Financial Need: The determination of whether a Participant has an immediate and heavy financial need shall be based on all of the relevant facts and circumstances. In addition, a distribution shall be deemed to be made on account of an immediate and heavy financial need of the Participant if the distribution is on account of:

(i) Expenses for medical care (within the meaning of Code section 213(d)) incurred by the Employee, the Employee's spouse or dependents;

(ii) A cost directly related to the purchase (excluding mortgage payments) of a principal residence for the Employee;

(iii) Payment of tuition and related educational fees for the next 12 months of post-secondary education for the Employee, the Employee's spouse, children or dependents; or

(iv) The need to prevent the eviction of the Employee from, or a foreclosure on the mortgage of, the Employee's principal residence.

For purposes of this paragraph, "dependent" means an Employee's dependent within the meaning of Code section 152.

(2) Necessary for the Need: A withdrawal shall be considered necessary to satisfy a need described in paragraph (1) only to the extent: (A) the amount of the withdrawal is not in excess of the amount required to relieve such need, and (B) the need cannot be satisfied from other resources that are reasonably available to the Participant. Determinations under this paragraph shall be based on all of the relevant facts and circumstances. A distribution generally may be treated as necessary to satisfy a financial need if the Plan Administrator (or its delegate) relies upon the Participant's written representation (unless the Plan Administrator has actual knowledge to the contrary) that the need cannot reasonably be relieved:

(i) Through reimbursement or compensation by insurance or otherwise;

(ii) By liquidation of the Participant's assets;

(iii) By cessation of Salary Deferral Contributions;

(iv) By other distributions or nontaxable loans from plans maintained by an employer, or by borrowing from commercial sources on reasonable commercial terms, in an amount sufficient to satisfy the need.

For this purpose, a need cannot be treated as reasonably relieved from the sources listed above if the effect would be to increase the amount of the need.

(3) Maximum Withdrawal: The amount that may be made available to a Participant for hardship withdrawal may not exceed:

(i) The sum of:

(A) the Participant's total Salary Deferral Contributions,

(B) any earnings on the Participant's Salary Deferral Contributions credited to the Participant's Account on December 31. 1988, and

(C) the Participant's total Rollover Contributions (and contributions on behalf of the Participant to any other accounts that may be provided for in the Appendix) plus any earnings thereon; reduced by

(ii) The amount of any prior withdrawals and distributions to or on behalf of the Participant.

The amounts specified in this paragraph (except that specified in subparagraph (i)(B)) are to be determined as of the Valuation Date on which the withdrawal is processed.

(4) Administrative Procedures: A withdrawal request under this subsection shall be made on the form specified for this purpose by the Plan Administrator. For a withdrawal to be approved, this form must be fully completed and the Participant must provide such additional information as the Plan Administrator (or its delegate) shall request. The hardship withdrawal shall be paid to the Participant as promptly as practicable after its approval and shall not exceed the value of the Participant's distributable interest.

(b) Post-Age 59-1/2 Withdrawals: In the case of a Participant who has attained age 59-1/2, such Participant shall be eligible to withdraw amounts from his Account by submitting to the Plan Administrator a request in such form and manner as the Plan Administrator may provide, specifying the amount to be withdrawn; provided, however, that a Participant shall be ineligible to make a withdrawal under this subsection more than 2 times within the same calendar year. Distribution shall be made to the Participant as soon as practicable after the withdrawal request is received by the Plan Administrator, based upon the Participant's balance in his Account as of the Valuation Date the withdrawal is processed.

(c) Order of Asset Liquidation for all Withdrawals: In the event the Participant's Account is invested in more than one investment option, a partial withdrawal will be distributed pro-rata from each of the investment options from which withdrawals are available subject to the following requirements: amounts invested in the Security Plus Fund must be withdrawn before amounts invested in the Guaranteed Income Fund can be withdrawn, and amounts invested in the Guaranteed Income Fund shall be withdrawn in reverse order of the Participant's investment in the underlying contracts, i.e., the most recent contract shall be liquidated first. In addition, withdrawals directly from the Brokerage Account are not permitted.

6.4 Form of Distributions: Distributions under the Plan on account of Termination of Employment or death shall be made in cash, except to the extent that a Participant elects to receive: (i) his interest in the PepsiCo Capital Stock Fund in whole shares

of Company Stock; or (ii) securities held in his Brokerage Option as permitted in Section 5.2(a)(5)(ii)(C). An election to receive an in-kind distribution shall not apply to fractional shares, uninvested cash or amounts invested for liquidity purposes, and shall not be available with respect to hardship withdrawals under section 6.3(a).

6.5 Errors in Participant's Accounts: When an error or omission is discovered in an account of a Participant, the Plan Administrator and the Trustee shall be authorized to make such equitable adjustments as may be appropriate as of the Plan Year in which the error or omission is discovered.

6.6 Commencement of Payments: Notwithstanding anything in the Plan to the contrary, the distribution of a Participant's benefits hereunder shall be determined in ac cordance with the provisions of this section and shall otherwise comply with Code section 401(a)(9) and the regulations under section 401(a)(9) including section 1.401(a)(9)-2. In addition, any provisions of the Plan that reflect Code section 401(a)(9) (including subsection (b) below) override any other distribution options in the Plan that are inconsistent with Code section 401(a)(9).

(a) Consent Requirements: Effective as of January 1, 1985, if the value of a Participant's total interest in the Plan exceeds $3,500 at the time a distribution is to be made, then such interest shall not be distributed hereunder prior to the Participant's attainment of age 65 or death unless the Participant consents in writing, on a form prescribed by the Plan Administrator, to the earlier distribution of his interest in the Plan. However, upon termination of the Plan, the Participant's interest may, without the Participant's consent, be distributed to him or transferred to another defined contribution plan (other than an employee stock ownership plan as defined in Code section 4975(e)(7)) maintained by the Employer.

(b) Code Section 401(a)(14) Provisions: Subject to subsection (c) below, distribution of a Participant's interest in the Plan shall not commence later than the 60th day after the close of the latest of the following:

(1) The Plan Year in which the Participant attains age 65,

(2) The Plan Year in which occurs the tenth anniversary of the date his participation commenced,

(3) The Plan Year in which occurs the Participant's Termination of Employment, or

(4) The Plan Year containing the date to which the Participant has elected in writing to defer commencement of his Plan distribution.

If a distribution otherwise payable to a Participant or his Beneficiary hereunder remains unpaid because the Plan Administrator (after making reasonable efforts) cannot locate the Participant or Beneficiary, the amount so distributable shall be treated as a forfeiture under the Plan. Following its forfeiture, such amount shall be used to pay any expense of Plan administration which may be charged to the Plan in accordance with ERISA. In the event the Participant or his Beneficiary is located subsequent to the forfeiture of his Account, such Account shall be restored, without adjustment for earnings or losses, and payment to the Participant or Beneficiary shall be made no later than 60 days after the date on which the Plan Administrator locates the Participant or Beneficiary.

(c) Code Section 401(a)(9) Provisions:

(1) A Participant's total interest in the Plan must be distributed to him no later than the Participant's required beginning date.

(i) In the case of a Participant who is not a 5 percent owner after 1979, the "required beginning date" shall be determined as follows:

(A) If the Participant attains age 70-1/2 after 1987, the required beginning date is the April 1 following the calendar year in which the Participant attains age 70-1/2 (but not before April 1, 1990).

(B) If the Participant attains age 70-1/2 before 1988, the required beginning date is the April 1 following the

calendar year in which occurs the later of his Termination of Employment or attainment of age 70-1/2.

(ii) In the case of a Participant who is a 5 percent owner after 1979, the required beginning date is the April 1 following the later of:

(A) the calendar year in which the Participant attains age 70-1/2, or

(B) the first calendar year in which the Participant either becomes a 5 percent owner or terminates employment. For purposes of this paragraph, a 5-percent owner is any Participant who is a 5-percent owner as defined in section 416(i) of the Code (determined in accordance with section 416 but without regard to whether the Plan is top-heavy) at any time during the Plan Year ending with or within the calendar year in which such owner attains age 66-1/2 or any subsequent Plan Year.

(2) In the event a Participant dies on or after his Annuity Starting Date but before actual payment has commenced, the Participant's total interest in the Plan (if any) shall be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's date of death occurs. Notwithstanding the preceding sentence, if the Participant's designated beneficiary is his surviving spouse and the surviving spouse dies after the Participant, but before payments to such spouse begin, the provisions of this subsection 6.6(c)(2) shall be applied as if the surviving spouse were the Participant.

(d) Cashout Distributions: Subject to the last sentence of this subsection, upon a Participant's death or other Termination of Employment, the value of the Participant's total interest in the Plan shall be automatically distributed to him in a lump-sum cash distribution as soon as practicable following the earlier of (i) the date the Participant reaches age 65 (or such later date as permitted by the Plan

Administrator in accordance with Code section 401(a)(14)); or (ii) 90 days after the Participant's Termination of Employment. However, such a Participant (or where the Participant has died, his Beneficiary as determined under Article VIII) can effect an earlier distribution by submitting a properly completed final distribution form in the manner specified by the Plan Administrator. By submitting a properly completed final distribution form, the Participant may elect to receive an in-kind distribution as provided in Section 6.4. Notwithstanding any provision of this Section 6.6(d) to the contrary, if such Participant is disabled (within the meaning of the PepsiCo Long Term Disability Plan) or has a total interest in the Plan in excess of $3,500 and has not died, a distribution of his total interest in the Plan will not occur until the earlier of: (i) the date the Participant attains age 65 (or such later date as permitted by the Plan Administrator in accordance with Code section 401(a)(14)); or (ii) the date the Participant submits a properly completed final distribution form in the manner specified by the Plan Administrator.

6.7 Payment for Benefit of Disabled or Incapacitated Person: Whenever, in the opinion of the Plan Administrator or its agent, a person entitled to receive any payment of a benefit hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his financial affairs, the Plan Administrator or its agent may direct the Trustee to make payments to such person or to his legal representative or to a relative or friend of such person for his benefit, or the Plan Administrator or its agent may direct the Trustee to apply the payment for the benefit of such person in such manner as the Plan Administrator or its agent considers advisable. Any payment of a benefit or installment thereof in accordance with the provisions of this section shall be a complete discharge of any liability for the making of such payment under the provisions of the Plan.

6.8 No Other Benefits or Withdrawals: Except as expressly provided for in this Article VI or the Appendix, no individual, whether a Participant, former Participant, Beneficiary or otherwise, shall be entitled to any distribution or withdrawal of funds from the Trust Fund.

ARTICLE VII
Plan Loans

7.1 Eligibility for Plan loans: Subject to the restrictions set forth in this Article VII, the opportunity to take a Plan loan shall be made available to any Participant who, at the time such loan is to be made:

(a) is actively employed by an Employer who has agreed to participate in the loan program;

(b) has a minimum account balance of $2,000 in the Plan;

(c) has not defaulted on a Plan loan within the prior two years;

and

(d) consents to and authorizes repayment of the loan through payroll deductions.

Employers that are not participating in the loan program may be designated by the Plan Administrator from time to time. The requirement of subsection (a) above shall be deemed satisfied in the case of a Participant who is not currently employed if the Participant is a party in interest within the meaning of ERISA section 3(14). For purposes of subsection (c) above, the time of default shall be determined under Section 7.9.

7.2 Application Procedure: A participant shall apply for a loan by calling into the telephone system established by the Plan Administrator and providing the requested information ("Telephone Application"). As soon as practicable after the Participant's Telephone Application, the Plan Administrator shall send such Participants a promissory note, an authorization form for withholding loan payments from the Participant's pay, a document granting the Plan a security interest in the Participant's Plan account, and any other documents the Plan Administrator deems appropriate ("Application Forms"). The promissory note shall state the amount and term of the loan, the applicable interest rate and repayment schedule, and other information as determined by the Plan Administrator. To complete the application, the Participant must properly fill out, sign and return the Application

Forms so that they are received by the Plan Administrator within 30 days of the date the Application Forms are prepared by the Plan. The Plan Administrator shall approve a Participant's loan application if the Participant:

(a) is eligible for a loan pursuant to Article 7.1.
(b) has properly completed and timely returned the Application Forms, and
(c) is requesting a loan that meets the terms of the Article VII and the summary plan description for this Plan.

7.3 Loan Amount: A Plan loan shall not be less than $1,000 nor, when aggregated with all other outstanding loans to such borrowing Participant from qualified retirement plans of the Company and any affiliated companies, exceed the least of (rounded down to the nearest hundred):

(a) $50,000 (reduced by the excess of (i) the Participant's highest outstanding loan balance during the preceding one-year period ending on the day before the date the loan was made over (ii) the outstanding balance of loans from the Plan on the date the loan is made);

(b) 50% of the Participant's account balance under the Plan;

(c) 100% of the value of the Participant's investments in the following "Core" Funds: PepsiCo Capital Stock, Security Plus, Vanguard Equity Index and Fidelity Equity Income; or

(d) the maximum loan amount that can be amortized by the Participant's net pay (determined under Section 7.8)

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

7.4 Maximum Number of Outstanding Loans and Refinancing:

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

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

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

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

(b) All repayments of principal and related interest and any gains and losses on a loan shall be credited to the borrowing Participant's account. Loan repayments shall be invested in accordance with the Participant's current investment direction for Salary Deferral Contributions. If the Participant does not have an investment direction in effect on the date of the Participant's Loan Application, the Participant must provide an investment direction as part of his loan application. When a selected investment is no longer available, or

when otherwise necessary, loan repayments shall be invested in the manner specified by the Plan Administrator from time to time.

(c) A loan shall be adequately secured at all times. All loans are secured by the portion of the borrowing Participant's Account that is invested in the Participant's loan. If the principal amount of a loan immediately after its issuance does not exceed 50 percent of the Participant's Account as of such time, the loan shall be deemed adequately secured at all times hereunder.

7.6 Fees: Following the issuance of a loan, the borrowing Participant shall pay a one-time origination fee. For each month or part thereof the loan remains outstanding the borrowing Participant shall pay a monthly administration fee. Such fees shall be deducted from the Participant's Account at the end of the applicable month. They shall be charged against the position of the Account that is not invested in the loan, in accordance with rules adopted by the Plan Administrator. The fees applicable to a Participant's loan shall be determined on the date of the Participant's Telephone Application and shall not change while such loan is outstanding.

7.7 Interest Rate: Plan loans shall bear a reasonable rate of interest that provides the Plan with a return commensurate with the interest rates charged by persons in the business of lending money for loans which would be made under similar circumstances as part of a similar nationwide loan program. To this end, the Plan Administrator shall adopt rules and procedures for redetermining on a monthly basis the interest rate applicable to new Plan loans. The interest rate for any loan shall be fixed for the period of the loan and shall be determined as of the date of the related Telephone Application. No interest rate shall be less than the applicable federal rate in effect under Section 1274(d) of the Code, as of the day on which the loan was initialed, compounded annually.

7.8 Term and Repayment:

(a) Term: Subject to subsections (c) through (e), the term of a loan shall be not less than 1 year nor greater than 4 years, measuring form the date of issuance, and shall be an even multiple of six months.

(b) Repayment: Subject to subsections (c) through (e), a borrowing Participant shall repay his outstanding loan by making substantially level amortization payments at the interval determined by the Plan Administrator. When a Participant is receiving net pay to the extent possible. For this purpose, "net pay" shall mean a Participant's pay from an Employer, reduced by applicable taxes and such other payroll deductions that are accorded priority by payment to the Plan Administrator shall be required in the case of a Participant who is on an authorized leave of absence or long term disability, or a Participant who becomes a foreign service employee. For purposes of this subsection, a loan is not considered outstanding following its default.

(c) Prepayment: A Participant may prepay his entire outstanding loan balance without penalty after first notifying the Plan Administrator. Upon notification, the Plan Administrator shall make the necessary administrative arrangements to permit repayment and shall advise the Participant of the payment-in-full amount and its due date. No partial prepayments are permitted, and no payment-in-full amount will be accepted after its due date.

(d) Terminating Employees: Notwithstanding subsections (a) and (b), an outstanding loan shall become immediately due and payable in full if the borrowing Participant retires, dies or otherwise terminates employment. For purposes of this subsection, a Participant's employment shall be deemed to continue: (1) while he is receiving long term disability benefits and making loan repayment directly to the Plan Administrator, or (2) while he is repaying his loan through payroll deduction from salary continuation or other similar payments.

(e) Termination of Loan Program: In the event the Plan terminates or the portion of the Plan applicable to a Participant terminates, the Participant's loan shall become due and payable in full immediately.

7.9 Loan Default: A loan shall be in default if:

(a) the borrowing Participant is delinquent on more than 12 weeks of scheduled loan repayment amounts;

(b) the loan becomes due and payable and the Participant fails to pay the outstanding principal amount plus accrued interest within 60 days;

(c) the term of the loan has been extended to more than 56 months as a result of the Participant's failure or inability to make timely loan payments; or

(d) there occurs such other circumstances as the Plan Administrator considers to be a default in order to protect the interests of the Plan.

A default on a Plan loan occurs on the date the first of the preceding conditions is met. If a default on a Participant's Plan loan occurs, the Plan shall have the right to foreclose on the Participant's security interest in his Account, and shall do so on or after the first distributable event for such Participant described in Article VI (other than a hardship distribution event pursuant to Section 6.3(a)).

7.10 Nondiscrimination: Loans shall be made available to all Participants who meet the requirements set forth in section 7.1 on a reasonable equivalent basis, except that the Plan Administrator may make reasonable distinctions based on other obligations of the Participant, state law requirements affecting payroll deductions and other factors that may adversely affect the ability to assure repayment through payroll deduction. The Plan Administrator may refuse a requested loan where it determines that timely repayment of the loan through payroll deduction is not assured.

7.11 Collins Food International, Inc. With respect to a borrowing Participant: (i) who is employed by Colllins Food International, Inc. before becoming employed by Kentucky Fried Corporation and (ii) who has a loan outstanding under the Plan, the provisions

of this Article VII shall apply. In addition, the terms of the promissory note for such outstanding loan shall govern to the extent not in conflict with this Plan or applicable federal law.

7.12 Miscellaneous:

(a) Additional Documentation: A Participant shall execute any additional documents as required by the Plan Administrator that correct ministerial errors in the Application Forms, or that are required for proper administration of the loan.

(b) Agent of Plan Administrator: The Plan Administrator may designate an exclusive agent for purposes of administration of some or al of the loan program, and to such extent any references in the Article VII to the Plan Administrator shall mean the designated agent.

(c) Power to Amend Outstanding Loans: It is specifically intended that the Company's power to amend the Plan set forth in Article XI applies to loans from this Plan that are outstanding (including loans in default) at the time of the amendment.

ARTICLE VIII

Determination of Beneficiary

A Participant's Beneficiary under the Plan shall be determined in accordance with this Article. In the event of a Participant's death, any interest of the Participant in the Plan shall be payable to such Beneficiary in accordance with Section 6.2.

8.1 Certain Married Participants: A Participant's Beneficiary shall be determined in accordance with this Section if: (i) the Participant is married on the date of his death, and (ii) the Participant is credited with at least one Hour of Service after August 22, 1984.

(a) Deaths After November 13, 1984:

(1) Qualified Designations: If a Participant covered by this section dies after November 13, 1984, and has a Qualified Designation (as hereinafter defined) in effect on the date of his death, then such Participant's Beneficiary shall be the person or persons designated by the Participant in the most recent Qualified Designation on file with the Plan Administrator. For purposes of this subsection, a "Qualified Designation" is any Designation of Beneficiary form filed by a Participant which names someone other than the Participant's spouse as a primary beneficiary, and which meets the requirements of subparagraphs (i) or (ii) below:

(i) A Participant's Designation of Beneficiary form meets the requirements of this subparagraph if:

(A) such designation is consented to in writing by the spouse to whom the Participant is married on the date of his death,

(B) the spouse's consent acknowledges the effect of the designation,

(C) the spouse's consent is witnessed by a notary public or an official designated by the Plan Administrator, and

(D) the designation is signed by the Participant and satisfies any other requirements which are prescribed by the Plan Administrator.

(ii) A Participant's Designation of Beneficiary form meets the requirements of this subparagraph if:

(A) at the time such form is filed, it is established to the satisfaction of the Plan Administrator (or its authorized representative) that the consent required under subparagraph (i) may not be obtained because the Participant's spouse cannot be located or because of such other circumstances as may be specified by Internal Revenue Service Regulations,

(B) the Participant is legally separated or the Participant has been abandoned (within the meaning of local law) and (I) the Participant has a court order to such effect, and (II) there is no qualified domestic relations order (within the meaning of Code section 414(p)) which requires spousal consent to the Participant's elections covered by this section, and

(C) the designation is signed by the Participant and satisfies any other requirements which are prescribed by the Plan Administrator.

Consent by a spouse, or establishment that a spouse's consent cannot be obtained, shall be effective only with respect to such individual spouse. If the spouse is legally incompetent to give consent, consent may be given by the spouse's legal guardian (even if the guardian is the Participant). Once a spouse has given consent to an election of the Participant, such consent shall be irrevocable.

(2) No Qualified Designation: If a Participant covered by this Section dies after November 13, 1984, and does not have a Qualified Designation in effect on the date of his death, then notwithstanding any Designation of Beneficiary form the Participant may have completed, such Participant's sole Beneficiary shall be his spouse. A Participant's Qualified Designation shall not be considered to be in effect hereunder if all the Participant's designated Beneficiaries have predeceased the Participant.

(b) Deaths Before November 14, 1984: If a Participant described in this Section dies before November 14, 1984, then notwithstanding any Designation of Beneficiary form the Participant may have completed, such Participant's Beneficiary for one-half of his interest in the Plan shall be such Participant's spouse. If the amount payable to the Participant's spouse pursuant to the preceding sentence would exceed $3,500, then notwithstanding any other provision contained herein, such one-half of the Participant's interest shall be payable to the spouse as a life annuity unless the spouse consents in writing to the distribution of such amount as a lump sum. The remaining one-half of the Participant's interest in the Plan shall be payable to the Participant's Beneficiary determined in accordance with Section 8.2 (as if such Section applied with respect to the Participant).

8.2 Other Participants: A Participant's Beneficiary shall be determined in accordance with this Section if: (i) the Participant is not married on the date of his death, or (ii) the Participant is not credited with an Hour of Service after August 22, 1984.

(a) Except as provided in subsections (b) and (c) below, the Beneficiary of a Participant covered by this Section shall be the person or persons designated by the Participant on the most recent Designation of Beneficiary form on file with the Plan Administrator. A Designation of Beneficiary form shall not be taken into account under this section unless it has been signed by the Participant.

(b) In the case of a Participant covered by this Section who is married at death, any Designation of Beneficiary form executed by such Participant after December 31, 1984 shall not be effective hereunder unless such form meets the requirements of Section 8.1(a)(1)(i) or (ii).

(c) In the event benefits became payable upon the death of a Participant described in this Section and no Beneficiary has been properly designated as provided in subsections (a) and (b), or if all such designated Beneficiaries shall have predeceased the Participant, then the Participant's sole Beneficiary hereunder shall be his estate.

ARTICLE IX

Administration

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

9.2 Administration: The Plan shall be administered by the Plan Administrator which may appoint or employ individuals to assist in the administration of the Plan and which may appoint or employ any other agents it deems advisable, including legal counsel, actuaries and auditors to serve at the Plan Administrator's direction. All usual and reasonable expenses of the Plan Administrator in administering the Plan may be paid in whole or in part by the

Company, and any expenses not paid by the Company shall be paid by the Trustee out of the principal or income of the Trust.

9.3 Claims Procedure: The Plan Administrator, or a party designated by the Plan Administrator, shall have the exclusive discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount of such benefits, and its decision on such matters are final and conclusive. Any exercise of this discretionary authority shall be reviewed by a court under the arbitrary and capricious standard, (i.e., the abuse of discretion standard). If, pursuant to this discretionary authority, an assertion of any right to a benefit by a Participant or beneficiary is wholly or partially denied, the Plan Administrator, or a party designated by the Plan Administrator, will provide such claimant a comprehensible written notice setting forth:

(a) The specific reason or reasons for such denial;

(b) Specific reference to pertinent Plan provisions on which the denial is based;

(c) A description of any additional material or information necessary for the claimant to submit to perfect the claim and an explanation of why such material or information is necessary; and

(d) A description of the Plan's claim review procedure. The claim review procedure is available upon written request by the claimant to the Plan Administrator, or the designated party, within 60 days after receipt by the claimant of written notice of the denial of the claim, and includes the right to examine pertinent documents and submit issues and comments in writing to the Plan Administrator, or the designated party. The decision on review will be made within 60 days after receipt of the request for review, unless circumstances warrant an extension of time not to exceed an additional 60 days, and shall be in writing and drafted in a manner calculated to be understood by the claimant, and include specific reasons for the decision with references to the specific Plan provisions on which the decision is based.

If circumstances warrant, the Plan Administrator shall provide the claimant a written notice, prior to the end of the 90-day period for processing the claim, extending such period by up to an additional 90 days and indicating the circumstances requiring the extension and the date by which the Plan Administrator expects to render its decision. If the Plan Administrator fails to provide a comprehensible written notice stating that the claim is wholly or partially denied and setting forth the information described in (a) through (d) above within the 90-day processing period and if no extension of such 90-day period is made, the claim shall be deemed denied. Once the claim is deemed denied, the Participant shall be entitled to the claims review procedure described in subsection (d) above. Such review procedure shall be available upon written request by the claimant to the Plan Administrator within 60 days after the claim is deemed denied. Any claim referenced in this section that is reviewed by a court, arbitrator, or any other tribunal shall be reviewed solely on the basis of the record before the Plan Administrator. In addition, any such review shall be conditioned on the claimants having fully exhausted all rights under this section.

9.4 Records and Reports: The Plan Administrator shall exercise such authority and responsibility as it deems appropriate in order to comply with ERISA and government regulations issued thereunder relating to records of Participants' service and benefits; notifications to Participants; reports to, or registration with, the Internal Revenue Service; reports to the Department of Labor; and such other documents and reports as may be required by ERISA.

9.5 Other Administrative Powers and Duties: The Plan Administrator shall have such powers and duties as may be necessary or desirable to discharge its functions hereunder, including:

(a) To exercise its discretionary authority to construe and interpret the Plan, decide all questions of eligibility and determine the amount, manner and time of payment of any benefits hereunder;

(b) To prescribe procedures to be followed by Participants or Beneficiaries filing applications for benefits;

(c) To prepare and distribute, in such manner as the Plan Administrator determines to be appropriate, information explaining the Plan;

(d) To receive from employees and agents and from Participants such information as shall be necessary for the proper administration of the Plan;

(e) To receive, review and keep on file (as it deems convenient or proper) reports of the financial condition, and of the receipts and disbursements, of the Trust from the Trustee;

(f) To appoint or employ individuals or other parties to assist in the administration of the Plan and any other agents it deems advisable, including accountants, actuaries and legal counsel; and

(g) To delegate to other persons or entities, or to designate or employ persons to carry out any of the Plan Administrator's fiduciary duties or responsibilities or other functions under the Plan.

9.6 Rules and Decisions: The Plan Administrator may adopt such rules and procedures as it deems necessary, desirable, or appropriate. To the extent practicable, all rules and decisions of the Plan Administrator shall be uniformly and consistently applied to all Participants in similar circumstances. When making a determination or calculation, the Plan Administrator shall be entitled to rely upon information furnished by a Participant or beneficiary, the legal counsel of the Plan Administrator, or the Trustee.

9.7 Procedures: The Plan Administrator shall keep all necessary records and forward all necessary communications to the Trustee. The Plan Administrator may adopt such regulations as it deems desirable for the administration of the Plan.

9.8 Authorization of Benefit Distributions: The Plan Administrator shall issue directions to the Trustee concerning all benefits which are to be paid from the Trust pursuant to the provisions of the Plan, and shall warrant that all such directions are in accordance with this Plan.

9.9 Application and Forms for Distributions: The Plan Administrator may require a Participant to complete and file with the Plan Administrator an application for a

distribution and all other forms approved by the Plan Administrator, and to furnish all pertinent information requested by the Plan Administrator. The Plan Administrator may rely upon all such information so furnished it, including the Participant's current mailing address, age and marital status.

ARTICLE X

Trust Fund

All contributions made by the Employers, or the Company on behalf of the Employers, under this Plan shall be paid to the Trustee and deposited in the Trust Fund or with an insurance company or a financial institution pursuant to a contract to be held and invested in accordance with the Trust instrument. Assets of other plans maintained by the PepsiCo Organization, which meet the requirements of Code section 401, may be commingled, for investment purposes only, through one or more master trust arrangements with the assets of this Plan. The Company shall have the right to appoint an investment manager or investment managers (as defined in section 3(38) of ERISA) to manage all or any part of the assets of the Trust Fund.

ARTICLE IX

Amendment of the Plan

The Company shall have the right at any time by instrument in writing, duly executed and acknowledged and delivered to the Trustee, to modify, alter or amend this Plan in whole or in part. However, except as permissible under the Code and ERISA, no amendment shall:

(a) Reduce the amounts in any Participant's Account because of forfeiture or reduce the vested right or interest to which any Participant or Beneficiary is then entitled under this Plan;

(b) Eliminate an optional form of benefit with respect to a Participant's Account as of the date of the amendment;

(c) Cause or authorize any part of the Trust Fund to revert or be refunded to the Employer; or

(d) Cause any assets of the Trust to be used for, or diverted to, purposes other than for the exclusive benefit of Participants and their Beneficiaries (other than such part as is required to pay taxes and expenses of administration).

To the extent permitted under the Code, the Company shall have the right to amend the Plan at any time, retroactively or otherwise, in such respects and to such extent as may be necessary to qualify it under existing and applicable laws and regulations in order to make available to the Employers the tax benefits associated with qualified plans, including the full deduction for tax purposes of the Employer contributions made hereunder. A participating Employer shall not have the right to amend the Plan. Notwithstanding any provision herein to the contrary, the Company may by such amendment decrease or otherwise affect the rights of Participants hereunder if, and to the extent, necessary to accomplish such purpose.

ARTICLE XII

Termination of the Plan

The Plan herein provided for has been established by the Company with the bona fide intention that it shall be continued in operation indefinitely. However, the Company re serves the right at any time to terminate or to partially terminate the Plan. In addition, a participating Employer may cease participation in the Plan with respect to its Employees.

Should the Company decide to terminate the Plan, the Trustee shall be notified of such event in writing and shall proceed at the direction of the Plan Administrator to handle the assets of the Trust Fund, as follows:

First, to the extent determined by the Plan Administrator, to pay any due and accrued expenses and liabilities of the Trust and any expenses involved in the termination.

Second, to pay to Participants in the Plan who are active Employees affected by such termination the amount of their interest in the Trust Fund, as soon as permitted by applicable law, as determined by the Plan Administrator. If some or all of the Participants may not receive distributions of their interest at the time of such termination or cessation, the Plan Administrator may in its sole discretion direct the Trustee to segregate each such Participant's interest to a savings account, certificate of deposit, or other suitable investment for distribution at the appropriate future time.

Notwithstanding the foregoing, the Trustee shall not be required to make any distribution from the Trust in the event the Plan is terminated until such time as the Internal Revenue Service shall have determined in writing that such termination will not adversely affect the prior qualification of the Plan.

ARTICLE XIII

Miscellaneous

13.1 Participants' Rights; Acquittance: Except to the extent required or provided for by a mandatory law as in effect and applicable hereto from time to time, neither the establishment of the Trust hereby created, nor any modification thereof, nor the creation of any fund or account, nor the payment of any distributions, shall be construed as giving to any Participant or other person any legal or equitable right against the Employer, or any officer or employee thereof, or the Trustee or the Plan Administrator except as herein provided; nor shall any Participant have any legal right, title or interest in this Trust or any of its assets, except in the event and to the extent that amounts may actually be distributable to him hereunder, and the same limitations shall be applicable with respect to distributions upon death which may be payable to the Beneficiaries of a Participant. Under no circumstances shall the terms of employment of any Participant be modified or in any way affected hereby. This Plan and Trust shall not constitute a contract of employment nor afford any individual any right to be retained in the employ of the Employer.

13.2 Nonalienation of Benefits:

(a) In General: Except as provided in subsection (b) below, benefits payable under this Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to benefits payable hereunder, shall be void. The Trust Fund shall not in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements or torts of any person entitled to benefits hereunder.

(b) Qualified Domestic Relations Orders: To the extent mandated by law, the Plan Administrator shall comply with a qualified domestic relations order, as defined by Code section 414(p)(1)(A), which requires that all or part of a Participant's

interest in the Plan be paid to an alternate payee, i.e., the spouse, former spouse, child or other dependent of such Participant. If the Plan Administrator receives an order which purports to be a qualified domestic relations order, the Plan Administrator shall in accordance with such procedures and rules as it may establish: (i) determine the qualified status of such qualified domestic relations order under Code section 414(p)(6), and (ii) if satisfied that the qualified domestic relations order meets the requirements of Code section 414(p), direct the Trustee to comply with the qualified domestic relations order and pay amounts from the Trust Fund in accordance therewith. A qualified domestic relations order may not require the Plan to make a distribution to an alternate payee prior to the date the Participant terminates employment or, if earlier, the date the Participant attains age 50. However, the Plan may make a distribution to an alternate payee prior to such date in accordance with permissive terms of a qualified domestic relations order. Except as otherwise expressly provided in a qualified domestic relations order, no consent by a Participant or alternate payee shall be required in applying the provisions of Section 6.6 to an alternate payee's interest in the Plan. For purposes of the investment options under Article V and the determination of the amount of a distribution under Article VI, an alternate payee, with respect to his interest in the Plan, shall be treated as a Participant would with respect to his Account.

Neither the Plan, the Company, the Employer, the Plan Administrator nor the Trustee shall be liable in any manner to any person, including any Participant or Beneficiary, for complying with a domestic relations order that is considered a qualified domestic relations order in accordance with the provisions of Code section 414(p).

13.3 Actions Involving the Trust: In any action or proceeding involving the Trust Fund, or any property constituting part or all thereof, or the administration thereof, the Company, the Employer the Plan Administrator, and the Trustee shall be the only necessary parties and no employees or former employees of the Employer or their Beneficiaries or any

other person having or claiming to have an interest in the Trust Fund or under the Plan shall be entitled to any notice or service of process.

Any final judgment which is not appealed or appealable that may be entered in any such action or proceeding shall be binding and conclusive on the parties hereto, the Plan Administrator, the Trustee and all persons having or claiming to have any interest in the Trust Fund or under the Plan.

13.4 Qualification of Plan as a Condition: This amendment and restatement of the Plan is based upon the condition subsequent that it shall be approved and qualified by the Internal Revenue Service as meeting the requirements of the Internal Revenue Code and regulations issued thereunder with respect to employees' plans and trusts, including a salary reduction arrangement, so as to permit, among other incidents to such qualified plans, the Employer to deduct for income tax purposes the amount of its contributions to the Plan as set forth herein, and so that such contributions will not be taxable at the time of contribution to the Participants as income. Therefore, if when this Plan is submitted for qualification and approval by the Internal Revenue Service, the Internal Revenue Service determines that the Plan does not meet the qualification requirements of the Internal Revenue Code for the purposes specified in the preceding sentence, and the deficiencies precluding qualification may not be corrected by amendment effective as of the Effective Date, then regardless of any other provision herein contained, this Plan shall be and become null and void ab initio, and any contributions under the Plan for any fiscal year of an Employer commencing on or after the Effective Date shall be returned to the Employers for the benefit of the Employees on whose behalf the contribution was made to the Trust.

13.5 Successor to the Company: In the event of the dissolution, merger, consolidation or reorganization of the Company, provision may be made by which the Plan and Trust will be continued by the successor; and, in that event, such successor shall be substituted for the Company under the Plan. The substitution of the successor shall constitute an assumption of Plan liabilities by the successor and the successor shall have all the powers, duties and responsibilities of the Company under the Plan.

13.6 Transfer of Plan Assets: In the event of any merger or consolidation of the Plan with, or transfer in whole or in part of the assets and liabilities of the Trust Fund to another trust fund, held under any other plan of deferred compensation maintained or to be established for the benefit of all or some of the Participants of this Plan, the assets of the Trust Fund applicable to such Participants shall be transferred to the other trust fund only if:

(a) Each Participant would, if either this Plan or the other plan then terminated, receive a benefit immediately after the merger, consolidation or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation or transfer, if the Plan had then terminated;

(b) Resolutions of the Board of Directors of the Employer of the affected Participants, shall authorize such transfer of assets; and, in the case of the new or successor employer of the affected Participants, its resolutions shall include an assumption of liabilities with respect to such Participant's inclusion in the new employer's plan, and

(c) Such other plan and trust are qualified under sections 401(a) and 501(a) of the Code.

13.7 Indemnification: Unless the Board of Directors of the Company shall determine otherwise, the company shall indemnify, to the full extent permitted by law, any employee acting in good faith within the scope of his employment in carrying out the administration of the Plan.

13.8 Action by the Company: Any action by the Company, including any amendment authorized to be made under Article XI, shall be made by a resolution adopted by the Company's Board of Directors. In addition, any person or persons authorized by the Board may take action on behalf of the Company. Any such resolution of the Board of Directors shall be effective provided it is adopted in accordance with the bylaws (or other governing authority) of the Company. Any action taken by any other person or persons shall be effective provided it is executed in accordance with the authorization of the Board.

13.9 Applicable Law: The provisions of the Plan shall be construed and administered according to, and its validity and enforceability shall be determined under, ERISA. In the event ERISA does not preempt state law in a particular circumstance, the laws of the State of New York shall govern.

13.10 Interpreting the Plan: This Plan shall be interpreted in accordance with the rules of this section and Section 2.2.

(a) Compounds of the Word "Here": The words "hereof", "hereunder" and other similar compounds of the word "here" shall mean and refer to the entire Plan, not to any particular provision or section.

(b) Examples: Whenever an example is provided or the text uses the term "including" followed by a specific item or items, or there is a passage having similar effect, such passages of the Plan shall be construed as if the phrase "without limitation" followed such example or term (or otherwise applied to such passage in a manner that avoids limits on its breadth of application).

(c) Fiduciary Discretion: With respect to the powers, duties and responsibilities allocated to the named Fiduciaries under the Plan, the Plan Administrator and the Trustee shall have full discretionary authority to implement and perform such powers, duties and responsibilities. Specific references in the Plan to the Plan Administrator's or the Trustee's discretion in a particular context shall create no inference that the Plan Administrator's or Trustee's discretion in any other respect, or in connection with any other provisions, is less complete or broad.

(d) Invalid Provisions: If any provision of this Plan is, or is hereafter declared to be void, voidable, invalid or otherwise unlawful, the remainder of the Plan shall not be affected thereby.

ARTICLE XIV

Top-Heavy Plan Provisions

14.1 Application: In the event that the Plan is determined to be a Top-Heavy Plan (as hereinafter defined), this Article XIV shall become effective as of the first day of the Plan Year in which the Plan is a Top-Heavy Plan.

14.2 Definitions:

(a) Key Employee: During any year that the Plan is a Top-Heavy Plan, an Employee (including any Beneficiary of an Employee) is a Key Employee if, at any time during the Plan Year or any of the 4 preceding Plan Years, he is (or was):

(1) An officer of the Employer whose Annual Compensation (as hereinafter defined) exceeds 50 percent of the dollar limitation in effect for such year under Code section 415(b)(1)(A);

(2) One of the 10 employees having Annual Compensation of more than the dollar limitation in effect for such year under Code section 415(c)(1)(A), having individual ownership interests in the Employer of more than 1/2 of 1 percent, and owning the largest interests in the Employer;

(3) A 1 percent owner of the Employer having Annual Compensation from the Employer of more than $150,000; or

(4) A 5 percent owner of the Employer.
Ownership shall be determined according to Code section 416(i)(1)(B). For purposes of paragraph (1) above, no more than 50 Employees (or if less, the greater of 3 or 10 percent of the Employees) shall be treated as officers. For purposes of paragraph (2) above, if 2 Employees have the same ownership interest, the Employee with the higher Annual Compensation shall be treated as having the larger interest. For purposes of Paragraph (1), (2) and (3), annual compensation means compensation as defined in Code section 415(c)(3), but including amounts contributed by the Employer pursuant

to a salary reduction agreement which are excludable from the employee's gross income under Code section 125 or 402(a)(8).

(b) Minimum Contribution - For a Plan Year, the lesser of 3 percent of a Participant's Annual Compensation or, if this Plan does not enable a defined benefit in the Required Aggregation Group (as determined below) to satisfy the requirements of Code section 401(a)(4) or 410, a percentage of a Participant's Annual Compensation equal to the percentage at which contributions are made (or required to be made) under the Plan and all other plans in the Required Aggregation Group (as defined below) for the Key Employee for whom such percentage is highest.

(c) Top-Heavy Plan: For any Plan Year beginning after December 31, 1983, a plan that is required in such year to satisfy the requirements of Code section 416 because the aggregate of the account balances of all Key Employees in the Plan exceeds 60 percent of the aggregate of the account balances of all Participants in the Plan, such determination to be made in accordance with the procedures described in Code section 416(g) and the regulations thereunder as of the last day of the preceding Plan Year (or in the case of the first Plan Year, as of the last day of such Plan Year) (the "determination date"). For purposes of determining whether the Plan is a Top-Heavy Plan, the Plan must be aggregated with all other plans maintained by the Employer which are required to be aggregated with the Plan in order for the Plan to meet the requirements of Code sections 401(a)(4) or 410, and all other plans maintained by the Employer in which a Key Employee is a Participant (the "Required Aggregation Group"). In addition, the Plan may also be aggregated with any other plans maintained by the Employer so long as such aggregation would not prevent the aggregated group from satisfying the requirements of Code sections 401(a)(4) or 410 (the "Permissive Aggregation Group").

14.3 Allocation of Minimum Contribution: For any year in which the Plan is a Top-Heavy Plan, the Minimum Contribution as defined in Section 14.2(c) hereof shall be made to the account of each Participant who is a non-Key Employee, unless the Minimum

Contribution for the Participant is made under another defined contribution plan maintained by the Employer. Such Minimum Contribution shall be made to the Employer Contribution Account of each non-Key Employee Participant who is employed on the last day of such Plan Year without regard to such Participant's Hours of Service during such Plan Year. The Employer and the Plan Administrator shall determine under which plan a Participant shall receive the Minimum Contribution if the Employee is a Participant in more than one plan maintained by the Employer.

ARTICLE XV

Signature

The above amended and restated Plan is hereby adopted and approved, to be effective as of July 1, 1992 (except as otherwise indicated), this 29th day of June, 1994.

PEPSICO, INC.

By: /s/ J. ROGER KING

J. Roger King
Senior Vice President,
Personnel

Approved:

/s/ ALAN ROCKOFF
____
Law Department

/s/ SYLVESTER HOLMES
____
Tax Department

APPENDIX

The following Appendix Articles modify particular terms of the Plan as it applies to certain Employee groups. Except as specifically modified in this Appendix, the foregoing provisions of the Plan shall fully apply. In the event of a conflict between this Appendix and the foregoing provisions of the Plan, the Appendix shall govern with respect to the conflict.

Article A
KFC - Collins

The terms of this Article apply to certain Plan Participants who were employees of Collins Foods International, Inc. and who were Participants in the Collins Food International, Inc. Employee Savings Plan on March 17, 1991. The effective date of this amendment is March 17, 1991, the date Collins Foods International, Inc. was merged into Kentucky Fried Chicken Corporation. As of the merger, Participants were entitled to make investment directions into the Kentucky Fried Chicken Corporation Long Term Savings Program. If no investment election was received, the Participant's account was transferred to the Security Plus Fund. The Kentucky Fried Chicken Corporation Long Term Savings Program was merged into the PepsiCo Long Term Savings Program effective December 31, 1991.

A.1 Definitions: The following words and phrases as used herein, have the respective meanings set forth in this Article, unless the context clearly indicates to the contrary.

(a) Collins: Collins Food International, Inc.

(b) Savings Plan: Collins Food International, Inc. Employee Savings Plan.

(c) Closing Date: March 17, 1991

(d) Account Balance: The amount in the account of each Participant in the Savings Plan as of the Closing Date.

(e) Voluntary Contribution: The amount voluntarily contributed to the Savings Plan by a Participant prior to January 1, 1987.

(f) Voluntary Contribution Account The account of a Participant to which his Voluntary Contributions and the gains and losses thereon are credited.

A.2 Participants Covered by this Appendix: As of the Closing Date, Employees of Collins who participated in the Savings Plan became Participants in the Kentucky Fried Chicken Corporation Long Term Savings Program if the Participant had an Account Balance in the Savings Plan as of the Closing Date. In addition, individuals described in the preceding sentence became Participants in this Plan as of December 31, 1991 if they had an account balance in the Kentucky Fried Chicken Corporation Long Term Savings Program as of December 31, 1991. Each Participant in the Savings Plan as of the Closing Date became fully vested in his Account Balance.

A.3 Voluntary Contributions: A Participant may make withdrawals from his Voluntary Contribution Account from time to time, subject to reasonable procedures as the Plan Administrator may establish. Withdrawals of Voluntary Contributions shall consist only of the principal amount credited to the Participant's Voluntary Contribution Account.

A.4 Plan Loans: Effective as of the Closing Date, no new plan loans shall be available under the Kentucky Fried Chicken Corporation Long Term Savings Program and this Plan and no existing loans may be renewed or extended. Plan loans that were made under the Savings Plan, and are outstanding as of the Closing Date, are expressly authorized as a permissible investment under the Kentucky Fried Chicken Corporation Long Term Savings Program and this Plan in accordance with (and subject to) the following provisions of this section.

(a) The program of Plan loans authorized by this section shall be administered by the Plan Administrator (or its delegate).

(b) Plan loans shall bear a reasonable rate of interest, the amount to be determined from time to time in accordance with the rules and procedures in effect under the Savings Plan on the Closing Date. The term of any loan shall be that in effect for the loan on the Closing Date.

(c) A loan shall continue to be repaid in the manner in effect on the Closing Date, provided that interest and principal on the loan must be repaid through payroll deduction installments (not less frequently than quarterly) over a total period not

to exceed 4-1/2 years (including renewals and extensions). Loan repayments shall be invested in accordance with the Participant's current investment direction for Salary Deferral Contributions. If no such election is in effect, repayments shall be invested in the manner specified by the Plan Administrator from time to time.

(d) A loan shall be documented by such notes, evidences of indebtedness, security agreements and other instruments executed by the Participant as the Plan Administrator may require.

(e) A loan shall constitute an investment of only amounts credited to the Account of the borrowing Participant. All gains and losses on a loan shall be credited to the borrowing Participant's Account.

(f) A loan shall be adequately secured at all times. All loans are secured by a portion of a borrowing Participant's Account (but not more than the lesser of: (1) 50 percent of the Account, or (2) the amount of the loan). To the extent the principal amount of the loan (immediately after its origination, extension or renewal) does not exceed 50 percent of the Participant's Account at such time, the loan will be deemed to be adequately secured. Any additional loan amount must at all times be secured by other security of a type and value that would be accepted by commercial lenders for such purpose.

(g) A loan shall be in default if the Participant fails to make any payment when due or if there occurs such other circumstances as may be prescribed by the Plan Administrator. If a loan is in default, execution on the defaulting Participant's Account shall be accomplished when and to the extent the Account is distributed to the Participant hereunder. Execution on any other security of the Participant shall be accomplished at the time deemed necessary by the Plan Administrator to prevent a loss to the Plan.

(h) If a Participant has a Termination of Employment or dies, any loan outstanding to the Participant shall become immediately due. If the portion of a Participant's Account securing his loan otherwise becomes payable to the Participant hereunder, such loan shall become due to the extent this portion of the Account is to be

distributed. In either case, the amount of the loan that is due shall be satisfied by applying against it the portion of the Participant's Account that secures the loan. In turn, such Account shall be correspondingly reduced prior to making the distribution to or on behalf of the Participant.

ARTICLE B
KFC Hourly Employees

The terms of this Article apply to any Employee who is employed on or after December 1, 1989 on an hourly basis by KFC Corporation; KFC Enterprises, Inc.; KFC National Management Company; Kentucky Fried Chicken International Holdings, Inc.; Kentucky Fried Chicken Corporate Holdings, Ltd or the Company (only with respect to those Employees of the Company who are (i) providing services in Illinois to Kentucky Fried Chicken Corporation and (ii) working under the supervision of Kentucky Fried Chicken Corporation) (collectively referred to as "KFC").

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

"3.1 Eligibility: Any full-time hourly Employee of KFC whose Employment Commencement Date is before January 1, 1992 shall be eligible to participate in the Plan once he has enrolled in his Employer's One Plus program. Any full-time hourly Employee of KFC who is coded as a shift-supervisor and whose Employment Commencement Date is on or after January 1, 1992, shall be eligible to participate in the Plan after the attainment of age 21 and the completion of one Year of Service. The following Employees or classes of Employees shall not be eligible to participate in this Plan:"

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

"(a) Deferral Amount: Subject to the limitations established by this Article IV, each active Participant may defer in any Plan Year up to $60 of his Eligible Pay per pay period, in accordance with such rules and regulations as may be established by the Plan Administrator. In the event that a Participant elects to defer a portion of his Eligible Pay
under the Plan, it will be designated for contribution by the Employer to the

Trust on behalf of the Participant, and for deposit in his Salary Deferral Account. All amounts deposited to a Participant's Salary Deferral Account shall at all times be fully vested."

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

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

ARTICLE C
Pizza Hut Hourly Employees

The terms of this Article apply to any Employee who is employed on an hourly basis by the Southern, Western, or Florida divisions of Pizza Hut of America or its domestic locations and subsidiaries (collectively referred to as "Pizza Hut").

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

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

ARTICLE D
Prior Definitions of Eligible Pay

The terms of this article apply to prior definitions of Eligible Pay.

Effective January 1, 1989, excepted where otherwise noted, Eligible Pay was defined as follows:

2.1(k) Eligible Pay. For each Plan Year, a Participant's Eligible Pay shall be determined as follows:

(1) With respect to all Employees other than those employed by Frito-Lay, Inc. or its subsidiaries:

(i) In the case of salaried Employees who are considered exempt from the minimum wage and overtime pay provisions of the Fair Labor Standards Act:

(I) for such Employees who were Employees on or before July 15 of the preceding Plan Year, or such other date during the preceding Plan Year as the Plan Administrator may select (July 15 or such other date being hereinafter referred to as the "Salary Determination Date" with respect to all Employees other than those employed by Frito-Lay, Inc. or its subsidiaries), Annual Compensation shall be the Participant's annual base salary in effect on the Salary Determination Date plus any lump sum amount received by the Participant prior to the Salary Determination Date and during such preceding Plan Year under the PepsiCo Executive Incentive Plan or Pepsico's or a subsidiary's Middle Management Incentive Plan; or

(II) for such Employees who were not Employees on or before the Salary Determination Date, Annual Compensation shall be the Participant's annual base salary on his date of hire;

(ii) In the case of any salaried Employees who are not considered exempt from the minimum wage and overtime pay provisions

of the Fair Labor Standards Act, and in the case of eligible hourly Employees:

(I) for such Employees who were Employees on or before the Salary Determination Date, Eligible Pay shall be the Participant's base salary or hourly wage rate on the Salary Determination Date, plus any overtime pay earned by the Participant prior to the Salary Determination Date during such preceding Plan Year, annualized in accordance with rules adopted by the Plan Administrator;

(II) for such Employees who were not Employees on or before the Salary Determination Date, Annual Compensation shall be the Participant's annual base salary or hourly wage rate on his date of hire, annualized in accordance with rules adopted by the Plan Administrator;

(iii) In the case of Employees whose remuneration is based, in whole or in part, on sales-related commission payments:

(I) for such Employees who were Employees on or before the salary Determination Date, Eligible Pay shall be the Participant's base annual salary in effect on the Salary Determination Date, plus any commissions earned by the Participant prior to the Salary Determination Date during such preceding Plan Year, annualized in accordance with rules adopted by the Plan Administrator;

(II) for such Employees who were not Employees on or before the Salary Determination Date, Eligible Pay shall be the Participant's annual base salary on his date of hire.

(2) With respect to Employees employed by Frito-Lay, Inc. or its subsidiaries:

(i) In the case of salaried Employees who are considered exempt from the minimum wage and overtime pay provisions of the Fair Labor Standards Act:

(I) for such Employees who were Employees on or before July 13 of the preceding Plan Year, or such other date during the preceding Plan Year as the Plan Administrator may select (July 13 or such other date being hereafter referred to as the "Salary Determination Date" with respect to Employees employed by Frito-Lay, Inc. or its subsidiaries), Eligible Pay shall be the Participant's annual base salary in effect on the Salary Determination Date plus any lump sum amount under the PepsiCo Executive Incentive Plan received by the Participant prior to the Salary Determination Date and during such preceding Plan Year, or any quarterly Frito-Lay Management Incentive Plan payments received by the Participant prior to the Salary Determination Date and during such preceding Plan Year annualized; or

(II) for such Employees who were not Employees on or before the Salary Determination Date, Eligible Pay shall be the Participant's annual base salary on his date of hire;

(ii) In the case of any salaried Employees who are not considered exempt from the minimum wage and overtime pay provisions of the Fair Labor Standards Act, and in the case of eligible hourly Employees:

(I) for such Employees who were Employees on or before the Salary Determination Date, Eligible Pay shall be the Participant's W-2 earnings plus any amounts designated as "Choice Pay" or "Flexible Pay" under an Employer's Benefits Plus program that are used to pay for benefits or are contributed under the Plan

(such amounts being hereafter referred to as "Flexible Pay") prior to the Salary Determination Date during such preceding Plan Year, annualized in accordance with rules adopted by the Plan Administrator or, if greater, the Participant's W-2 earnings plus Flexible Pay during the calendar year prior to such preceding Plan Year; or

(II) for such Employees who were not Employees on or before the Salary Determination Date, Annual compensation shall be the Participant's annual base salary on his date of hire, annualized in accordance with rules adopted by the Plan Administrator;

(iii) In the case of a Participant who is classified as commissioned ("route sales") Employees:

(I) for such Employees who were Employees on or before the Salary Determination Date, Eligible Pay shall be the Participant's W-2 earnings, plus Flexible Pay prior to the Salary Determination Date during such preceding Plan Year, annualized in accordance with rules adopted by the Plan Administrator or, if greater, the Participant's W-2 earnings plus Flexible Pay during the Calendar Year prior to such preceding Plan Year, or

(II) for such Employees who were not Employees on or before the Salary Determination Date, Eligible Pay shall be the Participant's monthly guaranty on his date of hire, annualized.

(3) With respect to Employees employed by Wilson Sporting Goods, Co. or its subsidiaries:

(i) In the case of salaried Employees who are considered exempt from the minimum wage and overtime pay provisions of the Fair Labor Standards Act:

(I) for such Employees who were Employees on or before the Salary Detrmination Date, Eligible Pay shall be the Participant's annual base salary in effect on the Salary Determination Date plus any lump sum amount received by the Participant prior to the Salary Determination Date and during such preceding Plan Year under the PepsiCo Executive Incentive Plan or PepsiCo's or a subsidiary's Middle Management Incentive Plan; or

(II) for such Employees who were not Employees on or before the Salary Determination Date, Eligible Pay shall be the Participant's annual base salary on his date of hire;

(ii) In the case of any salaried Employees who are not considered exempt from the minimum wage and overtime pay provisions of the Fair Labor Standards Act, and in the case of eligible commissioned Employees:

(I) for such Employees who were Employees on or before the Salary Determination Date, Eligible Pay shall be the Participant's W-2 earnings plus Flexible Pay prior to the Salary Determination Date during such preceding Plan Year, annualized in accordance with rules adopted in the Plan Administrator; or

(II) for such Employees who were not Employees on or before the Salary Determination Date, Eligible Pay shall be the Participant's annual base salary on his date of hire;

(iii) In the case of eligible hourly Employees:

(I) for such Employees who were Employees on or before the Salary Determination Date, Eligible Pay shall be the Participant's base salary or hourly wage rate on the Salary Determination Date, plus any overtime pay earned by the

Participant prior to the Salary Determination Date during such preceding Plan Year, annualized in accordance with rules adopted by the Plan Administrator; or

(II) for such Empolyees who were not Employees on or before the Salary Determination Date, Eligible Pay shall be the Participant's hourly wage rate on his date of hire, annualized in accordance with rules adopted by the Plan Administrator;

(iv) In the case of Employees who are classified as piecework-paid Employees:

(I) for such Employees who were Employees on or before the Salary Determination Date, Eligible Pay shall be Participant's average hourly rate of pay during the first six months of the preceding Plan Year, plus any overtime pay earned by the Participant prior to the Salary Determination Date during said preceding Plan Year, annualized in accordance with rules adopted by the Plan Administrator; or

(II) for such Employees who were not Employees on or before the Salary Determination Date, Eligible Pay shall be the greater of the Participant's labor guarantee on his date of hire or his piecework guarantee on his date of hire, annualized in accordance with rules adopted by the Plan Administrator.

(4) Effective as of January 1, 1985, in the case of an Employee that is transferred from one Employer to another after the Salary Determination Date for any year, such Employee's Eligible Pay for the year shall be the Employee's annual base salary, annualized hourly wage rate, annualized weekly guarantee, annualized labor guarantee or annualized piecework guarantee (whichever is applicable based on the Employee's classification) as of the transfer date, plus certain additional compensation received by the Employee prior to the

Salary Determination Date but in the same Plan Year as such date. The additional compensation included pursuant to the preceding sentence is any overtime, commissions or unit pay (annualized), any lump sum paid under the PepsiCo Executive Incentive Plan or PepsiCo's or a subsidiary's Middle Management Incentive Plan, and any quarterly payments under a Frito-Lay Management Incentive Plan (annualized).

(5) For purposes of paragraphs (1), (2), (3), and (4) above and except for amounts designated as "Choice Pay" under an Employer's Benefits Plus program that are used to buy benefits and amounts contributed under the Plan, salary or wages shall not include amounts or the value of benefits received, or deemed received, under any performance share plan, stock option plan or similar plan or under any pension or welfare benefit plan maintened by the Employer, whether such plan is qualified or non-qualified and whether such amounts are deferred or not deferred.

(6) In the case of Employees who are not covered by the provisions of paragraphs (1), (2), (3), or (4) above, the Plan Administrator shall establish a method for determining Eligible Pay based upon the method of compensation of such Employees and such method shall be applied in a nondiscriminatory manner for such group of Employees.

(7) No more than $200,000 in Eligible Pay shall be taken into account under the Plan in any Plan Year on or after the Effective Date. This $200,000 limit shall be adjusted automatically a the time and in such manner as permitted under Code section 415(d).

Effective January 1, 1992, Eligible Pay was defined as follows:

(k) Eligible Pay: Effective January 1, 1992, for each Plan Year, a Participant's Eligible Pay shall be determined as follows:

(1) Participants Other Than Those Employed by Restaurants or Frito Division: With respect to all Participants other than those employed by a

restaurant division or by Frito-Lay, Inc., Frito-Lay of Texas, Inc., Recot, Inc., or Smartfoods, Inc. (a "Frito division"), a Participant's Eligible Pay shall be the sum of:

(i) The Participant's salary or wages, including forms of pay delivered in alternative manners such as piecework and payment by mileage for drivers, overtime, shift differentials, commissions, bonuses received under the PepsiCo Executive Incentive Plan or the Company's or a subsidiary's Middle Management Incentive Plan, and payment by mileage for drivers, overtime, shift differentials, commissions, bonuses received under the PepsiCo Executive Incentive Plan or the Company's or a subsidiary's Middle Management Incentive Plan, and

(ii) Any amount not included in (i) above which is contributed by the Employer on behalf of the Participant pursuant to a salary reduction agreement and which is not includable in gross income under Code sections 125, 402(a)(8), or 402(h).

The amounts under subparagraphs (i) and (ii) shall be taken from payroll records for the full calendar year that precedes the Plan Year by 2 years. For example, for the 1993 Plan Year, "Eligible Pay" shall be determined from amounts earned for the full calendar year ending December 31, 1990. For a Participant who has only a partial year's earnings during the full calendar year 2 years prior to the Plan Year, the partial year's earnings shall be annualized. For a Participant with no earnings during the full calendar year 2 years prior to the Plan Year, Eligible Pay shall equal the Participant's base salary or wages, not including alternative forms of base pay, overtime, shift differentials, commissions or bonuses on the later of: (A) the "Eligible Pay determination date" designated by the Plan Administrator with respect to Employees other than those employed by a restaurant division or a Frito division, or (B) the Participant's Employment Commencement Date.

(2) Participants Employed by Frito Division: With respect to a Participant employed by a Frito division, Eligible Pay shall be determined as follows:

(i) in the case of a Participant who is a salaried Employee considered exempt from the minimum wage and overtime pay provisions of the Fair Labor Standards Act, Eligible Pay shall mean:

(A) If the Participant was an Employee on the Eligible Pay Determination Date designated by the Plan Administrator with respect to Employees employed by the Frito division,

(I) the Participant's annual base salary in effect on the Eligible Pay determination date in the preceding Plan Year, plus

(II) any trimester Frito-Lay Management Incentive Plan payments received by the Participant prior to the Eligible Pay determination date and during such preceding Plan Year.

(B) If the Participant was not an Employee on the Eligible Pay determination date in the preceding Plan Year, the Participant's annual base salary on his Employment Commencement Date.

(ii) In the case of a Participant who is a salaried Employee not considered exempt from the minimum wage and overtime pay provisions of the Fair Labor Standards Act, and in the case of a Participant who is an hourly Employee, Eligible Pay shall mean:

(A) If the Participant was an Employee on or before the Eligible Pay determination date in the preceding Plan Year, the greater of:

(I) the Participant's W-2 earnings, plus any amounts designated as "Flexible Pay" and contributed by salary reduction agreement to the Employer's Benefits Plus program or this Plan, in each case through the Eligible Pay determination date during such preceding Plan Year, annualized in accordance with rules adopted by the Plan Administrator, or

(II) the Participant's W-2 earnings plus Flexible Pay during the calendar year immediately prior to such preceding Plan Year.

(B) If the Participant was not an Employee on or before the Eligible Pay determination date, the Participant's annual base salary or hourly wage rate on his Employment Commencement Date, annualized in accordance with rules adopted by the Plan Administrator.

(iii) In the case of a Participant who is classified as a commissioned ("route sales") Employee, Eligible Pay shall mean:

(A) If the Participant was an Employee on or before the Eligible Pay determination date, the greater of:

(I) the Participant's W-2 earnings, plus any amounts of Flexible Pay through the Eligible Pay determination date during the preceding Plan Year, annualized in accordance with rules adopted by the Plan Administrator, or

(II) the Participant's W-2 earnings plus Flexible Pay during the calendar year immediately prior to such preceding Plan Year.

(B) If the Participant was not an Employee on or before the Eligible Pay determination date for the preceding Plan Year, the Participant's weekly guarantee on his Employment Commencement Date, annualized in accordance with rules adopted by the Plan Administrator.

(3) Participants Employed by Restaurant Division: With respect to a Participant employed by a restaurant division of the Company, his Eligible Pay shall be determined as follows:

(i) In the case of a Participant who is a salaried Employee of a restaurant division, Eligible Pay shall mean:

(A) If the Participant was an Employee on the Eligible Pay determination date designated by the Plan Administrator with respect to the Employees of his Employer, the sum of:

(I) the Participant's annual base salary in effect on the Eligible Pay determination date,

(II) any target or lump sum bonus for the calendar year, annualized in accordance with rules adopted by the Plan Adminstrator.

(B) If the Participant was not an Employee on the Eligible Pay determination date with respect to the Employees of his Employer, the sum of the amounts under (I) and (II) above but

determined as of the Participant's Employment Commencement Date.

(ii) In the case of a Participant who is an hourly Employee of the KFC division, Eligible Pay shall mean:

(A) If the Participant was an Employee on the Eligible Pay determination date designated by the Plan Administrator with respect to KFC division Employees, the sum of:

(I) the Participant's annualized hourly wage rate rate in effect on the Eligible Pay determination date, plus

(II) any overtime pair prior to the Eligibility Pay determination date but within the same calendar year, annualized in accordance with rules adopted by the Plan Administrator.

(B) If the Participant was not an Employee on the Eligible Pay determination date with respect to KFC division Employees, the sum of the amounts under (I) and (II) above but determined as of the Participant's Employement Commencement Date.

(4) Special Rules for Determining Eligible Pay:

(i) For purposes of paragraphs (1) through (3) above and except for salary reduction amounts designated as Flexible Pay under an Employer's Benefits Plus program that are used to buy benefits and amounts contributed under the Plan, salary or wages shall not include amounts or value of benefits received, or deemed received, under any performance share plan, stock option plan or similar plan or under any pension or welfare benefit plan maintained by the Employer, whether such

plan is qualified or non-qualified and whether such amounts are deferred or not deferred.

(ii) In the case of Employees who transfer from one Employer to another during the year, Eligible Pay of such Employees shall be the amount of annualized base salary or hourly wage rate on the transfer date plus annualized overtime, commission pay received prior to the transfer date and prior to the determination date and the amount of any lump sum bonus paid from an Employer's Incentive Compensation program.

(iii) Notwithstanding the foregoing provisions of this subsection, in the case of an Employee who elects to make nonqualified deferrals under the PepsiCo Executive Income Deferral Program for an upcoming Plan Year, the Employee's Eligible Pay for such Plan Year shall not be greater than his current base pay and the prior year's bonus under the Employer's incentive compensation program, decreased by any non-qualified deferrals elected for the upcoming Plan Year, and increased by amounts that will be received as distributions from the PepsiCo Executive Income Deferral Program for such Plan Year.

(iv) For any Plan Year beginning on or after January 1, 1989, the Eligible Pay of each Participant taken into account under the Plan shall not be less than $10,000 and shall not exceed $200,000, the latter as adjusted by the Secretary of the Treasury. In determining the Eligible Pay of a Participant for purposes of the $200,000 limitation set forth in the preceding sentence, the rules of section 414(q)(6) of the Code shall apply, except in applying such rules, the term "family" shall include only the spouse of the Participant and any lineal descendants of the Participant who have not attained age 19 before the close of the Plan Year. If, as a result of the application of such rules, the adjusted $200,000

limitation is exceeded, then the limitation shall be prorated amoung the affected individuals in proportion to each such individual's Eligible Pay as determined under this Section prior to the application of this limitation.

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

SCHEDULE 1

PEPSICO
LONG TERM SAVINGS PROGRAM

Designated Employers for Nonrestaurant Salaried Employees
(As of 7/1/92)

Amarillo Pepsi-Cola, Inc.
Atlantic Soft Drink Company, Inc.
Atlantic Soft Drink Company of Knoxville
Belfast Bottling Co. of Reno
Beverage Products Corporation
Beverages, Foods & Service Industries, Inc.
Brainerd-Wadena Beverage Company
Central Valley Beverage Company, Inc.
Claremont Pepsi-Cola Bottling Co., Inc.
Dr Pepper Bottling Co., of San Francisco
East Kentucky Beverage Company, Inc.
Elko Bottling Co.
Frito-Lay, Inc.
Frito-Lay, Texas, Inc.
General Cinema Beverages, Inc.
General Cinema Beverages of Akron, Inc.
General Cinema Beverages of California, Inc.
General Cinema Beverage of Dayton, Inc.
General Cinema Beverages of Ft. Myers, Inc.
General Cinema Beverages of Georgia, Inc.
General Cinema Beverages of Indiana, Inc.
General Cinema Beverages of Miami, Inc.
General Cinema Beverages of North Carolina, Inc.
General Cinema Beverages of North Florida, Inc.
General Cinema Beverages of Ohio, Inc.
General Cinema Beverages of Springfield, Inc.
General Cinema Beverages of Virginia, Inc.
General Cinema Beverages of Washington, D.C., Inc.
General Cinema Beverages of West Virginia, Inc.
General Cinema Beverages of Youngstown, Inc.
Haffenreffer Beverage, Inc.
Iron Range Bottling Co., Inc.
Jackson David Bottling Co.
Laurel Group, Limited
Lovers Leap Company
Mesa Beverage Company
National Beverages, Inc.
New Century Beverage Company
Pepsi-Cola Alton Bottling Inc.

Pepsi-Cola Bottling Company of Dodge City, Inc.
Pepsi-Cola Bottling Company of Grand Island
Pepsi-Cola Bottling Company of Los Angeles
Pepsi-Cola Bottling Company of Lyons, Inc.
Pepsi-Cola Bottling Company of Minneapolis &
St. Paul
Pepsi-Cola Bottling Company of Oklahoma City, Inc.
Pepsi-Cola Bottling Company of Omaha, Inc.
Pepsi-Cola Bottling Company of Reading
Pepsi-Cola Bottling Company of Salt Lake City, Inc.
Pepsi-Cola Bottling Company of St. Louis, Inc.
Pepsi-Cola Bottling Company of St. Mary's Inc.
Pepsi-Cola Bottling Company of Tampa
Pepsi-Cola Bottling Company of Waterloo, Iowa
Pepsi-Cola Bottling Company of Wichita, Inc.
Pepsi-Cola Metropolitan Bottling Company, Inc.
(only at certain locations as designated
by the Plan Administrator)
Pepsi-Cola Personnel, Inc. (only at certain
locations as designated by the Plan Administrator)
Pepsi-Cola San Joaquin Bottling Company
Pepsi-Cola Sweeteners, Inc.
Recot, Inc.
Rice Bottling Enterprises, Inc.
Smartfoods, Inc.
Southwest Beverage Corporation
Supreme Beverages, Inc.
Waycross Pepsi-Cola Bottling Company

SCHEDULE 2

PEPSICO
LONG TERM SAVINGS PROGRAM
Designated Employers for Nonrestaurant Hourly and Commissioned Employees

(As of 7/1/92)

Amarillo Pepsi-Cola, Inc.
Atlantic Soft Drink Company, Inc.
Atlantic Soft Drink Company of Knoxville
Belfast Bottling Co. of Reno
Beverage Products Corporation
Beverages, Foods & Service Industries, Inc.
Brainerd-Wadena Beverage Company
Central Valley Beverage Company, Inc.
Claremont Pepsi-Cola Bottling Co., Inc.
Dr Pepper Bottling Co., of San Francisco
East Kentucky Beverage Company, Inc.
Elko Bottling Co.
Frito-Lay, Inc.
Frito-Lay, Texas, Inc.
General Cinema Beverages, Inc.
General Cinema Beverages of Akron, Inc.
General Cinema Beverages of California, Inc.
General Cinema Beverage of Dayton, Inc.
General Cinema Beverages of Ft. Myers, Inc.
General Cinema Beverages of Georgia, Inc.
General Cinema Beverages of Indiana, Inc.
General Cinema Beverages of Miami, Inc.
General Cinema Beverages of North Carolina, Inc.
General Cinema Beverages of North Florida, Inc.
General Cinema Beverages of Ohio, Inc.
General Cinema Beverages of Springfield, Inc.
General Cinema Beverages of Virginia, Inc.
General Cinema Beverages of Washington, D.C., Inc.
General Cinema Beverages of West Virginia, Inc.
General Cinema Beverages of Youngstown, Inc.
Haffenreffer Beverage, Inc.
Iron Range Bottling Co., Inc.
Jackson David Bottling Co.
Laurel Group, Limited
Lovers Leap Company
Mesa Beverage Company
National Beverages, Inc.
New Century Beverage Company

Pepsi-Cola Alton Bottling Inc.
Pepsi-Cola Bottling Company of Dodge City, Inc.
Pepsi-Cola Bottling Company of Grand Island
Pepsi-Cola Bottling Company of Los Angeles
Pepsi-Cola Bottling Company of Lyons, Inc.
Pepsi-Cola Bottling Company of Minneapolis & St. Paul
Pepsi-Cola Bottling Company of Omaha, Inc.
Pepsi-Cola Bottling Company of Petersburg, Inc.
Pepsi-Cola Bottling Company of Reading
Pepsi-Cola Bottling Company of Salt Lake City, Inc.
Pepsi-Cola Bottling Company of St. Louis, Inc.
Pepsi-Cola Bottling Company of Tampa
Pepsi-Cola Bottling Company of Waterloo, Iowa
Pepsi-Cola Bottling Company of Wichita, Inc.
Pepsi-Cola Metropolitan Bottling Company, Inc.
(only at certain locations as designated
by the Plan Administrator)
Pepsi-Cola Personnel, Inc. (only at certain
locations as designated by the Plan Administrator)
Pepsi-Cola San Joaquin Bottling Company
Pepsi-Cola Sweeteners, Inc.
Recot, Inc.
Rice Bottling Enterprises, Inc.
Smartfoods, Inc.
Supreme Beverages, Inc.
Waycross Pepsi-Cola Bottling Company

SCHEDULE 3

PEPSICO
LONG TERM SAVINGS PROGRAM

Designated Employers for Restaurant Employees
(As of 7/1/92)

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

SCHEDULE 4

PEPSICO
LONG TERM SAVINGS PROGRAM

Designated Employers for Transportation Employees
(As of 7/1/92)

Frito-Lay, Inc.
Frito-Lay of Texas, Inc.
Smartfoods, Inc.
Recot, Inc.

SCHEDULE 5

PEPSICO
LONG TERM SAVINGS PROGRAM

Designated Hourly Employees of the Company
(As of 7/1/92)

Employees represented by Local 30 of the International Union
of Operating Engineers/A.F.L.-C.I.O.
Security Guards based in Purchase, New York

EXHIBIT 10(g)

AMENDMENT
TO
PEPSICO LONG TERM SAVINGS PLAN

The PepsiCo Long Term Savings Plan is amended as follows:

(a) As of January 1, 1993 (the "Transfer Date"), the assets and liabilities of the PepsiCo Employee Stock Ownership Plan ("ESOP") attributable to the Employer Contribution Accounts (including the Regular Accounts and the Tax Credit Accounts) of (i) all Participants in the ESOP who are in the classes of employees eligible to participate (even if they are not then participating) in this Plan on the Transfer Date, and (ii) all former Participants (and their Beneficiaries) in the ESOP who cannot be located and whose accounts are subject to forfeiture under the provisions of the ESOP on the Transfer Date, shall be transferred to this Plan. The Plan shall establish Accounts (or add amounts to Participants' existing Plan Accounts) for such Participants equal to the fair market value of their Employer Contribution Accounts under the ESOP immediately prior to the Transfer Date. The Accounts established (or added to) for the Participants shall be administered and managed in accordance with the provisions of the Plan (including the investment and distribution of such amounts), subject to any restrictions mandated by law that continue to apply to amounts previously held in a Participant's Employer Contribution Account under the ESOP. The Plan Administrator may establish such subaccounts as it deems necessary for recordkeeping purposes to reflect the transfer of assets and liabilities to the Plan.

(b) The amounts transferred to the Plan pursuant to subparagraph (a) above shall initially be invested (or held for investment) in the PepsiCo Capital Stock Fund, and thereafter, shall be subject to investment direction in the same manner as other amounts held in the Plan.

(c) Of a Participant in the ESOP who has an amount transferred to the Plan is also a Participant in this Plan, his Beneficiary of his Account (including the amount transferred pursuant to subparagraph (a)) shall be determined pursuant to Article VII of the Plan. For other Participants and former Participants in the ESOP who have amounts transferred to the Plan, their Beneficiary shall be determined pursuant to Section 5.15 of the ESOP (which is incorporated herein by reference), until such time as the Participant is eligible to and executes a Designation of Beneficiary form under the Plan.

(d) The transfer of assets and liabilities provided for in this Amendment shall be made in a manner that does not violate sections 401(a) or 414(1) of the Code or Section 208 of ERISA. The Plan Administrator and the Trustee shall take such actions and execute such other documents as may be necessary or desirable to effectuate fully the transfer provided for herein.

(e) The transfer of assets and liabilities provided for in the Amendment shall be subject to the Internal Revenue Service's not taking any adverse action regarding the validity of the transfer or the tax-qualified status of the Plan or the ESOP with respect to the transfer, and, if the Internal Revenue Service takes such adverse action and the deficiencies may not be corrected to the satisfaction of the Company, then regardless of the provisions contained herein, this Amendment shall become null and void ab initio and the transferred amounts shall be returned to the ESOP.

PEPSICO LONG TERM SAVINGS PROGRAM
AMENDMENT APPROVAL

Effective as of January 1, 1993, the PepsiCo Long Term Savings Program is hereby amended in accordance with the Amendment attached hereto.

This 14th day of September, 1994.

PEPSICO, INC.
By: /s/ J. ROGER KING
J. Roger King

APPROVED:

By: /s/ ALAN ROCKOFF
Law Department

By: /s/ Sylvester Holmes
Tax Department

EXHIBIT 11

PEPSICO, INC. AND SUBSIDIARIES
Computation of Net Income Per Share of Capital Stock - Primary
Years Ended December 31, 1994, December 25, 1993 and December 26, 1992
(in millions except per share amounts)

	1994	1993	1992
Shares outstanding at beginning of year	798.8	798.8	789.1
Weighted average of shares issued during the year for exercise of stock options, acquisitions, conversion of debentures and payment of compensation awards	2.9	5.0	4.2
Shares repurchased (weighted)	(8.2)	(7.5)	(0.8)
Dilutive shares contingently issuable upon exercise of stock options, conversion of debentures and payment of compensation awards, net of shares assumed to have been purchased for treasury (at the average price) with assumed proceeds from exercise of stock options and compensation awards	10.1	13.8	14.2
Total shares - primary	803.6	810.1	806.7
Income before cumulative effect of accounting changes	$1,784.0	$1,587.9	$1,301.7
Decrease in interest and amortization of debt expense relating to convertible debentures, net of income tax benefit	-	0.1	0.1
Income before cumulative effect of accounting changes as adjusted	1,784.0	1,588.0	1,301.8
Cumulative effect of accounting changes:			
Postemployment benefits	(55.3)	-	-
Pension assets	23.3	-	-
Postretirement benefits other than pensions	-	-	(356.7)
Income taxes	-	-	(570.7)
Net income as adjusted	$1,752.0	$1,588.0	$ 374.4
Income (charge) per share:			
Before cumulative effect of accounting changes	$ 2.22	$ 1.96	$ 1.61
Cumulative effect of accounting changes:			
Postemployment benefits	(0.07)	-	-
Pension assets	0.03	-	-
Postretirement benefits other than pensions	-	-	(0.44)
Income taxes	-	-	(0.71)
Net income per share - primary	$ 2.18	$ 1.96	$ 0.46

PEPSICO, INC. AND SUBSIDIARIES
Computation of Net Income Per Share of Capital Stock - Fully Diluted
Years Ended December 31, 1994, December 25, 1993 and December 26, 1992
(in millions except per share amounts)

	1994	1993	1992
Shares outstanding at beginning of year	798.8	798.8	789.1
Weighted average of shares issued during the year for exercise of stock options, acquisitions, conversion of debentures and payment of compensation awards	6.0	12.3	10.7
Shares repurchased (weighted)	(8.2)	(7.5)	(0.8)
Dilutive shares contingently issuable upon exercise of stock options, conversion of debentures and payment of compensation awards, net of shares assumed to have been purchased for treasury (at the higher of average or quarter-end price) with assumed proceeds from exercise of stock options and compensation awards	9.5	13.9	14.2
Total shares - fully diluted	806.1	817.5	813.2
Income before cumulative effect of accounting changes	$1,784.0	$1,587.9	$1,301.7
Decrease in interest and amortization of debt expense relating to convertible debentures, net of income tax benefit	-	0.1	0.1
Income before cumulative effect of accounting changes as adjusted	1,784.0	1,588.0	1,301.8
Cumulative effect accounting changes:			
Postemployment benefits	(55.3)	-	-
Pension assets	23.3	-	-
Postretirement benefits other than pensions	-	-	(356.7)
Income taxes	-	-	(570.7)
Net income as adjusted	$1,752.0	$1,588.0	$ 374.4
Income (charge) per share:			
Before cumulative effect of accounting changes	$ 2.21	$ 1.94	$ 1.60
Cumulative effect of accounting changes:			
Postemployment benefits	(0.07)	-	-
Pension assets	0.03	-	-
Postretirement benefits other than pensions	-	-	(0.44)
Income taxes	-	-	(0.70)
Net income per share - fully diluted	$ 2.17	$ 1.94	$ 0.46

EXHIBIT 12

PEPSICO, INC. AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
Years Ended December 31, 1994, December 25, 1993, December 26, 1992, December 28, 1991 and December 29, 1990
(in millions except ratio amounts)

	1994	1993	1992	1991	1990
Earnings:					
Income from continuing operations before income taxes and cumulative effect of accounting changes (a)	$2,664.4	$2,422.5	$1,898.8	$1,659.7	$1,653.8
Amortization of capitalized interest	5.2	5.0	5.0	4.5	5.3
Interest expense (a)	645.0	572.7	586.1	613.7	686.0
Amortization of debt discount	0.3	0.2	0.3	0.3	0.3
Interest portion of net rent expense (b)	150.0	134.4	121.4	103.4	87.4
Earnings available for fixed charges	$3,464.9	$3,134.8	$2,611.6	$2,381.6	$2,432.8
Fixed Charges:					
Interest expense (a)	$ 645.0	$ 572.7	$ 586.1	$ 613.7	$ 686.0
Capitalized interest	4.7	6.5	6.6	10.0	8.6
Amortization of debt discount	0.3	0.2	0.3	0.3	0.3
Interest portion of net rent expense (b)	150.0	134.4	121.4	103.4	87.4
Total fixed charges	$ 800.0	$ 713.8	$ 714.4	$ 727.4	$ 782.3
Ratio of Earnings to Fixed Charges	4.33	4.39	3.66	3.27	3.11

(a) To improve comparability, the 1991 and 1990 amounts have been restated to report under the equity method of accounting the results of previously consolidated snack food businesses in Spain, Portugal and Greece, which were contributed to the new Snack Ventures Europe joint venture with General Mills, Inc. in late 1992.
(b) One-third of net rent expense is the portion deemed representative of the interest factor.

EXHIBIT 21

ACTIVE SUBSIDIARIES OF PEPSICO, INC.

DECEMBER 31, 1994

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

Subsidiary	Jurisdiction
PepsiCo Property Management Limited	England
PepsiCo World Trading Company (UK) Ltd.	England
Pizza Hut International (England) Ltd.	England
Pizza Hut (UK) Ltd.	England
Smiths Crisps Limited	England
Walkers Smiths Snack Foods Limited	England
Crispflow Limited	England
Frito-Lay Holdings Limited	England
PFI Agriculture Europe Ltd.	England
PepsiCo Overseas Corp.	Delaware
PepsiCo Overseas Finance N.V.	Neth. Antilles
PepsiCo Services Corp.	Delaware
PepsiCo World Trading Company, Inc.	Delaware
Pepsi-Cola (Bermuda) Limited	Bermuda
The Concentrate Manufacturing Company of Ireland	Ireland
Seven-Up Ireland Limited	Ireland
Pepsi-Cola Manufacturing (Ireland)	Ireland
PARCO N.V.	Neth. Antilles
Paine Corporation N.V.	Neth. Antilles
Paige N.V.	Neth. Antilles
PepsiCo Finance (U.K.) Limited	England
Pizza Belgium S.A.	Belgium
E Wedel S.A.	Poland
PepsiCo (Ireland) Limited	Ireland
Pepsi-Cola Bottling Company of Los Angeles	California
Channel Island Beverage Co., Inc.	California
Pepsi-Cola Commodities, Inc.	Delaware
Pepsi-Cola de Espana, S.A.	Spain
Compania de Bebides PepsiCo, S.A.	Spain
Kas S.A.	Spain
Pizza Hut de Espana S.A.	Spain
Snack Vendures Europe S.C.A.	Europe
Pepsi-Cola de France S.A.R.L.	France
Pepsi-Cola Equipment Corp.	New York
Pepsi-Cola Far East Trade Development Co., Inc. Philippines	
Pepsi-Cola Interamericana de Guatemala S.A.	Guatemala
Pepsi-Cola International Limited	Bermuda
Pepsi-Cola International Limited (U.S.A.)	Delaware
Pepsi-Cola Metropolitan Bottling Company, Inc.	New Jersey
General Cinema Beverages, Inc.	Delaware
Laurel Group Limited	Pennsylvania
New Century Beverage Company	California
Belfast Bottling Co. of Reno	Nevada
Pepsi-Cola Alton Bottling, Inc.	Illinois
Pepsi-Cola Mediterranean, Ltd.	Delaware
Seven-Up International, Inc.	Delaware
Seven-Up Southern Hemisphere, Inc.	Missouri
Pepsi-Cola Mexicana S.A. de C.V.	Mexico
Pepsi-Cola Panamericana, S.A.	Delaware
Pepsi-Cola Personnel, Inc.	Delaware
Pepsi Cola San Joaquin Bottling Company	Delaware
Pizza Hut, Inc.	Delaware
PepsiCo Australia Pty., Ltd.	Australia
Pizza Hut Properties Pty. Ltd.	Australia
Pizza Hut of America, Inc.	Delaware
Bell Taco Funding Syndicate	Australia
PGCC, Inc.	Delaware
General Cinema Beverages of Akron, Inc.	Delaware
General Cinema Beverages of Dayton, Inc.	Delaware
General Cinema Beverages of Ohio, Inc.	Delaware
General Cinema Beverages of Springfield, Inc.	Delaware
General Cinema Beverages of Youngstown, Inc.	Delaware
Pizza Management, Inc.	Texas
Pizza Management de Espana, S.A.	Spain
Restaurant Associates, S.A.	Spain
Recot, Inc.	Delaware
Frito-Lay, Inc.	Delaware
FL Holding, Inc.	Delaware
Opco Holding Inc.	Delaware
Pepsi-Cola Operating Company of Chesapeake and Indianapolis	Delaware
TGCC, Inc.	Delaware
General Cinema Beverages of Ft. Myers, Inc.	Delaware
General Cinema Beverages of Georgia, Inc.	Delaware
General Cinema Beverages of Indiana, Inc.	Delaware
General Cinema Beverages of Miami, Inc.	Delaware
General Cinema Beverages of	

North Florida, Inc.	Delaware
General Cinema Beverages of Virginia, Inc.	Delaware
General Cinema Beverages of Washington, D.C., Inc.	Delaware
General Cinema Beverages of West Virginia, Inc.	Delaware
Midland Bottling Co.	Delaware
MBA Brainerd Co.	Delaware
Brainerd-Wadena Beverage Company	Minnesota
MBA Dodge City Co.	Delaware
Pepsi-Cola Bottling Company of Dodge City, Inc.	Minnesota
MBA Elko Co.	Delaware
Elko Bottling Co.	Nevada
MBA Grand Island Co.	Delaware
Pepsi-Cola Bottling Company of Grand Island	Nebraska
MBA Grand Rapids Co.	Delaware
Iron Range Bottling Co., Inc.	Minnesota
MBA Jackson Co.	Delaware
Jackson David Bottling Co.	Colorado
MBA Lyons Co.	Delaware
Pepsi-Cola Bottling Company of Lyons, Inc.	Minnesota
MBA Mesa Co.	Delaware
Mesa Beverage Company	Colorado
MBA Omaha Co.	Delaware
Pepsi-Cola Bottling Company of Omaha, Inc.	Nebraska
MBA Recyclers Co.	Delaware
Contract Recyclers, Inc.	Minnesota
MBA Salt Lake Co.	Delaware
Pepsi-Cola Bottling Company of Salt Lake City, Inc.	Minnesota
MBA St. Louis Co.	Delaware
Pepsi-Cola Bottling Company of St. Louis, Inc.	Missouri
Edmund Industrial Redevelopment Corporation	Missouri
MBA St. Paul Co.	Delaware
Pepsi-Cola Bottling Company of Minneapolis and St. Paul	Minnesota
Contract Beverages, Inc.	Minnesota
MBA Tulsa Beverage Co.	Delaware
Beverage Products Corporation	Oklahoma
MBA Wichita Co.	Delaware
Pepsi-Cola Bottling Company of Wichita, Inc.	Minnesota
Pepsi-Cola Bottling Company of Tampa	Florida
NKFC, Inc.	Delaware
QSR, Inc.	Delaware
KFC Enterprises, Inc.	Delaware
Kentucky Fried Chicken Corporation	Delaware
KFC Corporation	Delaware
General Cinema Beverages of California, Inc.	Delaware
General Cinema Beverages of North Carolina, Inc.	Delaware
KFC National Management Company	Delaware
Smartfoods, Inc.	Delaware
Redux Realty, Inc.	Delaware
Rice Bottling Enterprises, Inc.	Tennessee
Sabritas, S.A. de C.V.	Mexico
Empresas Gamesa, S.A. de C.V.	Mexico
Groupo Gamesa, S.A. de C.V.	Mexico
Shelbyville Bottling Company, Inc.	Tennessee
Taco Bell Corp.	California
Calny, Inc.	Delaware
Taco Bell of California, Inc.	California
Taco Bell Royalty Company	California
Taco Del Sur, Inc.	Georgia
Tenga Taco, Inc.	Florida
Taco Enterprises, Inc.	Michigan
TBLD Corp.	California
TFL Holdings, Inc.	Delaware
Upper Midwest Pizza Hut, Inc.	Delaware
Von Karman Leasing Corp.	Delaware
Wilson International Sales Corporation	Delaware

Omitted from the above list are approximately 340 insignificant or inactive subsidiaries which, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary. The list also excludes approximately 100 subsidiaries of Pizza Hut, Inc., of which 80 operate restaurants in the U.S., and approximately 40 subsidiaries of Kentucky Fried Chicken Corporation and Kentucky Fried Chicken Corporate Holdings, Ltd., which operate restaurants outside of the U.S.

Report and Consent of Independent Auditors EXHIBIT 23

The Board of Directors
PepsiCo, Inc.

The audits referred to in our report dated February 7, 1995 included the related financial statement schedule as of December 31, 1994 and December 25, 1993, and for each of the years in the three-year period ended December 31, 1994 listed in the accompanying index at Item 14(a)2. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We consent to the use of our reports included herein (or incorporated herein by reference) in the Registration Statements on Form S-8 (No. 33-35602, No. 33-29037, No. 33-42058, No. 33-51496, No. 33-54731 and No. 33-66150, pertaining to the PepsiCo SharePower Stock Option Plan; No. 33-43189, pertaining to the PepsiCo SharePower Stock Option Plan for Opco Employees; No. 33-22970, pertaining to the 1988 Director Stock Plan; No. 33-19539, pertaining to the 1979 Incentive Plan and the 1987 Incentive Plan; No. 33-54733, pertaining to the 1994 Long-Term Incentive Plan; No. 2-65410, pertaining to the 1979 Incentive Plan; No. 2-82645 and No. 33-51514, pertaining to the PepsiCo, Inc. Long Term Savings Program; No. 2-93163, No. 2-99532 and No. 33-10488, pertaining to the Long Term Savings Programs of Taco Bell Corp., Pizza Hut, Inc. and Kentucky Fried Chicken Corporation, respectively) and the Registration Statements on Form S-3 (No. 33-37271, pertaining to the Pizza Hut Cincinnati, Inc. and Tri-L Pizza Huts, Inc. acquisitions; No. 33-35601, No. 33-42122, No. 33-56666 and No. 33-66146, pertaining to the PepsiCo SharePower Stock Option Plan for Employees of Monsieur Henri Wines, Ltd.; No. 33-30658 and No. 33-38014, pertaining to the PepsiCo SharePower Stock Option Plan for Opco Employees; No. 33-42121, pertaining to the PepsiCo SharePower Stock Option Plan for PCDC Employees; No. 33-66144 pertaining to the PepsiCo SharePower Stock Option Plan for Employees of Chevys, Inc.; No. 33-66148 pertaining to the PepsiCo SharePower Stock Option Plan for Employees of Southern Tier Pizza Hut, Inc. and STPH Delco, Inc.; No. 33-30372, pertaining to the Pepsi-Cola Bottling Company Annapolis acquisition; No. 33-8677, pertaining to the $500,000,000 Euro-Medium-Term Notes; No. 33-39283, pertaining to the $2,500,000,000 Debt Securities and Warrants; No. 33-47527, pertaining to the Semoran Management Corporation acquisition; No. 33-53232, pertaining to the $32,500,000 Puerto Rico Industrial, Medical and Environmental Pollution Control Facilities Financing Authority Adjustable Rate Industrial Revenue Bonds; No. 33-57181, pertaining to the $3,322,000,000 Debt Securities and Warrants; No. 33-51389, pertaining to the $2,500,000,000 Debt Securities and Warrants; No. 33-50685, pertaining to the extension of the PepsiCo SharePower Stock Option Plan to Employees of Snack Ventures Europe, a joint venture between PepsiCo Foods International and General Mills, Inc.) and the Registration Statements on Form S-4 (No. 33-31844, pertaining to the Erin Investment Corp. acquisition; No. 33-4635, pertaining to the A&M Food Services, Inc. acquisition; No. 33-21607, pertaining to the Pizza Hut Titusville, Inc. acquisition; No. 33-37978, pertaining to the domestic Kentucky Fried Chicken operations of Collins Foods International, Inc. acquisition; No. 33-47314, pertaining to the Pizza Management, Inc. acquisition) and in the related Prospectuses.

KPMG Peat Marwick LLP

New York, New York
March 28, 1995

EXHIBIT 24

POWER OF ATTORNEY

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

(i) Registration Statements No. 33-8677, 33-39283, 33-53232, 33-51389 and 33-57181 relating to the offer and sale of PepsiCo's Debt Securities and Warrants, and any registration statements deemed by any such attorney-in-fact to be necessary or appropriate to register the offer and sale of debt securities or warrants by PepsiCo or guarantees by PepsiCo of any of its subsidiaries' debt securities or warrants;

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

(iii) Registration Statements No. 33-29037, 33-35602, 33-42058, 33-51496, 33-54731 and 33-66150 relating to the offer and sale of shares of PepsiCo Capital Stock under the PepsiCo SharePower Stock Option Plan; Registration Statements No. 33-38014, 33-30658 and 33-43189 relating to the extension of the PepsiCo SharePower Stock Option Plan to employees of Pepsi-Cola Operating Company of Chesapeake and Indianapolis; Registration Statements No. 33-35601, 33-42122, 33-56666 and 33-66146 relating to the extension of the PepsiCo SharePower Stock Option Plan to employees of Monsieur Henri; Registration Statement No. 33-42121 relating to the extension of the PepsiCo SharePower Stock Option Plan to employees of Pepsi-Cola of Washington D.C., L.P.; Registration Statement No. 33-66144 relating to the extension of the PepsiCo SharePower Stock Option Plan to employees of Chevys, Inc.; Registration No. 33-66148 relating to the extension of the PepsiCo SharePower Stock Option Plan to employees of Southern Tier Pizza Hut, Inc.; Registration Statement No. 33-50685 relating to the extension of the PepsiCo SharePower Stock Option Plan to employees of Snack Ventures Europe, a joint venture between PepsiCo Foods International and General Mills, Inc., and any registration statements deemed by any such attorney-in-fact to be necessary or appropriate to register the offer and sale of shares of PepsiCo Capital Stock under the PepsiCo SharePower Stock Option Plan to employees of PepsiCo or otherwise;

(iv) Registration Statements No. 2-82645, 2-99532, 2-93163, 33-10488 and 33-51514 covering the offer and sale of shares of PepsiCo Capital Stock under the Long Term Savings Programs of PepsiCo, Pizza Hut, Inc., Taco Bell Corp. and Kentucky Fried Chicken Corporation, and any registration statements deemed by any such attorney-in-fact to be necessary or appropriate to register the offer and sale of shares of PepsiCo Capital Stock under the long term savings programs of any other subsidiary of PepsiCo;

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

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

Director Stock Plan; and

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

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

IN WITNESS WHEREOF, the undersigned has executed this instrument on February 23, 1995.

PepsiCo, Inc.

By: /s/ EDWARD V. LAHEY, JR.
Edward V. Lahey, Jr.
Senior Vice President, General Counsel and Secretary

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

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM PEPSICO, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 53 WEEK PERIOD ENDED DECEMBER 31, 1994 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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PepsiCo, Inc.
1,000,000

Dec-31-1994
Dec-31-1994
Year
331
1,157
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151
970
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28,472
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13,715
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2.17