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 27, 1997

PEPSICO, INC.
INCORPORATED IN NORTH CAROLINA
PURCHASE, NEW YORK 10577-1444
(914) 253-2000

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE SECURITIES EXCHANGE ACT OF 1934:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Capital Stock, par value 1-2/3 cents per share	New York and Chicago Stock Exchanges
7-5/8% Notes due 1998	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE SECURITIES EXCHANGE ACT OF 1934: NONE

INDICATE BY CHECK MARK WHETHER THE REGISTRANT: (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS) AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS. YES [X] NO

INDICATE BY CHECK MARK IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM 405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO THE BEST OF REGISTRANT'S KNOWLEDGE, IN DEFINITIVE PROXY OR INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K OR ANY AMENDMENT TO THIS FORM 10-K. [ ]

THE NUMBER OF SHARES OF PEPSICO CAPITAL STOCK OUTSTANDING AS OF MARCH 13, 1998 WAS 1,488,427,405.

DOCUMENTS OF WHICH PORTIONS ARE INCORPORATED BY REFERENCE	PARTS OF FORM 10-K INTO WHICH PORTION OF DOCUMENTS ARE INCORPORATED
PROXY STATEMENT FOR PEPSICO'S MAY 6, 1998 ANNUAL MEETING OF SHAREHOLDERS	I, III

PART I

ITEM 1. BUSINESS

PepsiCo, Inc. (the "Company") was incorporated in Delaware in 1919 and was reincorporated in North Carolina in 1986. Unless the context indicates otherwise, when used in this Report the term "PepsiCo" shall mean the Company and its divisions and subsidiaries. PepsiCo is engaged in the beverage and snack food businesses. On October 6, 1997, the Company spun off certain of its restaurant businesses, consisting of Pizza Hut, Taco Bell and KFC, to shareholders as an independent publicly-traded company. In addition, in 1997 the Company disposed of PFS, its restaurant distribution operation and its non-core restaurant businesses.

BEVERAGES

PepsiCo's beverage businesses, which operate as Pepsi-Cola Company, are comprised of two business units: Pepsi-Cola North America ("PCNA"), and Pepsi-Cola Company International ("PCI").

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

Pepsi-Cola beverages are manufactured in approximately 165 plants located throughout the United States and Canada. PCNA operates approximately 60 plants, and manufactures, sells and distributes beverages throughout approximately 450 licensed territories, accounting for approximately 60% of the Pepsi-Cola beverages sold in the United States and Canada. Approximately 105 plants are operated by independent licensees or unconsolidated affiliates, which manufacture, sell and distribute approximately 40% of the Pepsi-Cola beverages sold in the United States and Canada. PCNA has a minority interest in 8 of these licensees, comprising approximately 70 licensed territories.

PCI manufactures and sells beverage products, primarily soft drinks and soft drink concentrates, outside the United States and Canada. PCI sells its concentrates to Pepsi-Cola bottlers. Under appointments from PepsiCo, Pepsi-Cola bottlers manufacture, sell and distribute, within defined territories, beverages bearing PEPSI-COLA, 7UP, MIRINDA, DIET PEPSI, PEPSI MAX, MOUNTAIN DEW, DIET 7UP and other trademarks. PCI operates 37 plants bottling PepsiCo beverage products. There are approximately 275 plants operated by independent licensees or unconsolidated affiliates bottling PepsiCo's beverage products which are available in 186 countries and territories outside the United States and Canada. Principal international markets include Argentina, Brazil, China, India, Mexico, the Philippines, Saudi Arabia, Spain, Thailand and the United Kingdom.

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 Pepsi-Cola bottlers in the distribution, advertising and marketing of PepsiCo's beverage products and offer sales assistance through special merchandising and promotional programs and by training bottler personnel. PCNA and PCI maintain control over the composition and quality of beverages sold under PepsiCo trademarks.

SNACK FOODS

PepsiCo's snack food businesses, which operate as The Frito-Lay Company, are comprised of Frito-Lay North America ("Frito-Lay") and Frito-Lay International ("FLI").

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

Frito-Lay's products are transported from its manufacturing plants to major distribution centers, principally by company-owned trucks. Frito-Lay utilizes a "store-door-delivery" system, whereby its approximately 20,000 person sales force delivers the snacks directly to the store shelf. This system permits Frito-Lay to work closely with approximately 500,000 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.

FLI's products are available in 111 countries outside the United States and Canada through company-owned facilities and unconsolidated affiliates. 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. FLI also sells a variety of snack food products which appeal to local tastes including, for example, WALKERS brand snack foods, sold in the United Kingdom, WEDEL brand sweet snacks, sold in Poland, and GAMESA brand cookies and ALEGRO brand sweet snacks, which are sold in Mexico. In addition, RUFFLES, LAY'S, CHEEoTOS, DORITOS, FRITOS, TOSTITOS, and SUNCHIPS brand salty snack foods have been introduced to international markets. Principal international markets include Brazil, France, Mexico, Poland, the Netherlands, South Africa, Spain and the United Kingdom.

COMPETITION

Both of PepsiCo's businesses are highly competitive. PepsiCo's beverages and snack foods compete in the United States and internationally with widely distributed products of a number of major companies that have plants in many of the areas PepsiCo serves, as well as with private label soft drinks and snack foods and with the products of local and regional manufacturers. For PepsiCo's industry segments, the main areas of competition are price, quality and variety of products, and customer service.

EMPLOYEES

At December 27, 1997, PepsiCo employed, subject to seasonal variations, approximately 142,000 persons (including approximately 12,000 part-time employees), of whom approximately 79,000 (including approximately 10,000 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 and snack food businesses are corn sweeteners, sugar, aspartame, flavorings, vegetable and essential oils, potatoes, corn, flour, seasonings and packaging materials. Since PepsiCo relies on trucks to move and distribute many of its products, fuel is also an important commodity. PepsiCo employs specialists to secure adequate supplies of many of these items and has not experienced any significant continuous shortages. Prices paid by PepsiCo for such items are subject to fluctuation. When prices increase, PepsiCo may or may not pass on such increases to its customers. Generally, when PepsiCo has decided to pass along price increases, it has done so successfully. There is no assurance that PepsiCo will be able to do so in the future.

GOVERNMENTAL REGULATIONS

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

PATENTS, TRADEMARKS, LICENSES AND FRANCHISES

PepsiCo owns numerous valuable trademarks which are essential to PepsiCo's worldwide businesses, including PEPSI-COLA, PEPSI, DIET PEPSI, PEPSI MAX, MOUNTAIN DEW, SLICE, MUG, ALL SPORT, 7UP and DIET 7UP (outside the United States), MIRINDA, FRITO-LAY, LAY'S, DORITOS, RUFFLES, TOSTITOS, FRITOS, CHEEoTOS, CRACKER JACK, ROLD GOLD, SUNCHIPS, SANTITAS, SMARTFOOD, SABRITAS and WALKERS. Trademarks remain valid so long as they are used properly for identification purposes, and PepsiCo emphasizes correct use of its trademarks. PepsiCo has authorized (through licensing or franchise arrangements) the use of many of its trademarks in such contexts as Pepsi-Cola bottling appointments and snack food joint ventures. 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.

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 profit and identifiable assets for each of PepsiCo's industry segments and major geographic areas of operations, as well as capital spending, acquisitions and investments in unconsolidated affiliates, amortization of intangible assets and depreciation expense for each industry segment for 1997, 1996 and 1995 is contained in Item 8 "Financial Statements and Supplementary Data" in Note 17 on page F-23.

ITEM 2. PROPERTIES

BEVERAGES

PepsiCo's beverage business operates 111 plants throughout the world, of which 93 are owned and 18 are leased, and unconsolidated affiliates operate approximately 74 plants. In addition, PepsiCo's beverage business operates approximately 365 warehouses or offices in the United States and Canada, of which approximately 250 are owned and approximately 115 are leased.

PepsiCo owns a research and technical facility in Valhalla, New York, for its beverage businesses. PepsiCo also owns the headquarters facilities for its beverage businesses in Somers, New York. PepsiCo is seeking a buyer for the Somers facility, and certain departments of the beverage businesses will be moving to Purchase, New York to share the corporate headquarters building.

SNACK FOODS

Frito-Lay operates 55 food manufacturing and processing plants in the United States and Canada, of which 49 are owned and 6 are leased. In addition, Frito-Lay owns 182 warehouses and distribution centers and leases approximately 40 warehouses and distribution centers for storage of food products in the United States and Canada. Approximately 1,675 smaller warehouses and storage spaces located throughout the United States and Canada are leased or owned. Frito-Lay owns its headquarters building and a research facility in Plano, Texas. Frito-Lay also leases offices in Dallas, Texas and leases or owns sales/regional offices throughout the United States. PepsiCo's snack food businesses also operate approximately 70 plants and approximately 930 distribution centers, warehouses and offices outside of the United States and Canada.

GENERAL

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

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

PepsiCo believes that its properties 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, of the claims and contingencies in excess of amounts already provided for, is not likely to have a material adverse effect on PepsiCo's annual results of operations or financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF STOCKHOLDERS

Not applicable.

EXECUTIVE OFFICERS OF THE COMPANY

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

ROGER A. ENRICO, 53, is Chairman of the Board and Chief Executive Officer of the Company. Mr. Enrico was elected as PepsiCo's Chief Executive Officer in April, 1996 and as Chairman of the Board in November, 1996, after serving as Vice Chairman of the Company since 1993. Mr. Enrico, who joined PepsiCo in 1971, became President and Chief Executive Officer of Pepsi-Cola USA in 1983, President and Chief Executive Officer of PepsiCo Worldwide Beverages, in 1986, Chairman and Chief Executive Officer of Frito-Lay, Inc. in 1991. Mr. Enrico served as Chairman and Chief Executive Officer of PepsiCo Worldwide Foods from 1992 to 1994 and as Chairman and Chief Executive Officer, PepsiCo Worldwide Restaurants from 1994 to 1997.

KARL M. VON DER HEYDEN, 61, is Vice Chairman of the Board and Chief Financial Officer of the Company, positions he has held since September, 1996. Before joining PepsiCo, Mr. von der Heyden was Co-Chairman and Chief Executive Officer of RJR Nabisco from March through May, 1993 and Chief Financial Officer from 1989-1993. He served as President and Chief Executive Officer of Metallgesellschaft Corp. from 1993 to 1994.

STEVEN S REINEMUND, 49, is Chairman and Chief Executive Officer of The Frito-Lay Company. Mr. Reinemund began his career with PepsiCo as senior operating officer of Pizza Hut, Inc. (a former subsidiary of the Company) in 1984. He became President and Chief Executive Officer of Pizza Hut in 1986, and President and Chief Executive Officer of Pizza Hut Worldwide in 1991. In 1992, Mr. Reinemund became President and Chief Executive Officer of Frito-Lay, Inc. and assumed his current position in April, 1996.

CRAIG E. WEATHERUP, 52, is currently Chairman and Chief Executive Officer of the Pepsi-Cola Company, a position he has held since July, 1996. He joined Pepsi-Cola as Marketing Director for the Far East in 1974, and became President of Pepsi-Cola Bottling Group in 1986. He was appointed President of the Pepsi-Cola Company in 1988, President and Chief Executive Officer of Pepsi-Cola North America in 1991, and served as PepsiCo's President in 1996.

JOHN CAHILL, 40, is Senior Vice President and Treasurer of the Company. Mr. Cahill joined the Company in 1989 as Vice President, Corporate Finance and Assistant Treasurer. Mr. Cahill became Senior Vice President, Finance and Chief Financial Officer for KFC Corporation (a former subsidiary of the Company) in 1993. In 1996, he assumed the position of Senior Vice President and Chief Financial Officer of Pepsi-Cola Company and returned to PepsiCo headquarters when he was promoted to his present position in April 1997.

INDRA K. NOOYI, 42, is Senior Vice President, Strategic Planning, a position she has held since 1994. Prior to joining PepsiCo, Ms. Nooyi spent four years as Senior Vice President of Strategy, Planning and Strategic Marketing for Asea Brown Boveri.

SEAN F. ORR, 43, is Senior Vice President and Controller of PepsiCo. Prior to assuming his current position in 1997, Mr. Orr was Chief Financial Officer for Frito-Lay North America. He joined PepsiCo in 1994 as Senior Vice President, Finance and Chief Financial Officer of Frito-Lay. Prior to joining PepsiCo, Mr. Orr was Vice President and Controller for The Reader's Digest Association from 1990 until 1994.

ROBERT F. SHARPE, JR., 45, became Senior Vice President, General Counsel and Secretary of PepsiCo in January, 1998. Mr. Sharpe was Senior Vice President and General Counsel of RJR Nabisco Holdings Corp. from 1996 until 1998, when he joined PepsiCo. He was previously Vice President, Tyco International Ltd. from 1994 to 1996 and Vice President, Assistant General Counsel and Secretary of RJR Nabisco Holdings Corp. and RJR Nabisco, Inc. from 1989 to 1994.

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

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Stock Trading Symbol - PEP

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

Shareholders - At year-end 1997, there were approximately 229,000 shareholders of record.

Dividend Policy - Quarterly cash dividends are usually declared in November, January, May and July and paid at the beginning of January and the end of March, June and September. The dividend record dates for 1998 are expected to be March 13, June 12, September 11 and December 11. Quarterly cash dividends have been paid since PepsiCo was formed in 1965, and dividends paid per share have increased for 25 consecutive years.

Cash Dividends Declared Per Share (in cents): (See Note 1)

Quarter	1997	1996
1	11.5	10
2	12.5	11.5
3	12.5	11.5
4	12.5	11.5
Total	49.0	44.5

Stock Prices - The high, low and closing prices for a share of PepsiCo Capital Stock on the New York Stock Exchange, as reported by Bloomberg Service, for each fiscal quarter of 1997 and 1996 were as follows (in dollars): (See Note 1)

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

1996	High	Low	Close
First Quarter	30 43/64	25 9/32	29 1/16
Second Quarter	31 45/64	27 9/32	30 29/64
Third Quarter	32 3/4	25 31/32	26 5/64
Fourth Quarter	30 7/32	25 27/32	27 15/64

Note 1: Cash dividends and stock prices have been adjusted to reflect the two-for-one stock split effective for shareholders of record at the close of business on May 10, 1996. Stock prices have also been adjusted to reflect the spin-off of restaurant operations on October 6, 1997.

Item 6. Selected Financial Data

Included on pages F-33 through F-36.

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

Management's Discussion and Analysis

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

INTRODUCTION

Management's Discussion and Analysis is presented in four sections. The introductory section discusses the 1997 Disposal of the Restaurants Segment and two pervasive issues impacting many companies, Market Risk and Year 2000 (pages 9-11). The second section analyzes the Results of Operations, first on a consolidated basis and then for each of our two industry segments (pages 11-23). The final two sections address our consolidated Cash Flows and Liquidity and Capital Resources (pages 23-26).

Cautionary Statements

From time to time, in written reports and oral statements, we discuss our expectations regarding PepsiCo's future performance. These "forward-looking statements" are based on currently available competitive, financial and economic data and our operating plans. They are also inherently uncertain, and investors must recognize that events could turn out to be significantly different from what we expect.

Disposal of the Restaurants Segment

On August 14, 1997 we announced that our Board of Directors approved a formal plan to spin off our restaurant businesses to our shareholders. Under the plan, owners of PepsiCo capital stock as of September 19, 1997 received one share of common stock of the new restaurant company, TRICON Global Restaurants, Inc. (TRICON), for every ten shares of PepsiCo capital stock. The spin-off was completed on October 6, 1997 (Distribution Date). In 1997, we also sold PepsiCo Food Systems (PFS), the restaurant distribution operation and all of the non-core U.S. restaurant businesses. As a result, the sales, costs and expenses, assets and liabilities, and cash flows of the Restaurants segment have been classified as discontinued operations in our financial statements. See Note 4. Accordingly, the discussions that follow focus on the continuing operations of our packaged goods businesses.

Market Risk

The principal market risks (i.e., the risk of loss arising from adverse changes in market rates and prices) to which we are exposed are:

- interest rates on our debt and short-term investment portfolios;
- foreign exchange rates, generating translation and transaction gains and losses and
- commodity prices, affecting the cost of our products.

Interest Rates

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

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

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

Assuming year-end 1997 variable rate debt and investment levels, a one-point change in interest rates would impact net interest expense by $13 million.

Foreign Exchange

Operating in international markets sometimes involves exposure to volatile movements in currency exchange rates. The economic impact of currency exchange rate movements on us is complex because such changes are often linked to variability in real growth, inflation, interest rates, governmental actions and other factors. These changes, if material, can cause us to adjust our financing and operating strategies. Consequently, isolating the effect of changes in currency does not incorporate these other important economic factors.

International operations constitute about 16% percent of our 1997 consolidated operating profit, excluding unusual items. As currency exchange rates change, translation of the income statements of our international businesses into U.S. dollars affects year-over-year comparability of operating results. We do not generally hedge translation risks because cash flows from international operations are generally reinvested locally. We do not enter into hedges to minimize volatility of reported earnings because we do not believe it is justified by the exposure or the cost.

Changes in currency exchange rates that would have the largest impact on translating our international operating profit include the Mexican peso, British pound, Canadian dollar and Brazilian real. We estimate that a 10% change in foreign exchange rates would impact reported operating profit by less than $50 million. This represents 10% of the international segment operating profit (disclosed on page F-27) after adjusting for unusual items. We believe that this quantitative measure has inherent limitations because, as discussed in the first paragraph of this section, it does not take into account any governmental actions or changes in either customer purchasing patterns or our financing and operating strategies.

Foreign exchange gains and losses reflect transaction gains and losses and translation gains and losses arising from the remeasurement into U.S. dollars of the net monetary assets of businesses in highly inflationary countries. Transaction gains and losses arise from monetary assets and liabilities denominated in currencies other than a business unit's functional currency. Net foreign exchange gains and losses were not material to our earnings for the last three years.

The sensitivity analyses presented in the interest and foreign exchange discussions above disregard the possibility that rates can move in opposite directions and that gains from one category may or may not be offset by losses from another category and vice versa.

Commodities

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

Year 2000

The Year 2000 issue is the result of computer programs using two digits rather than four to define the applicable year. Computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failures or miscalculations leading to disruptions in a company's operations. If either we, our significant customers or suppliers fail to correct Year 2000 issues, such failure could have a significant impact on our ability to operate our businesses. However, the impact cannot be quantified at this time.

We are in the process of taking actions to address and complete the work associated with the Year 2000. Each of our business segments and Corporate have established teams to identify and correct Year 2000 issues. Internal software with non-compliant code is expected to be fixed or replaced with software that is Year 2000 compliant. Similar attention is being given to technology infrastructures, manufacturing plants and building facilities to achieve compliance in all these areas. The teams are also charged with investigating the Year 2000 capabilities of suppliers, customers and other external entities, and with developing contingency plans where necessary.

An inventory and assessment of all computer systems and application software have been completed, and plans for establishing compliance have been developed in the U.S. These plans identify which non-compliant hardware and software will be corrected, upgraded or replaced; the timetable and resource requirements to achieve those objectives and estimated associated costs. Remediation and testing activities are under way at both Pepsi-Cola and Frito-Lay. Most of our larger international operations have made similar progress, while some of our smaller international operations, which are generally less automated, are still developing their strategies.

We do not expect Year 2000 spending to materially affect consolidated profitability or liquidity. This expectation assumes that our existing forecast of costs to be incurred contemplates all significant actions required and that we will not be obligated to incur significant Year 2000 related costs on behalf of our customers or suppliers. About 40% of the total estimated spending represents replacement systems that, in addition to being Year 2000 compliant, provide significantly enhanced capability which will benefit operations in future years.

RESULTS OF OPERATIONS

Consolidated Review

Net Sales rose $580 million or 3% in 1997, reflecting volume gains, partially offset by the impact of unfavorable currency translation. Net sales rose $1.3 billion or 7% in 1996, reflecting net volume gains and higher effective net pricing (including the effect of product, package and country mix) in both of our business segments. These gains were partially offset by an unfavorable foreign currency translation impact. Volume gains in both years were driven by worldwide Snack Foods and North American Beverages.

Cost of sales as a percent of net sales decreased .8 of a point to 40.8 percent in 1997, primarily reflecting favorable raw material costs in International Beverages and, the leveraging effect of higher pricing partially offset by increased costs for new plant capacity and the planned introduction of new products in 1998 by North American Snack Foods. Cost of sales as a percent of net sales decreased .6 of a point to 41.6 percent in 1996 primarily due to lower raw materials costs in North American Beverages coupled with the leveraging effect of the higher effective net pricing.

Selling, general and administrative expenses (SG&A) comprises selling and distribution expenses (S&D), advertising and marketing expenses (A&M), general and administrative expenses (G&A), other income and expense and equity income or loss from investments in unconsolidated affiliates. In 1997, SG&A grew 2%, or at a slower rate than sales. This primarily reflects equity income from our investments in unconsolidated affiliates, compared to losses a year ago, and A&M growing at a significantly slower rate than sales. The change in equity income primarily reflects the absence of losses from our Latin American bottler, Buenos Aires Embotelladora S.A. (BAESA). G&A grew significantly faster than sales, reflecting information systems-related expenses, customer focus leadership training and infrastructure costs related to our new fountain beverage sales team. These increased expenses were partially offset by savings from a prior year restructuring and the consolidation of certain administrative functions.

In 1996, A&M and S&D grew faster than net sales, driving an 11% increase in SG&A, led by International Beverages. Equity losses from our unconsolidated affiliates, compared to equity income in 1995, primarily reflect our share of operating losses from BAESA.

Amortization of intangible assets declined 3% to $199 million and 1% to $206 million in 1997 and 1996, respectively.

Unusual items of $290 million ($239 million after-tax or $0.15 per share) in 1997 and $576 million ($527 million after-tax or $0.33 per share) in 1996 relate to decisions to dispose of and write down assets, improve productivity and strengthen the international bottler structure. See Note 2. The 1995 charge of $66 million ($64 million after-tax or $0.04 per share) is the initial, noncash impairment charge upon adoption of Statement of Financial Accounting Standards No. 121 (SFAS 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." See Note 3.

Operating Profit

($ in millions)	1997	1996	1995	% Growth Rates 1997	% Growth Rates 1996
Operating Profit					
Reported	$2,662	$2,040	$2,606	30	(22)
Ongoing	$2,952	$2,616	$2,672	13	(2)

Ongoing excludes the effect of the unusual items (see Note 2).

In 1997, reported operating profit increased $622 million. Ongoing operating profit increased $336 million reflecting segment operating profit growth of $392 million or 14%, partially offset by a $56 million or 32% increase in unallocated expenses. The increase in segment operating profit primarily reflects the volume gains and lower raw material costs in worldwide Beverages. The increase in unallocated expenses relates to higher corporate expenses and foreign exchange losses in 1997 compared to gains in 1996.

In 1996, reported operating profit declined $566 million. Ongoing operating profit decreased $56 million due to a $30 million or 21% increase in unallocated expenses and a combined segment operating profit decrease of $26 million or 1%. The increased unallocated expenses relate to centrally administered benefit plans and higher corporate expenses. The decline in segment operating profit reflects increased costs in excess of higher effective net pricing, partially offset by volume gains. The change in ongoing segment operating profit also includes unfavorable currency translation impacts.

Interest expense, net of interest income, declined $121 million or 26%. Interest expense declined $87 million or 15% in 1997, primarily reflecting lower average U.S. debt levels. Debt levels were reduced using a portion of the cash flows provided by discontinued operations and proceeds repatriated from our investments in Puerto Rico. The repatriation of funds resulted from a 1996 change in tax law which eliminated a tax exemption on investment income in Puerto Rico. Interest income increased $34 million or 37% reflecting higher average investment levels, which also benefited from cash flows provided by discontinued operations.

Interest expense, net of interest income in 1996 declined $41 million or 8%, reflecting lower international debt levels and U.S. interest rates.

Provision for Income Taxes

($ in millions)	1997	1996	1995
Reported			
Provision for income taxes	$ 818	$ 624	$ 669
Effective tax rate	35.4%	39.8%	32.0%
Ongoing			
Provision for income taxes	$ 869	$ 673	$ 671
Effective tax rate	33.4%	31.4%	31.1%

Ongoing excludes the effect of the unusual items (see Note 2).

Our 1997 reported effective tax rate decreased 4.4 points to 35.4%. Our ongoing effective tax rate increased 2.0 points to 33.4%, primarily reflecting the absence of cumulative tax credits recognized in 1996 that related to prior years, lower benefits in 1997 from the current year resolution of prior years' audit issues and other individually immaterial items.

Our 1996 reported effective tax rate increased 7.8 points to 39.8%. Our ongoing effective tax rate remained about even with the prior year as lower benefits from the current year resolution of prior years' audit issues were offset by the cumulative tax credits related to prior years and other individually immaterial items.

Income From Continuing Operations and Income Per Share
($ in millions except
per share amounts)

	1997	1996	1995	% Growth Rates 1997	% Growth Rates 1996
Income from continuing operations					
Reported	$ 1,491	$ 942	$ 1,422	58	(34)
Ongoing	$ 1,730	$ 1,469	$ 1,486	18	(1)
Income per share from continuing operations*					
Reported	$ 0.95	$ 0.59	$ 0.88	62	(34)
Ongoing	$ 1.10	$ 0.92	$ 0.92	20	(1)

Ongoing excludes the effect of the unusual items (see Note 2).

* The percentage change in income per share is calculated by using income per share calculated to four decimal places in order to eliminate the effects of rounding.

Income From Discontinued Operations and Income Per Share
($ in millions except per share amounts)

	1997	1996	1995	% Growth Rates 1997	% Growth Rates 1996
Income from discontinued operations	$ 651	$ 207	$ 184	NM	13
Income per share from discontinued operations*	$0.41	$0.13	$0.12	NM	13

* The percentage change in income per share is calculated by using income per share calculated to four decimal places in order to eliminate the effects of rounding.

NM - Not Meaningful

Income from discontinued operations reflects the operating results of TRICON's core restaurant businesses of Pizza Hut, KFC and Taco Bell through the Distribution Date, as well as PFS, the restaurant distribution operation sold in the second quarter, and several non-core U.S. restaurant businesses through their respective disposal dates in 1997. Reported operating results include expenses associated with the spin-off and interest expense directly related to the Restaurants segment. It does not include an allocation of PepsiCo interest expense or G&A. It also includes the 1997 gain from the sale of PFS. (See Note 4).

Net Income and Net Income Per Share
($ in millions except per share amounts)

	1997	1996	1995	% Growth Rates 1997	% Growth Rates 1996
Net income	$2,142	$1,149	$1,606	86	(28)
Net income per share*	$ 1.36	$ 0.72	$ 1.00	91	(28)
Average shares outstanding used to calculate net income per share	1,570	1,606	1,608	(2)	-

* The percentage change in income per share is calculated by using income per share calculated to four decimal places in order to eliminate the effects of rounding.

($ in millions)	1997	1996	1995	1994	1993
NET SALES					
Beverages					
North America(a)	$ 7,852	$ 7,734	$ 7,427	$ 7,045	$ 6,464
International	2,689	2,853	3,040	2,609	2,168
	10,541	10,587	10,467	9,654	8,632
Snack Foods					
North America(a)	6,967	6,628	5,873	5,379	4,686
International	3,409	3,122	2,727	2,951	2,388
	10,376	9,750	8,600	8,330	7,074
Combined Segments	$ 20,917	$ 20,337	$ 19,067	$ 17,984	$15,706
OPERATING PROFIT(b)					
Beverages					
North America(a)	$ 1,297	$ 1,412	$ 1,238	$ 1,104	$ 1,012
International	(137)	(830)	128	147	104
	1,160	582	1,366	1,251	1,116
Snack Foods					
North America(a)	1,414	1,286	1,149	1,043	914
International	318	346	301	354	285
	1,732	1,632	1,450	1,397	1,199
Combined Segments	2,892	2,214	2,816	2,648	2,315
Adjustments					
Equity (income)/loss from unconsolidated affiliates	(84)	274	(38)	(52)	(31)
Other(c)	1	10	(37)	(2)	15
Total Adjustments	(83)	284	(75)	(54)	(16)
Combined Segments SFAS 14 Basis(d)	$ 2,809	$ 2,498	$ 2,741	$ 2,594	$ 2,299

Continued on next page.

($ in millions)

(a) North America is composed of operations in the U.S. and Canada.

(b) Represents reported amounts. See Note 2 - Unusual Items Affecting Comparability for 1997 and 1996. In addition, 1995 segment operating profit excludes the $66 charge for the initial, noncash impact of adopting SFAS 121 and 1994 International Beverages includes an $18 gain on the stock offering by BAESA.

(c) Adjustments directly allocable to industry segments for SFAS 14 purposes but reported in Corporate. Adjustments include the $66 SFAS 121 charge in 1995 and elimination of the $18 gain on a stock offering by BAESA in 1994.

(d) Operating profit as defined by SFAS 14 and as disclosed in Note 17.

Beverages

($ in millions)	1997	1996	1995	% Growth Rates 1997	% Growth Rates 1996
Net Sales					
North America	$ 7,852	$ 7,734	$ 7,427	2	4
International	2,689	2,853	3,040	(6)	(6)
	$ 10,541	$ 10,587	$10,467	-	1
Operating Profit					
Reported					
North America	$ 1,297	$ 1,412	$ 1,238	(8)	14
International	(137)	(830)	128	83	NM
	$ 1,160	$ 582	$ 1,366	99	(57)
Ongoing					
North America	$ 1,349	$ 1,412	$ 1,238	(4)	14
International	17	(254)	128	NM	NM
	$ 1,366	$ 1,158	$ 1,366	18	(15)

Ongoing excludes unusual items of $206 ($52-North America, $154-International) in 1997 and $576 (all International) in 1996 (see Note 2). Unless otherwise noted, operating profit comparisons within the following discussions are based on ongoing operating profit.

NM - Not Meaningful

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

1997 vs. 1996

North America

Net sales increased $118 million reflecting volume growth, led by take-home packaged products, partially offset by lower effective net pricing. The decrease in effective net pricing was primarily in take-home packaged products, reflecting an intensely competitive environment.

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

Reported operating profit declined $115 million. Ongoing operating profit declined $63 million, reflecting the lower effective net pricing, higher S&D costs and increased A&M. S&D grew significantly faster than sales, but in line with volume. A&M grew significantly faster than sales and volume, primarily reflecting above average levels of expenditures late in 1997. These unfavorable items were partially offset by the volume gains and lower packaging and commodity costs. G&A savings from centralizing certain administrative functions were fully offset by Year 2000 spending and infrastructure development costs related to our new fountain beverage sales team. The decline in ongoing operating profit also reflects lapping 1996 gains from the sale of an investment in a bottling cooperative and a settlement made with a supplier.

International

Net sales declined $164 million. The decline was due to unfavorable currency translation effects, primarily driven by Spain and Japan.

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

Reported operating losses declined $693 million. Ongoing operating results improved by $271 million, reflecting a small profit in 1997 compared to a loss in 1996. The increase in ongoing operating results was driven by lower manufacturing costs, reduced net losses from our investments in unconsolidated affiliates and lower G&A expenses. Operating results also benefited from the lapping of 1996's higher-than-normal expenses from fourth quarter balance sheet adjustments and actions. The lower manufacturing costs were primarily due to favorable raw material costs and lower depreciation resulting from certain businesses held for disposal. The reduced net losses from our unconsolidated affiliates were primarily driven by the absence of losses from BAESA. The lower G&A expenses reflect savings from our fourth quarter 1996 restructuring of about $70 million.

1996 vs. 1995

North America

Net sales rose $307 million. The gain reflects volume growth, led by carbonated soft drink products, and higher effective net pricing.

BCS increased 4%, with solid increases in Brand Pepsi and the Mountain Dew brand. Non-carbonated soft drink products, led by Aquafina bottled water and Hawaiian Punch fountain syrup, grew at a double-digit rate. Our concentrate shipments to franchisees grew at a slightly faster rate than their BCS growth.

Operating profit increased $174 million. The growth reflects the volume gains, lower product costs and the higher effective net pricing. A&M expenses grew significantly faster than sales, primarily due to the Pepsi Stuff promotion. S&D expenses grew at the same rate as sales and volume. Profit growth was aided by lapping charges taken in 1995, primarily for losses on supply contracts, take-or-pay co-packing penalties and a write down of excess co-packing assets. A 1996 gain on the sale of an investment in a bottling cooperative and a 1996 settlement with a supplier for purchases made in prior years also helped profit growth.

Benefits of approximately $130 million related to the 1992 U.S. restructuring were achieved in 1996 due to the centralization of purchasing and improved administrative and business processes. All benefits from the restructuring will be reinvested in the business.

International

In 1996 we began to implement a new strategy to focus on building our core business in markets in which we are already strong and in certain emerging markets. Decisions were made accordingly to dispose of certain businesses and to restructure operations, resulting in unusual impairment and restructuring charges. Liabilities associated with the restructuring charge were expected to be paid by the end of 1997 and the restructuring was expected to generate about $50 million in savings in 1997 and about $80 million a year thereafter.

Net sales declined $187 million, primarily due to unfavorable currency translation impacts and lower volume. The volume decline reflects lower concentrate shipments to franchisees, partially offset by higher packaged product sales to retailers.

BCS decreased 2%. Excluding the impact of the unexpected loss of our Venezuelan bottler, BCS declined 1%. A single-digit decline in Latin America was partially offset by strong double-digit growth in China and India. Our concentrate shipments to franchisees declined at a significantly faster rate than their BCS decline.

Reported operating results declined $958 million. Ongoing operating results declined $382 million. The decline reflects broad-based increases in A&M, higher-than-normal expenses from fourth quarter balance sheet adjustments and actions, increased net losses from our unconsolidated affiliates and a decline in volume. The increased net losses from our unconsolidated affiliates were driven by our equity share of BAESA's operating losses.

Snack Foods

($ in millions)	1997	1996	1995	% Growth Rates 1997	% Growth Rates 1996
Net Sales					
North America	$ 6,967	$6,628	$5,873	5	13
International	3,409	3,122	2,727	9	14
	$10,376	$9,750	$8,600	6	13
Operating Profit					
Reported					
North America	$ 1,414	$1,286	$1,149	10	12
International	318	346	301	(8)	15
	$ 1,732	$1,632	$1,450	6	13
Ongoing					
North America	$ 1,436	$1,286	$1,149	12	12
International	380	346	301	10	15
	$ 1,816	$1,632	$1,450	11	13

Ongoing excludes unusual charges of $84 ($22-North America, $62-International) in 1997 (see Note 2). Unless otherwise noted, operating profit comparisons within the following discussions are based on ongoing operating profit.

Pound and kilo sales are our standard volume measures. Pound and kilo growth are reported on a systemwide basis, which includes both consolidated businesses and unconsolidated affiliates operating for at least one year.

1997 vs. 1996

North America

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

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

Reported operating profit grew $128 million. Ongoing operating profit rose $150 million, reflecting the higher pricing and volume growth, partially offset by increased manufacturing costs and G&A expenses. The increased manufacturing costs relate to new plant capacity and the planned introduction of new products in 1998. S&D grew slower than sales, A&M was about even with prior year and G&A increased significantly faster than sales reflecting information systems-related expenses and customer focus leadership training. Operating profit growth was hampered by lapping a 1996 gain from the sale of a non-core business.

International

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

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

Reported operating profit decreased $28 million. Ongoing operating profit increased $34 million. The increase primarily reflects volume gains partially offset by increased G&A. The higher effective net pricing was fully offset by inflation-driven higher operating and manufacturing costs, primarily in Mexico. Ongoing operating profit also benefited from the gain on the sale of a flour mill.

1996 vs. 1995

North America

Net sales grew $755 million. The increase reflects strong volume growth and higher effective net pricing taken across all core brands in late 1995 and late 1996.

Pound volume advanced 9%, reflecting exceptional performance from the low-fat and no-fat categories. These categories contributed over 45% of the total pound growth, led by Baked Lay's brand potato crisps. Core brands, excluding their low-fat and no-fat versions, had mid-single-digit growth led by double-digit growth in Lay's brand potato chips and strong double-digit growth in Tostitos brand tortilla chips.

Operating profit grew $137 million. The increase reflects the volume growth and the higher effective net pricing, which exceeded increased promotional price allowances and merchandising support. The growth rate of promotional price allowances moderated in the fourth quarter. These gains were partially offset by higher operating and manufacturing costs and increased administrative expenses. The increased operating costs reflect increased S&D and A&M. S&D and manufacturing costs both reflect capacity costs and some inefficiencies incurred to capture the volume opportunities created when Anheuser-Busch exited the salty snack food business. These inefficiencies began to moderate in the fourth quarter. The increase in operating expenses coupled with higher G&A expenses, partially reflect investment spending to sustain strong volume growth. This increased investment spending, including costs of developing and testing new products, was partially offset by a gain on the sale of a non-core business.

International

Net sales increased $395 million. This growth reflects inflation-based price increases in Mexico and volume growth, partially offset by an unfavorable currency translation impact, led by the peso.

Salty snack kilos rose 8%, reflecting double-digit growth at Sabritas and strong single-digit growth in the U.K. Sweet snack kilos declined 2%, led by a single-digit decline at Gamesa, due to marketwide contraction, and a double-digit decline at Alegro, the sweet snack division of Sabritas.

Operating profit increased $45 million. The increase reflects higher effective net pricing in advance of inflation-driven product and operating cost increases, primarily in Mexico, and the increased volumes. These gains were partially offset by increased administrative expenses and the net unfavorable currency translation impact. A&M expenses increased, partially reflecting investment in global advertising and design.

CONSOLIDATED CASH FLOWS

PepsiCo's 1997 consolidated cash and cash equivalents increased $1.6 billion over the prior year reflecting a significant increase in cash provided by discontinued operations, partially offset by increased cash outflows to reduce debt, increase our investment portfolios and repurchase shares.

Net cash provided by operating activities rose $227 million or 7% to $3.4 billion in 1997, driven by increased income before all noncash charges and credits. Cash flow growth from operating working capital was reduced by the year-over-year change in accounts payable and other current liabilities, primarily due to lapping restructuring accruals recorded in the fourth quarter of 1996.

Net cash used for investing activities nearly doubled in 1997 to $2.1 billion, primarily reflecting a $1.5 billion swing in our short-term investment portfolio activity, partially offset by $178 million of increased proceeds from sales of businesses and reduced capital spending of $124 million. The change in our short-term investment portfolio activity primarily reflects investing a portion of the cash flows provided by discontinued operations. This compares to 1996 when we repatriated the proceeds from our maturing investments in Puerto Rico as a result of the Small Business Job Protection Act of 1996. This tax law eliminated our exemption from U.S. Federal income tax on investment income generated in Puerto Rico. The repatriated proceeds were used to reduce outstanding commercial paper debt. The cash flow from sales of businesses in 1997 primarily reflects the sale of international bottling operations and our investment in a non-core international snack food business. Lower capital spending was driven by North American Snack Foods. The decline reflects the lapping of 1996 capital spending incurred to capture volume opportunities created when Anheuser-Busch exited the salty snack food business, partially offset by 1997 new product-related spending. Spending on acquisitions and investments in unconsolidated affiliates is expected to increase in 1998.

Net cash used for financing activities more than doubled to $6.0 billion in 1997. The increase primarily reflects increased net debt repayments of $2.5 billion and share repurchases.

Share repurchase activity:

(in millions)	1997	1996	1995
Cost	$ 2,459	$ 1,651	$ 541
Shares repurchased			
Number of shares	69.0	54.2	24.6
% of shares outstanding at beginning of year	4.5%	3.4%	1.6%

At December 27, 1997, 132 million shares were available under the current repurchase authority granted by our Board of Directors.

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

Free Cash Flow

Free cash flow is a measure we use internally to evaluate our cash flow performance and should be considered in addition to, but not as a substitute for, other measures of financial performance in accordance with generally accepted accounting principles. These funds provide us with flexibility to reduce our debt outstanding, repurchase shares or make strategic investments and acquisitions.

($ in millions)	1997	1996	1995
Earnings before interest, taxes, depreciation and amortization*	$ 4,001	$ 3,479	$ 3,718
Interest expense, net	(353)	(474)	(515)
Provision for income taxes	(818)	(624)	(669)
Other noncash items and working capital	589	811	108
Net cash provided by operating activities	3,419	3,192	2,642
Investing activities			
Capital spending	(1,506)	(1,630)	(1,365)
Sales of businesses	221	43	14
Sales of property, plant and equipment	80	9	93
Other, net	(96)	(214)	(229)
Free cash flow before cash dividends paid	2,118	1,400	1,155
Cash dividends paid	(736)	(675)	(599)
Free cash flow			
Continuing operations	1,382	725	556
Discontinued operations	6,236	605	506
	$ 7,618	$ 1,330	$ 1,062

* Net of the noncash portion of unusual items.

The $6.3 billion increase in free cash flow in 1997 largely reflects our strategic initiative to exit the restaurant business. In addition, free cash flow from continuing operations nearly doubled with improved cash flows from operating activities, larger proceeds arising from the sale of businesses and reduced capital spending. Both continuing and discontinued operations contributed to the $268 million or 25% increase in the 1996 free cash flow.

LIQUIDITY AND CAPITAL RESOURCES

At year-end 1997, $2.1 billion of short-term borrowings were reclassified as long-term, reflecting our intent and ability, through the existence of our unused revolving credit facilities, to refinance these borrowings. Our unused credit facilities, which exist largely to support the issuances of short-term debt, were $2.75 billion and $3.5 billion at year-end 1997 and 1996, respectively. Annually, these facilities can be extended an additional year upon the mutual consent of PepsiCo and the lending institutions. We reduced our credit facilities by $750 million at year-end 1997 due to decreased borrowing needs.

Our net debt level, which reflects the pro forma remittance of investment portfolios (net of related taxes) as a reduction of total debt, and leverage at year-end 1997 were lower than prior years. We plan to gradually releverage over time.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Included in Item 7, Management's Discussion and Analysis - Market Risk beginning on page 9.

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 1998 Annual Meeting of Shareholders on pages 2 through 4 and are incorporated herein by reference. Pursuant to Item 401(b) of Regulation S-K, the executive officers of the Company are reported in Part I of this report.

ITEM 11. EXECUTIVE COMPENSATION

Information on compensation of the Company's directors and executive officers is contained in the Company's Proxy Statement for its 1998 Annual Meeting of Shareholders under the captions "Directors Compensation" and "Executive Compensation", respectively, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information on the number of shares of PepsiCo Capital Stock beneficially owned by each director and by all directors and officers as a group is contained under the caption "Ownership of Capital Stock by Directors and Officers" in the Company's Proxy Statement for its 1998 Annual Meeting of Shareholders and is incorporated herein by reference. As far as is known to the Company, no person owns beneficially more than 5% of the outstanding shares of PepsiCo Capital Stock.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K

(a) 1. Financial Statements

See Index to Financial Information on page F-1.

2. Financial Statement Schedule

See Index to Financial Information on page F-1.

3. Exhibits

See Index to Exhibits on page E-1.

(b) Reports on Form 8-K

None.

SIGNATURES

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

Dated: March 24, 1998

PepsiCo, Inc.

By: /s/ ROGER A. ENRICO

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

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

SIGNATURE	TITLE	DATE
/s/ ROGER A. ENRICO Roger A. Enrico	Chairman of the Board and Chief Executive Officer	March 24, 1998
/s/ KARL M. VON DER HEYDEN Karl M. von der Heyden	Vice Chairman of the Board and Chief Financial Officer	March 24, 1998
/s/ SEAN F. ORR Sean F. Orr	Senior Vice President and Controller (Principal Accounting Officer)	March 24, 1998
/s/ JOHN F. AKERS John F. Akers	Director	March 24, 1998
/s/ ROBERT E. ALLEN Robert E. Allen	Director	March 24, 1998
/s/ D. WAYNE CALLOWAY D. Wayne Calloway	Director	March 24, 1998
/s/ PETER FOY Peter Foy	Director	March 24, 1998
/s/ RAY L. HUNT Ray L. Hunt	Director	March 24, 1998

/s/ JOHN J. MURPHY John J. Murphy	Director	March 24, 1998
/s/ STEVEN S REINEMUND Steven S Reinemund	Chairman and Chief Executive Officer of The Frito-Lay Company and Director	March 24, 1998
/s/ SHARON PERCY ROCKEFELLER Sharon Percy Rockefeller	Director	March 24, 1998
/s/ FRANKLIN A. THOMAS Franklin A. Thomas	Director	March 24, 1998
/s/ P. ROY VAGELOS P. Roy Vagelos	Director	March 24, 1998
/s/ CRAIG E. WEATHERUP Craig E. Weatherup	Chairman and Chief Executive Officer of Pepsi-Cola Company and Director	March 24, 1998
/s/ ARNOLD R. WEBER Arnold R. Weber	Director	March 24, 1998

INDEX TO EXHIBITS
ITEM 14(A)(3)

EXHIBIT	
3.1	Restated Articles of Incorporation of PepsiCo, Inc., which is incorporated herein by reference from Exhibit 3(i) to PepsiCo's Quarterly Report on Form 10-Q for the quarterly period ended June 15, 1996.
3.2	By-Laws of PepsiCo, Inc., as amended to July 25, 1996, which are incorporated herein by reference from Exhibit 3(ii) to PepsiCo's Quarterly Report on Form 10-Q for the quarterly period ended June 15, 1996.
4	PepsiCo, Inc. agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any instrument defining the rights of holders of long-term debt of PepsiCo, Inc. and all of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed with the Securities and Exchange Commission.
10.1	Description of PepsiCo, Inc. 1988 Director Stock Plan, which is incorporated herein by reference from Post-Effective Amendment No. 2 to PepsiCo's Registration Statement on Form S-8 (Registration No. 33-22970).
10.2	PepsiCo, Inc. 1987 Incentive Plan (the "1987 Plan"), which is incorporated by reference from Exhibit 10(b) to PepsiCo's Annual Form 10-K for the fiscal year ended December 26, 1992.
10.3	Operating Guideline No. 1 under the 1987 Plan, as amended through July 25, 1991, which is incorporated by reference from Exhibit 10(d) to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 28, 1991.
10.4	Operating Guideline No. 2 under the 1987 Plan and the Plan, as amended through January 22, 1987, which is incorporated herein by reference from Exhibit 28(b) to PepsiCo's Registration Statement on Form S-8 (Registration No. 33-19539).
10.5	PepsiCo, Inc. 1995 Stock Option Incentive Plan, which is incorporated herein by reference from PepsiCo's Registration Statement on Form S-8 (Registration No. 33-61731).
10.6	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.
10.7	PepsiCo, Inc. Executive Incentive Compensation Plan, which is incorporated herein by reference from Exhibit B to PepsiCo's Proxy Statement for its 1994 Annual Meeting of Shareholders.
10.8	Amended and Restated PepsiCo Executive Income Deferral Program.
10.9	Restated PepsiCo Pension Equalization Plan.

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	Power of Attorney.
27	Financial Data Schedule.

PEPSICO, INC. AND SUBSIDIARIES

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

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

Consolidated Statement of Income

(in millions except per share amounts)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 27, 1997, December 28, 1996
and December 30, 1995

	1997	1996	1995
Net Sales	$20,917	$20,337	$19,067
Costs and Expenses, net			
Cost of sales	8,525	8,452	8,054
Selling, general and administrative expenses	9,241	9,063	8,133
Amortization of intangible assets	199	206	208
Unusual items	290	576	66
Operating Profit	2,662	2,040	2,606
Interest expense	(478)	(565)	(629)
Interest income	125	91	114
Income from Continuing Operations Before Income Taxes	2,309	1,566	2,091
Provision for Income Taxes	818	624	669
Income from Continuing Operations	1,491	942	1,422
Income from Discontinued Operations, net of tax	651	207	184
Net Income	$ 2,142	$ 1,149	$ 1,606
Income Per Share - Basic			
Continuing Operations	$ 0.98	$ 0.60	$ 0.90
Discontinued Operations	0.42	0.13	0.12
Net Income	$ 1.40	$ 0.73	$ 1.02
Average shares outstanding	1,528	1,564	1,576
Income Per Share - Assuming Dilution			
Continuing Operations	$ 0.95	$ 0.59	$ 0.88
Discontinued Operations	0.41	0.13	0.12
Net Income	$ 1.36	$ 0.72	$ 1.00
Average shares outstanding	1,570	1,606	1,608

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows (page 1 of 2)

(in millions)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 27, 1997, December 28, 1996
and December 30, 1995

	1997	1996	1995
Cash Flows - Operating Activities			
Income from continuing operations	$ 1,491	$ 942	$ 1,422
Adjustments to reconcile income from continuing operations to net cash provided by operating activities			
Depreciation and amortization	1,106	1,073	1,046
Noncash portion of unusual items	233	366	66
Deferred income taxes	51	160	119
Other noncash charges and credits, net	342	505	585
Changes in operating working capital, excluding effects of acquisitions and dispositions			
Accounts and notes receivable	(53)	(67)	(182)
Inventories	79	(97)	(83)
Prepaid expenses, deferred income taxes and other current assets	(56)	84	59
Accounts payable and other current liabilities	84	297	(2)
Income taxes payable	142	(71)	(388)
Net change in operating working capital	196	146	(596)
Net Cash Provided by Operating Activities	3,419	3,192	2,642
Cash Flows - Investing Activities			
Capital spending	(1,506)	(1,630)	(1,365)
Acquisitions and investments in unconsolidated affiliates	(119)	(75)	(400)
Sales of businesses	221	43	14
Sales of property, plant and equipment	80	9	93
Short-term investments, by original maturity			
More than three months-purchases	(92)	(115)	(285)
More than three months-maturities	177	192	333
Three months or less, net	(735)	736	(2)
Other, net	(96)	(214)	(229)
Net Cash Used for Investing Activities	(2,070)	(1,054)	(1,841)

(Continued on following page)

Consolidated Statement of Cash Flows (page 2 of 2)

(in millions)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 27, 1997, December 28, 1996 and December 30, 1995

	1997	1996	1995
Cash Flows - Financing Activities			
Proceeds from issuances of long-term debt	-	1,772	2,027
Payments of long-term debt	(1,875)	(1,432)	(939)
Short-term borrowings, by original maturity			
More than three months-proceeds	146	740	2,053
More than three months-payments	(177)	(1,873)	(2,711)
Three months or less, net	(1,269)	89	(782)
Cash dividends paid	(736)	(675)	(599)
Share repurchases	(2,459)	(1,651)	(541)
Proceeds from exercises of stock options	403	323	252
Other, net	5	(9)	(7)
Net Cash Used for Financing Activities	(5,962)	(2,716)	(1,247)
Net Cash Provided by Discontinued Operations	6,236	605	506
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2)	(5)	(5)
Net Increase in Cash and Cash Equivalents	1,621	22	55
Cash and Cash Equivalents - Beginning of Year	307	285	230
Cash and Cash Equivalents - End of Year	$ 1,928	$ 307	$ 285
Supplemental Cash Flow Information			
Interest paid	$ 462	$ 538	$ 621
Income taxes paid	$ 696	$ 611	$ 741

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

(in millions except per share amount)
PepsiCo, Inc. and Subsidiaries
December 27, 1997 and December 28, 1996

	1997	1996
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,928	$ 307
Short-term investments, at cost	955	289
	2,883	596
Accounts and notes receivable, less allowance: $125 in 1997 and $166 in 1996	2,150	2,276
Inventories	732	853
Prepaid expenses, deferred income taxes and other current assets	486	225
Total Current Assets	6,251	3,950
Property, Plant and Equipment, net	6,261	6,086
Intangible Assets, net	5,855	6,036
Investments in Unconsolidated Affiliates	1,201	1,147
Other Assets	533	491
Net Assets of Discontinued Operations	-	4,450
Total Assets	$20,101	$22,160
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	$ 3,617	$ 3,378
Income taxes payable	640	413
Total Current Liabilities	4,257	3,791
Long-term Debt	4,946	8,174
Other Liabilities	2,265	1,997
Deferred Income Taxes	1,697	1,575
Shareholders' Equity		
Capital stock, par value 1 2/3 cents per share: authorized 3,600 shares, issued 1,726 shares	29	29
Capital in excess of par value	1,314	1,201
Retained earnings	11,567	9,184
Currency translation adjustment	(988)	(768)
	11,922	9,646
Less: Treasury stock, at cost: 224 shares and 181 shares in 1997 and 1996, respectively	(4,986)	(3,023)
Total Shareholders' Equity	6,936	6,623
Total Liabilities and Shareholders' Equity	$20,101	$22,160

See accompanying Notes to Consolidated Financial Statements.

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

(in millions except per share amounts)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 27, 1997, December 28, 1996
and December 30, 1995

	Capital Stock Issued Shares	Issued Amount	Treasury Shares	Treasury Amount
Shareholders' Equity, December 31, 1994	1,726	$29	(146)	$(1,361)
1995 Net income	-	-	-	-
Cash dividends declared (per share-$0.39)	-	-	-	-
Currency translation adjustment	-	-	-	-
Share repurchases	-	-	(24)	(541)
Stock option exercises, including tax benefits of $91	-	-	20	218
Other	-	-	-	1
Shareholders' Equity, December 30, 1995	1,726	$29	(150)	$(1,683)
1996 Net income	-	-	-	-
Cash dividends declared (per share-$0.445)	-	-	-	-
Currency translation adjustment	-	-	-	-
Share repurchases	-	-	(54)	(1,651)
Stock option exercises, including tax benefits of $145	-	-	23	310
Other	-	-	-	1
Shareholders' Equity, December 28, 1996	1,726	$29	(181)	$(3,023)
1997 Net income.	-	-	-	-
Cash dividends declared (per share $0.49)	-	-	-	-
Currency translation adjustment	-	-	-	-
Share repurchases	-	-	(69)	(2,459)
Stock option exercises, including tax benefits of $173	-	-	25	488
Spin-off of restaurant businesses	-	-	-	-
Other	-	-	1	8
Shareholders' Equity, December 27, 1997	1,726	$29	(224)	$(4,986)

(Continued on following page)

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

(in millions except per share amounts)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 27, 1997, December 28, 1996
and December 30, 1995

	Capital in Excess of Par Value	Retained Earnings	Currency Translation Adjustment	Total
Shareholders' Equity, December 31, 1994	$ 920	$ 7,739	$(471)	$ 6,856
1995 Net income	-	1,606	-	1,606
Cash dividends declared (per share-$0.39)	-	(615)	-	(615)
Currency translation adjustment	-	-	(337)	(337)
Share repurchases	-	-	-	(541)
Stock option exercises, including tax benefits of $91	125	-	-	343
Other	-	-	-	1
Shareholders' Equity, December 30, 1995	$1,045	$ 8,730	$(808)	$ 7,313
1996 Net income	-	1,149	-	1,149
Cash dividends declared (per share-$0.445)	-	(695)	-	(695)
Currency translation adjustment	-	-	40	40
Share repurchases	-	-	-	(1,651)
Stock option exercises, including tax benefits of $145	158	-	-	468
Other	(2)	-	-	(1)
Shareholders' Equity, December 28, 1996	$1,201	$ 9,184	$(768)	$ 6,623
1997 Net income.	-	2,142	-	2,142
Cash dividends declared (per share $0.49)	-	(746)	-	(746)
Currency translation adjustment	-	-	(220)	(220)
Share repurchases	-	-	-	(2,459)
Stock option exercises, including tax benefits of $173	88	-	-	576
Spin-off of restaurant businesses	-	987	-	987
Other	25	-	-	33
Shareholders' Equity, December 27, 1997	$1,314	$11,567	$(988)	$ 6,936

See accompanying Notes to Consolidated Financial Statements.

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

Note 1 - Summary of Significant Accounting Policies

The preparation of the Consolidated Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain reclassifications were made to prior year amounts to conform with the 1997 presentation, including classifying our Restaurants segment as discontinued operations. The consolidated financial statements for all years have been restated. See Note 4.

Principles of Consolidation. The financial statements reflect the consolidated accounts of PepsiCo, Inc. and its controlled affiliates. Intercompany accounts and transactions have been eliminated. Investments in unconsolidated affiliates in which PepsiCo exercises significant influence but not control are accounted for by the equity method and PepsiCo's share of the net income or loss of its unconsolidated affiliates 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 and other marketing activities. Marketing costs not deferred at year-end are charged to expense ratably in relation to sales over the year in which incurred. Advertising expenses were $1.8 billion, $1.8 billion and $1.4 billion in 1997, 1996 and 1995, respectively. Advertising expenses deferred at year-end, which are classified as prepaid expenses in the Consolidated Balance Sheet, were $53 million and $37 million in 1997 and 1996, respectively. Deferred advertising consists of media and personal service advertising- related prepayments, promotional materials in inventory and production costs of future media advertising; these assets are expensed in the year first used.

Stock-Based Compensation. PepsiCo measures stock-based compensation cost as the excess of the quoted market price of PepsiCo's capital stock at the grant date over the amount the employee must pay for the stock. PepsiCo's policy is to generally grant stock options at fair market value at the date of grant; accordingly, no compensation cost is incurred.

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

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

Gains and losses on futures contracts designated as hedges of future commodity purchases are deferred and included in the cost of the related raw materials when purchased. Changes in the value of futures contracts used to hedge commodity purchases are highly correlated to the changes in the value of the purchased commodity. If the degree of correlation between the futures contracts and the purchased commodity were to ever significantly diminish during the contract term, subsequent changes in the value of the futures contracts would be recognized in income.

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

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

Property, Plant and Equipment. Property, plant and equipment (PP&E) are stated at cost, except for PP&E that have been impaired, for which the carrying amount is reduced to estimated net realizable value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

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

Recoverability of Long-Lived Assets to be Held and Used in the Business. All long-lived assets are evaluated for impairment in accordance with Statement of Financial Accounting Standards No. 121 (SFAS 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Assets are generally grouped at the country level, by segment, for this purpose.

An impaired asset is written down to its estimated fair market value based on the best information available; estimated fair market value is generally measured by discounting estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual results could vary significantly from such estimates.

Note 2 - Unusual Items Affecting Comparability of Income From Continuing Operations

	1997	1996	1995
Dispose and write down assets	$ 183	$ 454	$ -
Improve productivity	94	122	-
Strengthen the international bottler structure	13	-	-
Initial adoption of SFAS 121	-	-	66
Net loss	$ 290	$ 576	$ 66
After-tax	$ 239	$ 527	$ 64
Per share	$0.15	$0.33	$0.04

The 1997 and 1996 unusual items include impairment charges of $200 million and $373 million, respectively, (see Note 3). The 1997 net charge to strengthen the international bottler structure includes proceeds of $87 million associated with a settlement related to a previous Venezuelan bottler agreement, which were partially offset by related costs.

The 1995 initial, noncash charge reflects the early adoption of SFAS 121 (see Note 3).

Note 3 - Impairment of Long-Lived Assets

Impairment charges included in unusual items:

	1997	1996	1995
Held and Used in the Business			
Investments in unconsolidated affiliates	$ -	$ 190	$ -
Concentrate-related assets	5	116	-
Disposal of assets			
Investments in unconsolidated affiliates	21	20	-
Other businesses/assets	174	47	-
Initial adoption of SFAS 121	-	-	66
Total	$ 200	$ 373	$ 66
After-tax	$ 169	$ 356	$ 64
Per share	$0.11	$0.22	$0.04
By Segment			
Beverages	$ 162	$ 373	$ 62
Snack Foods	38	-	4
	$ 200	$ 373	$ 66

The charges associated with assets to be held and used in the business reflect a reduction in forecasted cash flows attributable to increased competitive activity and weakened macroeconomic factors in various geographic regions. The net charges for disposal of assets primarily reflect strategic decisions to realign the international bottling system, restructure certain Snack Foods operations and exit certain businesses. We anticipate the disposal of assets to be completed in 1998.

PepsiCo early adopted SFAS 121 as of the beginning of the fourth quarter of 1995. The initial, noncash charge resulted from PepsiCo grouping assets at a lower level than under its previous accounting policy for evaluating and measuring impairment.

Note 4 - Discontinued Operations

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

Income from discontinued operations:

	1997	1996	1995
Net sales	$ 8,375	$ 11,441	$ 11,328
Costs and expenses	(7,704)	(10,935)	(10,946)
PFS gain	500	-	-
Interest expense, net	(20)	(25)	(40)
Provision for income taxes	(500)	(274)	(158)
Income from discontinued operations	$ 651	$ 207	$ 184

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

Note 5 - Income Per Share

PepsiCo adopted the provisions of Statement of Financial Accounting Standards No. 128, "Earnings Per Share," in 1997. Application of its provisions results in disclosure of two income per share measures, basic and assuming dilution, on the face of the Consolidated Statement of Income.

PepsiCo's reported net income represents its net income available to common stockholders for purposes of computing both measures. The following reconciles shares outstanding at the beginning of the year to average shares outstanding used to compute both income per share measures.

	1997	1996	1995
Shares outstanding at beginning of year	1,545	1,576	1,580
Weighted average shares issued during the year for exercise of stock options	14	13	9
Weighted average shares repurchased	(31)	(25)	(13)
Average shares outstanding - basic	1,528	1,564	1,576
Effect of dilutive securities			
Dilutive shares contingently issuable upon the exercise of stock options	151	169	151
Shares assumed to have been purchased for treasury with assumed proceeds from the exercise of stock options	(109)	(127)	(119)
Average shares outstanding - assuming dilution	1,570	1,606	1,608

Note 6 - Inventories

	1997	1996
Raw materials and supplies	$400	$484
Finished goods	332	369
	$732	$853

The cost of 43% of 1997 inventories and 39% of 1996 inventories was computed using the last-in, first-out method.

Note 7 - Property, Plant and Equipment, net

	1997	1996
Land	$ 365	$ 361
Buildings and improvements	2,623	2,543
Machinery and equipment	7,513	7,253
Construction in progress	793	751
	11,294	10,908
Accumulated depreciation	(5,033)	(4,822)
	$ 6,261	$ 6,086

Note 8 - Intangible Assets, net

	1997	1996
Reacquired franchise rights	$2,780	$2,917
Trademarks	625	650
Other identifiable intangibles	152	122
Goodwill	2,298	2,347
	$5,855	$6,036

Identifiable intangible assets primarily arise from the allocation of purchase prices of businesses acquired. Amounts assigned to such identifiable intangibles are based on independent appraisals or internal estimates. Goodwill represents the residual purchase price after allocation to all identifiable net assets.

The above amounts are net of accumulated amortization of $1.7 billion and $1.5 billion at year-end 1997 and 1996, respectively.

Note 9 - Accounts Payable and Other Current Liabilities

	1997	1996
Accounts payable	$1,047	$1,034
Accrued compensation and benefits	640	565
Accrued selling and marketing	485	542
Other current liabilities	1,445	1,237
	$3,617	$3,378

Note 10 - Long-term Debt

	1997	1996
Long-term Debt		
Commercial paper (5.4%)	$ -	$1,176
Notes due 1998-2011 (6.5% and 6.4%)	2,643	3,111
Various foreign currency debt, due 1998-2001 (5.2% and 5.5%)	809	1,448
Zero coupon notes, $1.0 billion due 1998-2012 (10.5% and 7.9%)	480	930
Euro notes due 1998-1999 (5.8% and 5.5%)	500	700
Other, due 1998-2020 (7.5% and 7.1%)	514	809
	$4,946	$8,174

The interest rates in the above table include the effects of associated interest rate and currency swaps at year-end 1997 and 1996. See Note 11 for a discussion of PepsiCo's use of interest rate and currency swaps, its management of the inherent credit risk and fair value information related to debt and interest rate and currency swaps.

The following table indicates the notional amount and weighted average interest rates, by category, of interest rate swaps outstanding at year-end 1997 and 1996, respectively. The weighted average variable interest rates that PepsiCo pays, which are primarily indexed to either commercial paper or LIBOR rates, are based on rates as of the respective balance sheet date and are subject to change. Terms of interest rate swaps match the terms of the debt they modify. The swaps terminate at various dates through 2011.

	1997	1996
Receive fixed-pay variable		
Notional amount	$2,584	$3,976
Weighted average receive rate	6.8%	6.6%
Weighted average pay rate	5.8%	5.5%
Receive variable-pay variable		
Notional amount	$ 250	$ 552
Weighted average receive rate	5.7%	5.5%
Weighted average pay rate	5.8%	5.7%
Receive variable-pay fixed		
Notional amount	$ 215	$ 215
Weighted average receive rate	5.9%	5.6%
Weighted average pay rate	8.2%	8.2%

At year-end 1997, approximately 77% of total debt was exposed to variable interest rates, compared to 74% in 1996. In addition to variable rate long-term debt, all debt with maturities of less than one year is categorized as variable for purposes of this measure.

PepsiCo enters into currency swaps to hedge its currency exposure on certain non-U.S. dollar denominated debt. At year-end 1997, the aggregate carrying amount of the debt was $629 million and the payables under related currency swaps were $104 million, resulting in a net effective U.S. dollar liability of $733 million with a weighted average interest rate of 5.8%, including the effects of related interest rate swaps. At year-end 1996, the carrying amount of this debt aggregates $1.8 billion and the receivables and payables under related currency swaps aggregate $54 million and $59 million, respectively, resulting in a net effective U.S. dollar liability of $1.8 billion with a weighted average interest rate of 5.6%, including the effects of related interest rate swaps.

At year-end 1997 and 1996, PepsiCo's unused revolving credit facilities covering potential borrowings aggregate $2.75 billion and $3.5 billion, respectively. The 1997 facilities expire in 2002. These credit facilities exist largely to support the issuances of short-term borrowings and are available for general corporate purposes.

At year-end 1997 and 1996, $2.1 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.

The annual maturities of long-term debt through 2002 are: 1998-$2.1 billion, 1999-$939 million, 2000-$746 million, 2001-$353 million and 2002- $330 million.

Note 11 - Financial Instruments

Derivative Instruments

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

PepsiCo's use of derivative instruments is primarily limited to interest rate and currency swaps, which are entered into with the objective of reducing borrowing costs. PepsiCo enters into interest rate and currency swaps to effectively change the interest rate and currency of specific debt issuances. These swaps are entered into concurrently with the issuance of the debt they are intended to modify. The notional amount, interest payment and maturity dates of the swaps match the principal, interest payment and maturity dates of the related debt. Accordingly, any market risk or opportunity associated with these swaps is offset by the opposite market impact on the related debt. PepsiCo's credit risk related to interest rate and currency swaps is considered low because they are entered into only with strong creditworthy counterparties, are generally settled on a net basis and are of relatively short duration. See Note 10 for the notional amounts, related interest rates and maturities of the interest rate and currency swaps. See Management's Discussion and Analysis - Market Risk beginning on page 9.

Fair Value

Carrying amounts and fair values of PepsiCo's financial instruments:

	1997		1996	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and cash equivalents	$1,928	$1,928	$ 307	$ 307
Short-term investments	$ 955	$ 955	$ 289	$ 289
Other assets (noncurrent investments)	$ 15	$ 15	$ 15	$ 15
Liabilities				
Debt				
Long-term debt	$4,946	$5,161	$8,174	$8,254
Debt-related derivative instruments				
Open contracts in asset position	(28)	(22)	(91)	(122)
Open contracts in liability position	107	109	62	74
Net debt	$5,025	$5,248	$8,145	$8,206

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

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

Note 12 - Income Taxes

Provision for income taxes on income from continuing operations:

		1997	1996	1995
Current:	Federal	$598	$ 254	$ 427
	Foreign	110	138	63
	State	59	72	60
		767	464	550
Deferred:	Federal	23	204	101
	Foreign	15	(41)	16
	State	13	(3)	2
		51	160	119
		$818	$ 624	$ 669

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

	1997	1996	1995
U.S.	$1,731	$1,630	$1,679
Foreign	578	(64)	412
	$2,309	$1,566	$2,091

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

	1997	1996	1995
U.S. Federal statutory tax rate	35.0%	35.0%	35.0%
State income tax, net of Federal tax benefit	2.0	2.9	2.0
Effect of lower taxes on foreign results	(5.5)	(4.4)	(4.8)
Settlement of prior years' audit issues	(1.7)	(2.9)	(4.8)
Effect of unusual items	2.2	9.7	1.0
Other, net	3.4	(0.5)	3.6
Effective tax rate on continuing operations	35.4%	39.8%	32.0%

Deferred tax liabilities are not recognized for basis differences related to investments in foreign subsidiaries and unconsolidated affiliates that are essentially permanent in duration. Determination of the amount of such unrecognized deferred tax liabilities is not practicable.

Deferred tax liabilities (assets):

	1997	1996
Intangible assets other than nondeductible goodwill	$ 1,363	$ 1,354
Property, plant and equipment	500	388
Safe harbor leases	115	143
Zero coupon notes	84	103
Other	335	172
Gross deferred tax liabilities	2,397	2,160
Net operating loss carryforwards	(520)	(406)
Postretirement benefits	(247)	(242)
Casualty claims	(51)	(36)
Various current liabilities and other	(459)	(350)
Gross deferred tax assets	(1,277)	(1,034)
Deferred tax assets valuation allowance	458	435
Net deferred tax assets	(819)	(599)
Net deferred tax liability	$ 1,578	$ 1,561
Included in		
Prepaid expenses, deferred income taxes and other current assets	$ (119)	$ (14)
Deferred income taxes	1,697	1,575
	$ 1,578	$ 1,561

- ---

Net operating loss carryforwards totaling $2.3 billion at year-end 1997 are available to reduce future taxable income of certain subsidiaries and are related to a number of foreign and state jurisdictions. Of these carryforwards, $56 million expire in 1998, $2.0 billion expire at various times between 1999 and 2011 and $215 million may be carried forward indefinitely.

Note 13 - Employee Stock Options

PepsiCo granted stock options to employees pursuant to three different incentive plans - the SharePower Stock Option Plan (SharePower), the Long- Term Incentive Plan (LTIP) and the Stock Option Incentive Plan (SOIP). SharePower stock options were granted to essentially all full-time employees. The number of options granted was based on each employee's annual earnings. The options generally became exercisable ratably over 5 years and had to be exercised within 10 years of the grant date.

Under the SOIP and LTIP, stock options were granted to middle and senior management employees, respectively. SOIP options were exercisable after 1 year and had to be exercised within 10 years of the grant date. Most LTIP options were exercisable after 4 years and had to be exercised within 10 years of the grant date. In addition, certain LTIP options could be exchanged by employees for a specified number of performance share units (PSUs) within 60 days of the grant date. The value of a PSU was fixed at the value of a share of stock at the grant date and vested 4 years from the grant date, contingent upon attainment of prescribed Corporate performance goals. At year-end 1997, 1996 and 1995, there were 801,000, 763,000 and 970,600 PSUs outstanding, respectively. Payment of PSUs are made in cash and/or stock as approved by the Compensation Committee of PepsiCo's Board of Directors. Amounts expensed in continuing operations for PSUs were $4 million in both 1997 and 1996 and $5 million in 1995. At year-end 1997, there were 41 million and 137 million shares available for grant under the SOIP and LTIP, respectively.

Stock option activity:

(Options in thousands)	1997		1996		1995	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	177,217	$20.22	160,662	$16.10	165,162	$14.60
Granted	3,457	31.54	51,305	31.19	26,390	22.70
Exercised	(25,504)	15.77	(22,687)	14.19	(21,181)	11.91
Surrendered for PSUs	(15)	37.68	(431)	29.91	(201)	20.67
Forfeited	(7,819)	24.89	(11,632)	23.13	(9,508)	17.69
Spin-off related						
Conversion to TRICON options(a)	(13,267)	25.75	-	-	-	-
PepsiCo modification(b)	12,260	-	-	-	-	-
Outstanding at end of year	146,329	18.95	177,217	20.22	160,662	16.10
Exercisable at end of year	81,447	15.39	80,482	14.92	65,474	12.63
Weighted average fair value of options granted during the year		$10.55		$ 8.89		$ 5.53

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

Stock options outstanding at December 27, 1997:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
$ 4.25 to $ 8.17	10,304	2.08 yrs.	$ 6.18	9,739	$ 6.20
$ 8.20 to $16.37	52,340	4.30	13.63	45,470	13.52
$16.87 to $37.72	83,685	7.28	23.85	26,238	22.04
	146,329	5.85	18.95	81,447	15.39

Pro forma income and pro forma income per share, as if the fair value-based method had been applied in measuring compensation cost for stock-based awards:

	1997	1996	1995
Reported			
Income			
Continuing operations	$1,491	$ 942	$1,422
Discontinued operations	651	207	184
Net income	$2,142	$1,149	$1,606
Income per share			
Continuing operations	$ 0.95	$ 0.59	$ 0.88
Discontinued operations	0.41	0.13	0.12
Net income	$ 1.36	$ 0.72	$ 1.00
Pro Forma			
Income			
Continuing operations	$1,390	$ 893	$1,411
Discontinued operations	635	188	179
Net income	$2,025	$1,081	$1,590
Income per share			
Continuing operations	$ 0.89	$ 0.55	$ 0.88
Discontinued operations	0.40	0.12	0.11
Net income	$ 1.29	$ 0.67	$ 0.99

- --

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

The pro forma amounts disclosed above are not fully representative of the effects of stock-based awards because they exclude the pro forma cost related to the unvested stock options granted before 1995.

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

	1997	1996	1995
Risk free interest rate	5.8%	6.0%	6.2%
Expected life	3 years	6 years	5 years
Expected volatility	20%	20%	20%
Expected dividend yield	1.32%	1.5%	1.75%

- ---

Note 14 - 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 include some retiree cost sharing beginning in 1993.

Postretirement benefit expense for 1997, 1996 and 1995 was $34 million, $39 million and $36 million, respectively.

Postretirement benefit liability recognized in the Consolidated Balance Sheet:

	1997	1996
Actuarial present value of postretirement benefit obligation		
Retirees	$255	$275
Fully eligible active plan participants	100	96
Other active plan participants	173	154
Accumulated postretirement benefit obligation	528	525
Unrecognized gains	116	122
	$644	$647

The discount rate assumptions used to compute the accumulated postretirement benefit obligation were 7.4% and 7.8% in 1997 and 1996, respectively.

Separate assumed health care cost trend rates are used for employees who retire before and after retiree cost sharing was introduced. The assumed health care cost trend rate for employees who retired before cost sharing was 7.4% for 1998, declining gradually to 5.5% in 2005 and thereafter. For employees retiring after the introduction of cost sharing, the trend rate was 6.5% for 1998, declining to zero in 2004 and thereafter.

Note 15 - Pension Plans

PepsiCo sponsors noncontributory defined benefit pension plans covering substantially all full-time U.S. employees as well as contributory and noncontributory defined benefit pension plans covering certain international employees. Benefits generally are based on years of service and compensation or stated amounts for each year of service. PepsiCo funds the U.S. plans in amounts not less than minimum statutory funding requirements nor more than the maximum amount that can be deducted for U.S. income tax purposes. International plans are funded in amounts sufficient to comply with local statutory requirements. The plans' assets consist principally of equity securities, government and corporate debt securities and other fixed-income obligations. The U.S. plans' assets include 11.7 million and 12.2 million shares of PepsiCo capital stock in 1997 and 1996, with a post-spin adjusted market value of $436 million and $316 million, respectively. In the interest of maintaining an appropriate level of diversification within the U.S. plans' asset portfolio, .5 million and 1.5 million shares of PepsiCo capital stock were sold during the 1997 and 1996 plan years, respectively. Dividends on PepsiCo capital stock of $6 million and $5 million were received by the U.S. plans in 1997 and 1996, respectively.

Components of net pension expense for U.S. plans:

	1997	1996	1995
Service cost of benefits earned	$ 69	$ 62	$ 46
Interest cost on projected benefit obligation	103	93	78
Return on plan assets			
Actual gain	(370)	(163)	(287)
Deferred gain	253	55	188
	(117)	(108)	(99)
Amortization of net transition gain	(14)	(14)	(14)
Net other amortization	13	11	4
	$ 54	$ 44	$ 15

Reconciliations of the funded status of the U.S. plans to the pension liability:

	Assets Exceed Accumulated Benefits		Accumulated Benefits Exceed Assets	
	1997	1996	1997	1996
Actuarial present value of benefit obligation				
Vested benefits	$(1,177)	$(1,036)	$ (57)	$ (34)
Nonvested benefits	(153)	(133)	(3)	(2)
Accumulated benefit obligation	(1,330)	(1,169)	(60)	(36)
Effect of projected compensation increases	(165)	(143)	(69)	(67)
Projected benefit obligation	(1,495)	(1,312)	(129)	(103)
Plan assets at fair value	1,655	1,337	-	2
Plan assets in excess of (less than) projected benefit obligation	160	25	(129)	(101)
Unrecognized prior service cost	63	65	17	20
Unrecognized net (gain)/loss	(205)	(26)	39	28
Unrecognized net transition gain	(15)	(29)	-	-
Prepaid (accrued) pension liability	$ 3	$ 35	$ (73)	$ (53)

Assumptions used to compute the U.S. information presented above:

	1997	1996	1995
Expected long-term rate of return on plan assets	10.0%	10.0	10.0
Discount rate - projected benefit obligation	7.2%	7.7	7.7
Future compensation growth rate	3.2%-6.5%	3.2-6.6	3.3-6.6

Components of net pension expense for international plans:

	1997	1996	1995
Service cost of benefits earned	$ 13	$ 12	$ 10
Interest cost on projected benefit obligation	20	18	16
Return on plan assets			
Actual gain	(57)	(38)	(30)
Deferred gain	26	10	6
	(31)	(28)	(24)
Net other amortization	3	1	-
	$ 5	$ 3	$ 2

Reconciliations of the funded status of the international plans to the pension liability:

	Assets Exceed Accumulated Benefits		Accumulated Benefits Exceed Assets	
	1997	1996	1997	1996
Actuarial present value of benefit obligation				
Vested benefits	$(223)	$(173)	$(21)	$(30)
Nonvested benefits	(7)	(5)	(2)	(4)
Accumulated benefit obligation	(230)	(178)	(23)	(34)
Effect of projected compensation increases	(42)	(33)	(9)	(12)
Projected benefit obligation	(272)	(211)	(32)	(46)
Plan assets at fair value	328	282	14	17
Plan assets in excess of (less than) projected benefit obligation	56	71	(18)	(29)
Unrecognized prior service cost	3	3	-	-
Unrecognized net loss	42	25	2	5
Unrecognized net transition (gain)/loss	(1)	(1)	-	3
Prepaid (accrued) pension liability	$ 100	$ 98	$(16)	$(21)

Assumptions used to compute the international information presented above:

	1997	1996	1995
Expected long-term rate of return on plan assets	11.5%	11.4	11.3
Discount rate - projected benefit obligation	7.6%	8.4	8.8
Future compensation growth rate	3.0%-13.8%	3.0-10.5	3.0-11.8

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

Note 16 - Contingencies

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

Note 17 - Business Segments

PepsiCo operates on a worldwide basis within two industry segments: beverages and snack foods.

Beverages

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

Principal international markets include Argentina, Brazil, China, India, Mexico, the Philippines, Saudi Arabia, Spain, Thailand and the U.K. Investments in unconsolidated affiliates of $340 million in the U.S. and $605 million outside the U.S. at year-end 1997 are primarily in franchised bottling and distribution operations. The primary investment in the U.S. is General Bottlers. Internationally, the largest investments in unconsolidated affiliates are Grupo Embotellador de Mexico, S.A. (Mexico), General Bottlers (Poland), Serm Suk (Thailand) and Sociedad Productora de Refrescos y Sabores, SOPRESA, C.A. (Venezuela) as well as the aggregate of several investments in China.

Snack Foods

The snack food segment (Snack Foods) manufactures, distributes and markets salty and sweet snacks worldwide, with Frito-Lay representing the North American business. Products primarily manufactured and distributed in North America include Lay's and Ruffles brand potato chips, Doritos and Tostitos brand tortilla chips, Fritos brand corn chips, Chee.tos brand cheese flavored snacks, Rold Gold brand pretzels, a variety of dips and salsas and other brands. Low-fat and no-fat versions of several core brands are also manufactured and distributed in North America.

Principal international salty snack markets include Brazil, Mexico, the Netherlands, South Africa, Spain and the U.K. In addition, International Snack Foods manufactures and distributes sweet snacks in certain countries, primarily in France, Mexico and Poland. Snack Foods has

$234 million of investments in several unconsolidated affiliates outside the U.S. at year-end 1997. The largest investments are Snack Ventures Europe, a joint venture with General Mills, Inc., which has operations on the continent of Europe, and an investment in Simba, with operations in South Africa.

Unallocated expenses, net includes corporate headquarters expenses, minority interests and foreign exchange translation and transaction gains and losses. Corporate identifiable assets consist principally of cash and cash equivalents and short-term investments.

Unusual Items Affecting Comparability

	1997	1996	1995
Beverages	$206	$320	$62
Snack Foods	106	-	4
Combined Segments	312	320	66
Equity (Income)/Loss	(22)	256	-
	$290	$576	$66

The 1997 and 1996 unusual items relate to decisions to dispose of and write down assets, improve productivity and strengthen the international bottler structure (see Note 2). Equity (Income)/Loss in 1996 includes charges primarily related to the write down of our investment in Buenos Aires Embotelladora S.A. (BAESA) and our share of the unusual charges recorded by BAESA. The 1995 unusual item reflects the initial, noncash charge upon adoption of SFAS 121.

	1997	1996	1995
NET SALES			
Beverages	$10,541	$10,587	$10,467
Snack Foods	10,376	9,750	8,600
	$20,917	$20,337	$19,067
OPERATING PROFIT (a)			
Beverages	$ 1,114	$ 890	$ 1,309
Snack Foods	1,695	1,608	1,432
Combined Segments	2,809	2,498	2,741
Equity Income/(Loss)	84	(274)	38
Unallocated Expenses, net	(231)	(184)	(173)
	$ 2,662	$ 2,040	$ 2,606

(a) See Unusual Items Affecting Comparability on page F-24.

	1997	1996	1995
	Amortization of Intangible Assets		
Beverages	$ 155	$ 165	$ 167
Snack Foods	44	41	41
	$ 199	$ 206	$ 208
	Depreciation Expense		
Beverages	$ 444	$ 440	$ 445
Snack Foods	394	346	304
Corporate	7	7	7
	$ 845	$ 793	$ 756
	Identifiable Assets		
Beverages	$ 9,752	$ 9,816	$10,032
Snack Foods	6,998	6,279	5,451
Investments in Unconsolidated Affiliates	1,201	1,147	1,253
Corporate	2,150	468	1,464
Net Assets of Discontinued Operations	-	4,450	4,744
	$20,101	$22,160	$22,944
	Capital Spending		
Beverages	$ 618	$ 648	$ 563
Snack Foods	873	973	768
Corporate	15	9	34
	$ 1,506	$ 1,630	$ 1,365
United States	$ 996	$ 1,109	$ 928
International	510	521	437
	$ 1,506	$ 1,630	$ 1,365
	Acquisitions and Investments in Unconsolidated Affiliates		
Beverages	$ 43	$ 75	$ 318
Snack Foods	76	-	82
	$ 119	$ 75	$ 400
United States	$ 3	$ 15	$ 37
International	116	60	363
	$ 119	$ 75	$ 400

GEOGRAPHIC AREAS (b) (page 3 of 3)

	Net Sales		
	1997	1996	1995
Europe	$ 2,327	$ 2,513	$ 2,451
Canada	941	946	889
Mexico	1,541	1,314	1,204
United Kingdom	859	810	751
Other	1,371	1,346	1,371
Total International	7,039	6,929	6,666
United States	13,878	13,408	12,401
Combined Segments	$20,917	$20,337	$19,067

	Segment Operating Profit (Loss)(c)		
	1997	1996	1995
Europe	$ (133)	$ (88)	$ (7)
Canada	105	116	94
Mexico	214	105	135
United Kingdom	106	159	139
Other	(50)	(342)	103
Total International	242	(50)	464
United States	2,567	2,548	2,277
Combined Segments	$ 2,809	$ 2,498	$ 2,741

	Identifiable Assets		
	1997	1996	1995
Europe	$ 1,130	$ 1,224	$ 1,382
Canada	1,013	1,045	1,054
Mexico	685	583	550
United Kingdom	1,582	1,542	1,408
Other	1,670	1,698	1,672
Total International	6,080	6,092	6,066
United States	10,670	10,003	9,417
Combined Segments	16,750	16,095	15,483
Investments in Unconsolidated Affiliates	1,201	1,147	1,253
Corporate	2,150	468	1,464
Net Assets of Discontinued Operations	-	4,450	4,744
	$20,101	$22,160	$22,944

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

(c) The unusual items reduce combined segment operating profit by $290 (United States - $74, Europe - $96, Mexico - $(17), United Kingdom - $53, Other - $84) in 1997, $576 (Europe - $69, Mexico - $4, Other - $503) in 1996 and $66 (Europe - $62, Other - $4) in 1995 (see Unusual Items Affecting Comparability on page F-24).

Note 18 - Selected Quarterly Financial Data

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

	First Quarter (12 Weeks) 1997	First Quarter (12 Weeks) 1996
Net sales	$ 4,213	4,053
Gross profit	$ 2,492	2,387
Unusual items - gain (a)	$ (22)	-
Operating profit	$ 581	532
Income from continuing operations	$ 318	296
Income from discontinued operations (b)	$ 109	98
Net income	$ 427	394
Net income per share - basic		
Continuing operations	$ 0.21	0.19
Discontinued operations	$ 0.07	0.06
Net income	$ 0.28	0.25
Net income per share - assuming dilution		
Continuing operations	$ 0.20	0.18
Discontinued operations	$ 0.07	0.06
Net income	$ 0.27	0.24
Cash dividends declared per share	$ 0.115	0.10
Stock price per share(c)		
High	$34 55/64	33 3/8
Low	$ 29 1/8	27 1/2
Close	$ 32 1/2	31 5/8

	Second Quarter (12 Weeks) 1997	Second Quarter (12 Weeks) 1996
Net sales	$ 5,086	5,075
Gross profit	$ 3,017	2,963
Unusual items - loss (a)	$ 326	-
Operating profit	$ 436	774
Income from continuing operations	$ 176	438
Income from discontinued operations (b)	$ 480	145
Net income	$ 656	583
Net income per share - basic		
Continuing operations	$ 0.11	0.27
Discontinued operations	$ 0.31	0.10
Net income	$ 0.42	0.37
Net income per share - assuming dilution		
Continuing operations	$ 0.11	0.27
Discontinued operations	$ 0.31	0.09
Net income	$ 0.42	0.36
Cash dividends declared per share	$ 0.125	0.115
Stock price per share (c)		
High	$ 39	34 1/2
Low	$ 31 1/4	29 11/16
Close	$ 39	33 1/8

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

	Third Quarter (12 Weeks) 1997	1996
Net sales	$ 5,362	5,159
Gross profit	$ 3,183	3,001
Unusual items - loss (a)	$ -	390
Operating profit	$ 929	333
Income from continuing operations	$ 551	10
Income from discontinued operations (b)	$ 107	134
Net income	$ 658	144
Net income per share - basic		
Continuing operations	$ 0.36	0.01
Discontinued operations	$ 0.07	0.08
Net income	$ 0.43	0.09
Net income per share - assuming dilution		
Continuing operations	$ 0.35	0.01
Discontinued operations	$ 0.07	0.08
Net income	$ 0.42	0.09
Cash dividends declared per share	$ 0.125	0.115
Stock price per share (c)		
High	$39 11/16	35 5/8
Low	$ 35 1/2	28 1/4
Close	$ 37 5/8	28 3/8

	Fourth Quarter (16 Weeks) 1997	1996
Net sales	$ 6,256	6,050
Gross profit	$ 3,700	3,534
Unusual items - (gain)/loss (a)	$ (14)	186
Operating profit	$ 716	401
Income from continuing operations	$ 446	198
Income (loss) from discontinued operations(b)	$ (45)	(170)
Net income	$ 401	28
Net income (loss) per share - basic		
Continuing operations	$ 0.30	0.13
Discontinued operations	$ (0.03)	(0.11)
Net income	$ 0.27	0.02
Net income (loss) per share - assuming dilution		
Continuing operations	$ 0.29	0.13
Discontinued operations	$ (0.04)	(0.10)
Net income	$ 0.25	0.03
Cash dividends declared per share	$ 0.125	0.115
Stock price per share (c)		
High	$ 40	32 7/8
Low	$ 34 1/4	28 1/8
Close	$34 11/16	29 5/8

($ in millions except per share amounts, unaudited)

	Full Year (52 Weeks) 1997	1996
Net sales	$ 20,917	20,337
Gross profit	$ 12,392	11,885
Unusual items - loss (a)	$ 290	576
Operating profit	$ 2,662	2,040
Income from continuing operations	$ 1,491	942
Income from discontinued operations (b)	$ 651	207
Net income	$ 2,142	1,149
Net income per share - basic		
Continuing operations	$ 0.98	0.60
Discontinued operations	$ 0.42	0.13
Net income	$ 1.40	0.73
Net income per share - assuming dilution		
Continuing operations	$ 0.95	0.59
Discontinued operations	$ 0.41	0.13
Net income	$ 1.36	0.72
Cash dividends declared per share	$ 0.49	0.445
Stock price per share (c)		
High	$ 40	35 5/8
Low	$ 29 1/8	27 1/2
Close	$34 11/16	29 5/8

Notes:

(a)Unusual items - (gain)/loss (see Note 2):

	1997 Pre-Tax	1997 After Tax	1997 Per Share	1996 Pre-Tax	1996 After Tax	1996 Per Share
First quarter	$(22)	$ 2	$ -	$ -	$ -	$ -
Second quarter	326	238	0.15	-	-	-
Third quarter	-	-	-	390	376	0.23
Fourth quarter	(14)	(1)	-	186	151	0.10
Full year	$290	$239	$0.15	$576	$527	$0.33

(b)See Note 4.

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

Management's Responsibility for Financial Statements

To Our Shareholders:

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

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

Although no cost-effective internal control system will preclude all errors and irregularities, we believe our controls as of December 27, 1997 provide reasonable assurance that the financial statements are reliable and that our assets are reasonably safeguarded.

Report of Independent Auditors

Board of Directors and Shareholders
PepsiCo, Inc.

We have audited the accompanying consolidated balance sheet of PepsiCo, Inc. and Subsidiaries as of December 27, 1997 and December 28, 1996 and the related consolidated statements of income, cash flows and shareholders' equity for each of the years in the three-year period ended December 27, 1997. 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 27, 1997 and December 28, 1996, and the results of their operations and their cash flows for each of the years in the three-year period ended December 27, 1997, in conformity with generally accepted accounting principles.

As discussed in Note 3 to the consolidated financial statements, PepsiCo, Inc. in 1995 adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

KPMG Peat Marwick LLP
New York, New York
February 3, 1998

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

		1997(a)	1996(a)	1995(b)
Summary of Operations				
Net sales	$	20,917	20,337	19,067
Operating profit	$	2,662	2,040	2,606
Income from continuing operations	$	1,491	942	1,422
Cash Flow Data				
Dividends paid	$	736	675	599
EBITDA from continuing operations (f)	$	4,001	3,479	3,718
Free cash flow from continuing operations (g)	$	1,382	725	556
Share repurchases	$	2,459	1,651	541
Per Share Data				
Income from continuing operations - assuming dilution	$	0.95	0.59	0.88
Cash dividends declared	$	0.49	0.445	0.39
Book value per share at year-end	$	4.62	4.29	4.64
Market price per share at year-end (h)	$	34 11/16	29 5/8	27 15/16
Market price per share at year-end - continuing operations (i)	$	34 11/16	27 15/64	25 43/64
Balance Sheet				
Net assets of discontinued operations (j)	$	-	4,450	4,744
Total assets (k)	$	20,101	22,160	22,944
Long-term debt	$	4,946	8,174	8,248
Total debt (l)	$	4,946	8,174	8,806
Shareholders' equity	$	6,936	6,623	7,313
Other Statistics				
Number of shares repurchased		69.0	54.2	24.6
Shares outstanding at year-end		1,502	1,545	1,576
Average shares outstanding used to calculate income per share from continuing operations - assuming dilution		1,570	1,606	1,608
Employees of continuing operations		142,000	137,000	137,000

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

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

NA - Not available

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

- --

PepsiCo disposed of its Restaurants segment in 1997 and accounted for it as discontinued operations (see Note 4); all information has been reclassified accordingly. Additionally, PepsiCo made numerous acquisitions in most years presented and a few divestitures in certain years. Such transactions do not materially affect the comparability of PepsiCo's operating results for the periods presented. All share and per share amounts reflect a two-for-one stock split in 1996 and per share amounts are computed using average shares outstanding, assuming dilution.

(a) Includes unusual items of $290 ($239 after-tax or $0.15 per share)in 1997 and $576 ($527 after-tax or $0.33 per share) in 1996. See Note 2.
(b) Includes the initial, noncash charge of $66 ($64 after-tax or $0.04 per share) upon adoption of SFAS 121 at the beginning of the fourth quarter.
(c) Includes the cumulative effect of adopting SFAS 112 "Employers' Accounting for Postemployment Benefits" of $77 ($51 after-tax or $0.03 per share) and changing to a preferable method for calculating the market-related value of plan assets used in determining the return-on- asset component of annual pension expense and the cumulative net unrecognized gain or loss subject to amortization of $32 ($20 after- tax or $0.01 per share). Prior years were not restated for these changes in accounting.
(d) Includes a benefit of changing to the preferable method for calculating the market value of plan assets in 1994, which reduced full year pension expense by $29 ($18 after-tax or $0.01 per share).
(e) Fiscal year 1994 consists of 53 weeks. Normally, fiscal years consist of 52 weeks; however, because the fiscal year ends on the last Saturday in December, a week is added every 5 or 6 years. The fifty- third week increased 1994 earnings by approximately $31 ($28 after-tax or $0.02 per share).
(f) Defined as earnings before interest, taxes, depreciation and amortization which is presented net of the noncash portion of unusual items of $233 in 1997, $366 in 1996 and $66 in 1995. EBITDA is used by certain investors as a measure of a company's ability to service its debt. It should be considered in addition to, but not as a substitute for, other measures of financial performance in accordance with generally accepted accounting principles (GAAP).
(g) Defined as net cash provided by operating activities reduced by cash dividends paid and adjusted for the following investing activities: capital spending, sales of businesses, sales of property, plant and equipment and other, net. Free cash flow is a measure we use internally to evaluate our cash flow performance and should be considered in addition to, but not as a substitute for, other measures of financial performance in accordance with GAAP.

(h) Represents historically reported market price of one share of PepsiCo, Inc. capital stock.

(i) Represents approximately 92% of the historical market price of one share of PepsiCo, Inc. capital stock, which is the allocated market value of PepsiCo's packaged goods businesses used by the NYSE on or before October 6, 1997. The remaining 8% represents the market value allocated to TRICON Global Restaurants, Inc.

(j) Represents net assets of discontinued operations (see Note 4), which are included in total assets.

(k) Includes net assets of discontinued operations.

(l) Includes short-term borrowings and long-term debt.

PEPSICO, INC. AND SUBSIDIARIES

SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS
Fiscal Years Ended December 27, 1997, December 28, 1996
and December 30, 1995
(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
1997					
Allowance for doubtful accounts	$ 166	$ 41	$ 7	$ 89	$ 125
Valuation allowance for deferred tax assets	$ 435	$ 47	$ -	$ 24	$ 458
1996					
Allowance for doubtful accounts	$ 132	$ 53	$ 9	$ 28	$ 166
Valuation allowance for deferred tax assets	$ 390	$ 76	$ -	$ 31	$ 435
1995					
Allowance for doubtful accounts	$ 138	$ 37	$ 5	$ 48	$ 132
Valuation allowance for deferred tax assets	$ 262	$ 149	$ -	$ 21	$ 390

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

PEPSICO

EXECUTIVE INCOME DEFERRAL

PROGRAM

As Amended and Restated

Effective July 1, 1997

PEPSICO
EXECUTIVE INCOME DEFERRAL PROGRAM

TABLE OF CONTENTS

ARTICLE I

INTRODUCTION

PepsiCo, Inc. (the "Company") established the PepsiCo Executive Income Deferral Program in 1972 to permit eligible executives to defer certain cash awards made under its executive compensation programs. Subsequently, the PepsiCo Executive Income Deferral Program (the "Plan") was expanded to permit eligible executives to defer base pay, certain other categories of executive compensation and gains on Performance Share Stock Options.

Except as otherwise provided, this document sets forth the terms of the Plan as in effect on July 1, 1997. As of that date, it specifies the group of executives of the Company and certain affiliated employers eligible to make deferrals, the procedures for electing to defer compensation and the Plan's provisions for maintaining and paying out amounts that have been deferred. Additional provisions applicable to certain executives are set forth in the Appendix, which modifies and supplements the general provisions of the Plan.

The Plan is unfunded and unsecured. Amounts deferred by an executive are an obligation of that executive's individual employer. With respect to his employer, the executive has the rights of a general creditor.

ARTICLE II

DEFINITIONS

When used in this Plan, the following underlined terms shall have the meanings set forth below unless a different meaning is plainly required by the context:

The account maintained for a Participant on the books of his Employer to determine, from time to time, the Participant's interest under this Plan. The balance in such Account shall be determined by the Plan Administrator. Each Participant's Account shall consist of at least one Deferral Subaccount for each separate deferral under Section 3.2. In accordance with Section 4.3, some or all of a separate deferral may be held in a Risk of Forfeiture Subaccount. The Plan Administrator may also establish such additional subaccounts as it deems necessary for the proper administration of the Plan. Where appropriate, a reference to a Participant's Account shall include a reference to each applicable subaccount that has been established thereunder.

adjusted base salary, as determined by the Plan Administrator and to the extent paid in U.S. dollars from an Employer's U.S. payroll. For any applicable payroll period, an eligible Employee's adjusted base salary shall be determined after reductions for applicable tax withholdings, Employee authorized deductions (including deductions for SaveUp, Benefits Plus and charitable donations), tax levies, garnishments and such other amounts as the Plan Administrator recognizes as reducing the amount of base salary available for deferral.

: An eligible Employee's adjusted annual incentive award under the his Employer's annual incentive plan or the Executive Incentive Compensation Plan, as determined and adjusted by the Plan Administrator and to the extent paid in U.S. dollars from an Employer's U.S. payroll. An eligible Employee's annual incentive awards shall be adjusted to reduce them for applicable tax withholdings, Employee authorized deductions (including deductions for SaveUp, Benefits Plus and charitable donations), tax levies, garnishments and such other amounts as the Plan Administrator recognizes as reducing the amount of such awards available for deferral.

: The person or persons who a Participant properly designates, as determined by the Plan Administrator, to receive the amounts in one or more of the Participant's subaccounts in the event of the Participant's death. To be effective, any Beneficiary designation must be in writing, signed by the Participant, and filed with the Plan Administrator prior to the Participant's death, and it must meet such other standards as the Plan Administrator shall require from time to time. If no designation is in effect at the time of a Participant's death or if all designated Beneficiaries have predeceased the Participant, then the Participant's Beneficiary shall be his estate. A Beneficiary designation of an individual by name (or name and relationship) remains in effect regardless of any change in the designated individual's relationship to the Participant. A Beneficiary designation solely by relationship (for example, a designation of "spouse," that does not give the name of the spouse) shall designate whoever is the person in that relationship to the Participant at his death. An individual who is otherwise a Beneficiary with respect to a Participant's Account ceases to be a Beneficiary when all payments have been made from the Account.

: The Internal Revenue Code, as amended.

: PepsiCo, Inc., a North Carolina corporation, or its successor or successors.

: A subaccount of a Participant's Account maintained to reflect his interest in the Plan attributable to each deferral of Base Compensation, Bonus Compensation, Performance Unit Payout and Stock Option Gains, respectively, and earnings or losses credited to such subaccount in accordance with Section 4.1(b).

: A Participant who is entitled to receive benefits under the PepsiCo Long Term Disability Plan shall be deemed to suffer from a disability. Participants who are not eligible to participate in the PepsiCo Long Term Disability Plan shall be deemed to suffer to from a disability if, in the judgment of the Plan Administrator, they satisfy the standards for disability under the PepsiCo Long Term Disability Plan.

: July 1, 1997. Effective Date

: The form prescribed by the Plan Administrator on which a Participant specifies the amount of his Base Compensation, Bonus Compensation, Performance Unit Payout or Stock Option Gains to be deferred pursuant to the provisions of Article III.

: Any person in a salaried classification of an Employer who (i) is receiving remuneration for personal services rendered in the employment of the Employer, (ii) is either a United States citizen or a resident alien lawfully admitted for permanent residence in the United States, and (iii) is paid in U.S. dollars from the Employer's U.S. payroll.

: The Company and each of the Company's subsidiaries and affiliates that is currently designated as an Employer by the Plan Administrator.

: The Employee Retirement Income Security Act of 1974, as amended.

: For purposes of converting a Participant's deferrals to PepsiCo Capital Stock as of any date, the Fair Market Value of PepsiCo Capital Stock is determined as the average of the high and low price on such date for PepsiCo Capital Stock as reported on the composite tape for securities listed on the New York Stock Exchange, Inc., rounded to four decimal places. For purposes of determining the value of a Plan distribution or for reallocating amounts between phantom investment options under the Plan, the Fair Market Value of PepsiCo Captial Stock is determined as the closing price on the applicable Valuation Date (identified based on the Plan Administrator's current procedures) for PepsiCo Capital Stock, whichever is applicable, as reported on the composite tape for securities listed on the New York Stock Exchange, Inc., rounded to four decimal places.

: Any Employee eligible pursuant to Section 3.1 who has satisfied the requirements for participation in this Plan and who has an Account. A Participant includes any individual who deferred compensation prior to the Effective Date and for whom any Employer maintains on its books an Account for such deferred compensation as of the Effective Date. An active Participant is one who is currently deferring under Section 3.2.

: The adjusted performance unit award payable to an Employee under the Company's Long Term Incentive Plan during a Plan Year, to the extent paid in U.S. dollars from an Employer's U.S. payroll. An eligible Employee's performance unit award shall be adjusted to reduce it for applicable tax withholdings, Employee authorized deductions, tax levies, garnishments and such other amounts as the Plan Administrator recognizes as reducing the amount of such awards available for deferral.

: The PepsiCo Executive Income Deferral Program, as it may be amended from time to time.

: The Compensation Committee of the Board of Directors of the Company or its delegate or delegates.

: The 12-month period from January 1 to December 31.

: Termination of service with the Company and its affiliates after attaining eligibility for retirement. A Participant attains eligibility for retirement when he attains at least age 55 with 10 or more years of service, or at least age 65 with 5 or more years of service (whichever occurs earliest) while in the employment of the Company or its affiliates. A Participant's service is determined under the terms of the PepsiCo Salaried Employees Retirement Plan.

: The subaccount provided for by Section 4.3 to contain the portion of each separate deferral that is subject to forfeiture.

: The gains on an eligible Employee's Performance Share Stock Options that are available for deferral under the Plan pursuant to Section 3.3(c). With respect to any options that are made subject to a Stock Option Gain deferral election, the gains on such options shall be determined through a sale of related shares by the Plan Administrator net of: (i) the exercise price of the options, (ii) any transaction costs incurred when such gains are captured through the sale of related shares, and (iii) any related taxes that the Plan Administrator determines will not otherwise be satisfied by the Participant. For purposes of such sales, the Plan Administrator may aggregate shares related to the options of different Participants, sell them over one or more days and divide the net proceeds from such aggregate sales between the Participants in a reasonable manner. The Plan Administrator shall have absolute discretion with respect to the timing and aggregation of such sales.

: A Participant's cessation of employment with the Company, all Employers and all other Company subsidiaries and affiliates (as defined for this purpose by the Plan Administrator). For purposes of determining forfeitures under Section 4.3 and distributing a Participant's Account under Section 4.4, the following shall apply:

(a) A Participant does not have a Termination of Employment when the business unit or division of the Company that employs him is sold if the Participant and substantially all employees of that entity continue to be employed by the entity or its successor after the sale. A Participant also does not have a Termination of Employment when the subsidiary of the Company that employs him is sold if: (i) the Participant continues to be employed by the entity or its successor after the sale, and (ii) the Participant's interest in the Plan continues to be carried as a liability by that entity or its successor after the sale through a successor arrangement. In each case, the Participant's Termination of Employment shall occur upon the Participant's post-sale termination of employment from such entity or its successor (and their related organizations, as determined by the Plan Administrator).

(b) With respect to any individual deferral, the term "Termination of Employment" may encompass a Participant's death or death may be considered a separate event, depending upon the convention the Plan Administrator follows with respect to such deferral.

: Each date as of which Participant Accounts are valued in accordance with procedures of the Plan Administrator that are currently in effect. As of the Effective Date, the Valuation Dates are March 31, June 30, September 30 and December 31. Values are determined as of the close of a Valuation Date or, if such date is not a business day, as of the close of the immediately preceding business day.

ARTICLE III

PARTICIPATION

. 3.1 Eligibility to Participate

(a) An Employee shall be eligible to defer compensation under the Plan while employed by an Employer at salary grade level 14 or above. Notwithstanding the preceding sentence, from time to time the Plan Administrator may modify, limit or expand the class of Employees eligible to defer hereunder, pursuant to criteria for eligibility that need not be uniform among all or any group of Employees. During the period an individual satisfies all of the eligibility requirements of this section, he shall be referred to as an eligible Employee.

(b) Each eligible Employee becomes an active Participant on the date an amount is first withheld from his compensation pursuant to an Election Form submitted by the Employee to the Plan Administrator under Section 3.3.

(c) An individual's eligibility to participate actively by making deferrals under Section 3.2 shall cease upon the earlier of:

(1) The date he ceases to be an Employee who is employed by an Employer at salary grade level 14 or above; or

(2) The date the Employee ceases to be eligible under

criteria described in the last sentence of subsection (a) above.

(d) An individual, who has been an active Participant under the Plan, ceases to be a Participant on the date his Account is fully paid out.

. 3.2 Deferral Election

(a) Each eligible Employee may make an election to defer under the Plan any whole percentage (up to 100%) of his Base Compensation, Bonus Compensation, Performance Unit Payout or Stock Option Gains in the manner described in Section 3.3. Any amount of Base Compensation deferred by an eligible Employee for a Plan Year will be deducted each pay period during the Plan Year for which he has Base Compensation and is an eligible Employee. The amount of Bonus Compensation or Performance Unit Payout deferred by an Eligible Employee for a Plan Year will be deducted from his payment under the applicable compensation program at the time it would otherwise be made, provided he remains an eligible Employee at such time. Any Stock Option Gains deferred by an eligible Employee shall be captured as of the date or dates applicable for the category of underlying options under procedures adopted by the Plan Administrator, provided that the Plan Administrator determines the eligible Employee's rights in such options may still be recognized at such time.

(b) To be effective, an Eligible Employee's Election Form must set forth the percentage of Base Compensation, Bonus Compensation or Performance Unit Payout to be deferred (or for a deferral of Stock Option Gains, the specific options on which any gains are to be deferred), the investment choice under Section 4.1 (in multiples of 5 percent), the deferral period under Section 3.4, the eligible Employee's Beneficiary designation, and any other information that may be requested by the Plan Administrator from time to time. In addition, the Election Form must meet the requirements of Section 3.3 below.

. 3.3 Time and Manner of Deferral Election

(a) Deferrals of Base Compensation. Subject to the next two sentences, an eligible Employee must make a deferral election for a Plan Year with respect to Base Compensation at least two months prior to the Plan Year in which the Base Compensation would otherwise be paid. An individual who newly becomes an eligible Employee during a Plan Year (or less than three months prior to a Plan Year) may make a deferral election with respect to Base Compensation to be paid during the balance of the current Plan Year within 30 days of the date the individual becomes an eligible Employee. Such an individual may also make an election at this time with respect to Base Compensation to be paid during the next Plan Year.

(b) Deferrals of Bonuses and Performance Unit Payouts. Subject to the next sentence, an eligible Employee must make a deferral election for a Plan Year with respect to his Bonus Compensation or Performance Unit Payout at least six months prior to the Plan Year in which the Bonus Compensation or Performance Unit Payout would otherwise be paid. An individual who newly becomes an eligible Employee may make a deferral election with respect to his Bonus Compensation or Performance Unit Payout to be paid during the succeeding Plan Year so long as the deferral election is made within 30 days of the date the individual becomes an eligible Employee and prior to the first day of such succeeding Plan Year.

(c) Deferrals of Stock Option Gains. From time to time, the Plan Administrator shall notify eligible Employees with outstanding Performance Share Options which options then qualify for deferral of their related Stock Option Gains. An eligible Employee who has qualifying options must make a deferral election with respect to his related Stock Option Gains at least 6 months before such qualifying options' proposed capture date (as defined below) or, if earlier, in the calendar year preceding the year of the proposed capture date. The "proposed capture date" for a set of options shall be the earliest date that the Plan Administrator would capture a Participant's Stock Option Gains in accordance with the deferral agreement prepared for such purpose by the Plan Administrator.

(d) General Provisions. A separate deferral election under (a), (b) or (c) above must be made by an eligible Employee for each category of a Plan Year's compensation that is eligible for deferral. If an eligible Employee fails to file a properly completed and executed Election Form with the Plan Administrator by the prescribed time, he will be deemed to have elected not to defer any Base Compensation, Bonus Compensation, Performance Unit Payout or Stock Option Gains, as the case may be, for the applicable Plan Year. An election is irrevocable once received and determined by the Plan Administrator to be properly completed. Increases or decreases in the amount or percentage a Participant elects to defer shall not be permitted during a Plan Year. Notwithstanding the preceding three sentences, to the extent necessary because of extraordinary circumstances, the Plan Administrator may grant an extension of any election period and may permit (to the extent necessary to avoid undue hardship to an eligible Employee) the complete revocation of an election with respect to future deferrals. Any such extension or revocation shall be available only if the Plan Administrator determines that it shall not trigger constructive receipt of income and is desirable for plan administration, and only upon such conditions as may be required by the Plan Administrator.

(e) Beneficiaries. A Participant designates on the Election Form a Beneficiary to receive payment in the event of his death of amounts credited to his Account. A Beneficiary is paid in accordance with the terms of a Participant's Election Form, as interpreted by the Plan Administrator in accordance with the terms of this Plan. At any time, a Participant may change a Beneficiary designation for any or all subaccounts in a writing that is signed by the Participant and filed with the Plan Administrator prior to the Participant's death, and that meets such other standards as the Plan Administrator shall require from time to time.

3.4 Period of Deferral. An eligible Employee making a deferral election shall specify a deferral period on his Election Form by designating a specific payout date, one or more specific payout events or both a date and one or more specific events from the choices that are made available to the eligible Employee by the Plan Administrator. Subject to the next sentence, an eligible Employee's elected period of deferral shall run until the earliest occurring date or event specified on his Election Form. Notwithstanding an eligible Employee's actual election, an eligible Employee shall be deemed to have elected a period of deferral of not less than:

(a) For Base Compensation, at least 6 months after the Plan Year during which the Base Compensation would have been paid absent the deferral;

(b) For Bonus Compensation, at least 1 year after the date the Bonus Compensation would have been paid absent the deferral;

(c) For Performance Unit Payouts, at least 1 year after the date the Performance Unit Payout would have been paid absent the deferral; and

(d) For Stock Option Gains, at least 1 year after the date the Stock Option Gain is credited to a Deferral Subaccount for the benefit of the Participant.

ARTICLE IV

INTERESTS OF PARTICIPANTS

. 4.1 Accounting for Participants' Interests

(a) Deferral Subaccounts. Each Participant shall have a separate Deferral Subaccount credited with the amount of each separate deferral of Base Compensation, Bonus Compensation, Performance Unit Payout or Stock Option Gains made by the Participant under this Plan. A Participant's deferral shall be credited to his Account as soon as practicable following the date when the deferral of compensation actually occurs, as determined by the Plan Administrator. A Participant's Account is a bookkeeping device to track the value of his deferrals (and his Employer's liability therefor). No assets shall be reserved or segregated in connection with any Account, and no Account shall be insured or otherwise secured.

(b) Account Earnings or Losses. As of each Valuation Date, a Participant's Account shall be credited with earnings and gains (and shall be debited for expenses and losses) determined as if the amounts credited to his Account had actually been invested as directed by the Participant in accordance with this section (as modified by Section 4.3). The Plan provides only for "phantom investments," and therefore such earnings, gains, expenses and losses are hypothetical and not actual. However, they shall be applied to measure the value of a Participant's Account and the amount of his Employer's liability to make deferred payments to or on behalf of the Participant.

(c) Investment Options. Each of a Participant's Subaccounts (other than those containing Stock Option Gains) shall be invested on a phantom basis in any combination of phantom investment options specified by the Participant (or following the Participant's death, by his Beneficiary) from those offered by the Plan Administrator from time to time. Subsection (e) below governs the phantom investment options available for deferrals of Stock Option Gains. The Plan Administrator may discontinue any phantom investment option with respect to some or all Accounts, and it may provide for shifting a Participant's phantom investment from the discontinued option to a specified replacement option (unless the Participant selects another replacement option in accordance with such requirements as the Plan Administrator may apply). As of the Effective Date, the phantom investment options are:

(1) Interest Bearing Account. Participant Accounts invested in this phantom option accrue a return based upon the prime rate of interest announced from time to time by Citibank, N.A. (or another bank designated by the Plan Administrator from time to time). Returns accrue during the period since the last Valuation Date based on the prime rate in effect on the first business day after such Valuation Date and are compounded annually. An amount deferred or transferred into this option is credited with the applicable rate of return beginning with the date as of which the amount is invested in this option by the Plan Administrator.

(2) PepsiCo Capital Stock Account. Participant Accounts invested in this phantom option are adjusted to reflect an investment in PepsiCo Capital Stock. An amount deferred or transferred into this option is converted to phantom shares of PepsiCo Capital Stock of equivalent value by dividing such amount by the Fair Market Value of a share of PepsiCo Capital Stock on the date as of which the amount is invested in this option by the Plan Administrator. Only whole shares are determined. Any remaining amount (and all amounts that would be received by the Account as dividends, if dividends were paid on phantom shares of PepsiCo Capital Stock as they are on actual shares) are credited to a dividend subaccount that is invested in the phantom option in paragraph (1) above (the Interest Bearing Account).

(i) A Participant's interest in the PepsiCo Capital Stock Account is valued as of a Valuation Date by multiplying the number of phantom shares credited to his Account on such date by the Fair Market Value of a share of PepsiCo Capital Stock on such date, and then adding the value of the Participant's dividend subaccount.

(ii) If shares of PepsiCo Capital Stock change by reason of any stock split, stock dividend, recapitalization, merger, consolidation, spinoff, combination or exchange of shares or other similar corporate change, such equitable adjustment shall be made in the number of shares credited to an Account or subaccount as the Plan Administrator may determine to be necessary or appropriate.

In no event will shares of PepsiCo Capital Stock actually be purchased or held under this Plan, and no Participant shall have any rights as a shareholder of PepsiCo Capital Stock on account of an interest in this phantom option.

(3) SaveUp Accounts. From time to time, the Plan Administrator shall designate which of the investment options under the Company's Long Term Savings Plan (SaveUp) shall be available as phantom investment options under this Plan. As of the Effective Date, such available phantom options are the Equity-Index Account, Equity-Income Account, and the Security Plus Account. Participant Accounts invested in these phantom options are adjusted to reflect an investment in the corresponding investment options under SaveUp. An amount deferred or transferred into one of these options is converted to phantom units in the applicable SaveUp fund of equivalent value by dividing such amount by the value of a unit in such fund on the date as of which the amount is invested in this option by the Plan Administrator. Thereafter, a Participant's interest in each such phantom option is valued as of a Valuation Date by multiplying the number of phantom units credited to his Account on such date by the value of a unit in the applicable SaveUp fund.

(d) Method of Allocation. With respect to any deferral election by a Participant, the Participant must use his Election Form to allocate the deferral in 5 percent increments among the phantom investment options then offered by the Plan Administrator. Thereafter, a Participant may reallocate previously deferred amounts in a subaccount by properly completing and submitting a fund transfer form provided by the Plan

Administrator and specifying, in 5 percent increments, the reallocation of his Subaccount among the phantom investment options then offered by the Plan Administrator. Any such transfer form shall be effective as of the Valuation Date that follows its receipt by at least the number of days that the Plan Administrator specifies for this purpose from time to time. If more than one transfer form is received on a timely basis for a subaccount, the transfer form that the Plan Administrator determines to be the most recent shall be followed.

(e) Investment Choices for Stock Option Gains. Deferrals of Stock Option gains initially may be invested only in the PepsiCo Capital Stock Account. In the case of a Participant who has attained his Retirement, the Plan Administrator may make available some or all of the other phantom investment options described in subsection (c) above. In this case, any election to reallocate the balance in the Participant's applicable Deferral Subaccount shall be governed by the foregoing provisions of this section.

. Except as provided in Section 4.3, a Participant's interest in the value of his Account shall at all times be 100 percent percent vested, which means that it will not forfeit as a result of his Termination of Employment.

4.3 Risk of Forfeiture Subaccounts. A Participant may elect to defer Base Compensation, Bonus Compensation or Performance Unit Payouts to a Risk of Forfeiture Subaccount only if: (i) he had, as of June 1, 1994, a deferred compensation subaccount maintained under a forfeiture agreement (as defined below), and (ii) he is not yet eligible for Retirement when the first amount would be deferred pursuant to his current risk-of-forfeiture election. A "forfeiture agreement" is an agreement with the Company, any Employer, or one of their predecessors providing that the subaccount would be forfeited if the employee terminated employment voluntarily or on account of misconduct prior to Retirement.. A Participant who meets these requirements may elect under Article III to defer some or all of his eligible compensation to a Risk of Forfeiture Subaccount subject to the following terms.

(a) A Risk of Forfeiture Subaccount will be terminated and forfeited in the event that the Participant has a Termination of Employment that is voluntary or because of his misconduct prior to the earliest of:

(1) The end of the deferral period designated in his Election Form for such deferral;

(2) The date the Participant becomes eligible for Retirement (as specified above); or

(3) The date indicated on his Election Form as the end of the risk of forfeiture condition (but not before completing the minimum risk of forfeiture period required by the Plan Administrator from time to time).

(b) A Risk of Forfeiture Subaccount shall become fully vested (and shall cease to be a Risk of Forfeiture Subaccount) when:

(1) The Participant reaches any of the dates in subsection (a) above while still employed by the Company or one of its affiliates, or

(2) On the date the Participant terminates involuntarily from his Employer (including death and termination for Disability), provided that such termination is not for his misconduct.

(c) No amounts credited to a Risk of Forfeiture Subaccount may be transferred to a subaccount of the Participant that is not a Risk of Forfeiture Subaccount. No amounts credited to a subaccount of the Participant that is not a Risk of Forfeiture Subaccount may be transferred to a Risk of Forfeiture Subaccount.

(d) A Participant may initially direct and then reallocate his Risk of Forfeiture Subaccount to any of the phantom investment options under the Plan that are currently available for such direction or reallocation, whichever applies. During the period before a Risk of Forfeiture Subaccount ceases to be a Risk of Forfeiture Subaccount, the return under any such phantom investment option shall be supplemented as follows.

(1) In the case of the PepsiCo Capital Stock Account, the Participant's dividend subaccount thereunder shall be credited with an additional year-end dividend amount equal to 2 percent of the average closing price of PepsiCo Capital Stock for the 30 business days preceding the end of the Company's fiscal year

multiplied by the number of phantom shares of PepsiCo Capital Stock credited to the Participant's Account as of the end of the year. If the Participant's subaccount was not a Risk of Forfeiture Subaccount for the entire year (or if the Participant reallocated amounts to the PepsiCo Capital Stock Account after the beginning of the year), this 2 percent additional dividend will be prorated down appropriately, as determined by the Plan Administrator. In addition, the Participant's dividend subaccount shall earn interest at a rate that is 2 percent above the rate ordinarily applicable under the Interest Bearing Account for the period that it is contained within a Risk of Forfeiture Subaccount.

(2) In the case of any other available phantom investment option, the return on each such option shall be supplemented with an additional 2% annual return for the period that it is held within a Risk of Forfeiture Subaccount (but prorated for periods of such investment of less than a year).

. A Participant's Account shall be distributed in cash as provided in this Section 4.4.

(a) Scheduled Payout Date. With respect to a specific deferral, a Participant's "Scheduled Payout Date" shall be the earlier of:

(1) The date selected by the Participant for such deferral in accordance with Section 3.4, or

(2) The first day of the calendar quarter that follows the earliest to occur event selected by the Participant for such deferral in accordance with Section 3.4.

Notwithstanding the prior sentence, in the case of a deferral of Stock Option Gains, a Participant's Scheduled Payout Date for such deferral shall be first day of the calendar quater following his Termination of Employment other than for death, Disability or Retirement (or 12 months after the date of the deferral, if that would be later than such first day). Unless an election has been made in accordance with subsection (b) below, the Participant's subaccount containing the deferral shall be distributed to the Participant in a single lump sum as soon as practicable following the Scheduled Payout Date.

(b) Payment Election. A Participant may delay receipt of a subaccount beyond its Scheduled Payout Date, or elect to receive installments rather than a lump sum, by making a payment election under this subsection. A payment election must be made by the calendar year before the year containing the Scheduled Payout Date (or if earlier, at least 6 months before the Scheduled Payout Date). Any payment election to receive a lump sum at a later time must specify a revised payout date that is at least 12 months after the Scheduled Payout Date. Any payment election to receive installment payments in lieu of a lump sum shall specify the amount (or method for determining) each installment and a set of revised payout dates, the last of which must be at least 12 months after the Scheduled Payout Date. With respect to any subaccount, only one election may be made under this subsection. Beneficiaries are not permitted to make elections under this subsection. In addition, an election under this subsection may not delay the distribution of a deferral of Stock Option Gains made by a Participant whose employment has terminated other than for death, Disability or Retirement. Actual payments shall be made as soon as practicable following a revised payout date.

(c) Valuation. In determining the amount of any individual distribution pursuant to subsection (a) or (b) above, the Participant's subaccount shall continue to be credited with earnings and gains (and debited for expenses and losses) under Sections 4.1 and 4.3 until the Valuation Date preceding the Scheduled Payout Date or revised payout date for such distribution (whichever is applicable). In determining the value of a Participant's remaining subaccount following an installment distribution, such installment distribution shall reduce the value of the Participant's subaccount as of the close of the Valuation Date preceding the revised payout date for such installment.

(d) Limitations. The following limitations apply to distributions from the Plan.

(1) Installments may only be made quarterly, semi-annually or annually, for a period of no more than 20 years, and not later than the Participant's 80th birthday (or what would have been his 80th birthday, if the Participant dies earlier).

(2) If a Participant has elected a Scheduled Payout Date

that would be after his 80th birthday, the Participant shall be deemed to have elected his 80th birthday as his Scheduled Payout Date.

(3) If a Participant has elected to defer income, which would qualify as performance-based compensation under Code section 162(m), into a Risk of Forfeiture Subaccount, then such subaccount may not be paid out at any time while the Participant is a covered employee under Code section 162(m)(3), to the extent the Plan Administrator determines it would result in compensation being paid to the Participant in such year that would not be deductible under Code section 162(m). The payout of any such amount shall be deferred until a year when the Participant is no longer a section 162(m) covered employee. The Plan Administrator may waive the foregoing provisions of this paragraph to the extent necessary to avoid an undue hardship to the Participant. This paragraph shall apply notwithstanding any provision of the Plan to the contrary.

(e) Upon a Participant's death, his Beneficiary shall be paid each subaccount still standing to the Participant's credit under the Plan in accordance with the terms of the Participant's payout election for such subaccount under Section 3.4, or his payment election under subsection (b) above, whichever is applicable.

Except as expressly provided in this Section 4.5, no payments shall be made under this Plan prior to the date (or dates) applicable under Section 4.4.

(a) A Participant who is suffering severe financial hardship resulting from extraordinary and unforeseeable events beyond the control of the Participant (and who does not have other funds reasonably available that could satisfy the severe financial hardship) may file a written request with the Plan Administrator for accelerated payment of all or a portion of the amount credited to his Account. A committee composed of representatives from the Company's Compensation Department, Tax Department and Law Department, or such other parties as the Plan Administrator may specify from time to time, shall have sole discretion to determine whether a Participant satisfies the requirements for a hardship request and the amount that may be distributed (which shall not exceed the amount reasonably necessary to alleviate the Participant's hardship).

(b) After a Participant has filed a written request pursuant to this section, along with all supporting material, the committee shall grant or deny the request within 60 days (or such other number of days as is customarily applied from time to time) unless special circumstances warrant additional time.

(c) The Plan Administrator may adjust the standards for hardship withdrawals from time to time to the extent it determines such adjustment to be necessary to avoid triggering constructive receipt of income under the Plan.

(d) A Beneficiary may also request a hardship distribution upon satisfaction of the foregoing requirements and subject to the foregoing limitations.

(e) When some or all of a Participant's subaccount is distributed pursuant to this section, the distribution and the subaccount shall be valued as provided by the Plan Administrator, using rules patterned after those in Section 4.4(c) above, on the Valuation Date coincident with or immediately preceding the date on which approval for accelerated payment is granted.

ARTICLE V

PLAN ADMINISTRATOR

. The Plan Administrator is the Compensation Committee of the Company's Board of Directors (the "Committee") or its delegate or delegates, who shall act within the scope of their delegation pursuant to such operating guidelines as the Committee shall establish from time to time. The Plan Administrator is responsible for the administration of the Plan.

. Action by the Committee may be taken in accordance with procedures that the Committee adopts from time to time or that the Company's Law Department determines are legally permissible.

. The Plan Administrator shall administer and manage the Plan and shall have all powers necessary to accomplish that purpose, including (but not limited to) the following:

(a) To exercise its discretionary authority to construe, interpret, and administer this Plan;

(b) To exercise its discretionary authority to make all decisions regarding eligibility, participation and deferrals, to make allocations and determinations required by this Plan, and to maintain records regarding Participants' Accounts;

(c) To compute and certify to the Employer the amount and kinds of payments to Participants or their Beneficiaries, and to determine the time and manner in which such payments are to be paid;

(d) To authorize all disbursements by the Employer pursuant to this Plan;

(e) To maintain (or cause to be maintained) all the necessary records for administration of this Plan;

(f) To make and publish such rules for the regulation of this Plan as are not inconsistent with the terms hereof;

(g) To delegate to other individuals or entities from time to time the performance of any of its duties or responsibilities hereunder;

(h) To establish or to change the phantom investment options or arrangements under Article IV; and

(i) To hire agents, accountants, actuaries, consultants and legal counsel to assist in operating and administering the Plan.

The Plan Administrator has the exclusive and discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits, to determine the amount and manner of payment of such benefits and to make any determinations that are contemplated by (or permissible under) the terms of this Plan, and its decisions on such matters will be final and conclusive on all parties. Any such decision or determination shall be made in the absolute and unrestricted discretion of the Plan Administrator, even if (A) such discretion is not expressly granted by the Plan provisions in question, or (B) a determination is not expressly called for by the Plan provisions in question, and even though other Plan provisions expressly grant discretion or call for a determination. In the event of a review by a court, arbitrator or any other tribunal, any exercise of the Plan Administrator's discretionary authority shall not be disturbed unless it is clearly shown to be arbitrary and capricious.

. The Plan Administrator will serve without bond and without compensation for services hereunder. All expenses of the Plan and the Plan Administrator will be paid by the Employer. No member of the Committee, and no individual acting as the delegate of the Committee, shall be liable for any act or omission of any other member or individual, nor for any act or omission on his own part, excepting his own willful misconduct. The Employer will indemnify and hold harmless each member of the Committee and any individual or individuals acting as the delegate of the Committee against any and all expenses and liabilities, including reasonable legal fees and expenses, arising out of his membership on the Committee (or his serving as the delegate of the Committee), excepting only expenses and liabilities arising out of his own willful misconduct.

. If the whole or any part of any Participant's Account becomes liable for the payment of any estate, inheritance, income, or other tax which the Employer may be required to pay or withhold, the Employer will have the full power and authority to withhold and pay such tax out of any moneys or other property in its hand for the account of the Participant. The Employer will provide the Participant notice of such withholding. Prior to making any payment, the Employer may require such releases or other documents from any lawful taxing authority as it shall deem necessary.

ARTICLE VI

CLAIMS PROCEDURE

. If a Participant or Beneficiary (hereafter, "Claimant") does not receive timely payment of any benefits which he believes are due and payable under the Plan, he may make a claim for benefits to the Plan Administrator. The claim for benefits must be in writing and addressed to the Plan Administrator or to the Company. If the claim for benefits is denied, the Plan Administrator will notify the Claimant in writing within 90 days after the Plan Administrator initially received the benefit claim. However, if special circumstances require an extension of time for processing the claim, the Plan Administrator will furnish notice of the extension to the Claimant prior to the termination of the initial 90-day period and such extension may not exceed one additional, consecutive 90-day period. Any notice of a denial of benefits should advise the Claimant of the basis for the denial, any additional material or information necessary for the Claimant to perfect his claim, and the steps which the Claimant must take to have his claim for benefits reviewed.

. Each Claimant whose claim for benefits has been denied may file a written request for a review of his claim by the Plan Administrator. The request for review must be filed by the Claimant within 60 days after he received the written notice denying his claim. The decision of the Plan Administrator will be made within 60 days after receipt of a request for review and will be communicated in writing to the Claimant. Such written notice shall set forth the basis for the Plan Administrator's decision. If there are special circumstances which require an extension of time for completing the review, the Plan Administrator's decision may be rendered not later than 120 days after receipt of a request for review.

ARTICLE VII

AMENDMENT AND TERMINATION

. The Compensation Committee of the Board of Directors of the Company has the right in its sole discretion to amend this Plan in whole or in part at any time and in any manner; provided, however, that no such amendment shall reduce the amount credited to the Account of any Participant as of the date such amendment is adopted. Any amendment shall be in writing and adopted by the Committee or an officer of the Company who is authorized by the Committee for this purpose. All Participants shall be bound by such amendment.

. The Company expects to continue this Plan, but does not obligate itself to do so. The Company, acting by the Compensation Committee of its Board of Directors, reserves the right to discontinue and terminate the Plan at any time, in whole or in part, for any reason (including a change, or an impending change, in the tax laws of the United States or any State). Termination of the Plan will be binding on all Participants (and a partial termination shall be binding upon all affected Participants), but in no event may such termination reduce the amounts credited at that time to any Participant's Account. If this Plan is terminated (in whole or in part), amounts theretofore credited to affected Participants' Accounts may either be paid in a lump sum immediately, or distributed in some other manner consistent with this Plan, as determined by the Plan Administrator in its sole discretion.

ARTICLE VIII

MISCELLANEOUS

. Participation in this Plan does not give any Participant the right to be retained in the Employer's or Company's employ (or any right or interest in this Plan or any assets of the Company or Employer other than as herein provided). The Company and Employer reserve the right to terminate the employment of any Participant without any liability for any claim against the Company or Employer under this Plan, except for a claim for payment of deferrals as provided herein.

. The benefits provided by this Plan are unfunded. All amounts payable under this Plan to Participants are paid from the general assets of the Participant's individual Employer. Nothing contained in this Plan requires the Company or Employer to set aside or hold in trust any amounts or assets for the purpose of paying benefits to Participants. This Plan creates only a contractual obligation on the part of a Participant's individual Employer, and the Participant has the status of a general unsecured creditor of this Employer with respect to amounts of compensation deferred hereunder. No other Employer guarantees or shares such obligation, and no other Employer shall have any liability to the Participant or his Beneficiary. In the event, a Participant transfers from the employment of one Employer to another, the former Employer shall transfer the liability for deferrals made while the Participant was employed by that Employer to the new Employer (and the books of both Employers shall be adjusted appropriately).

. This Plan shall not affect the right of any eligible Employee or Participant to participate in and receive benefits under and in accordance with the provisions of any other employee benefit plans which are now or hereafter maintained by any Employer, unless the terms of such other employee benefit plan or plans specifically provide otherwise or it would cause such other plan to violate a requirement for tax favored treatment.

. Any payment to a Participant in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan Administrator, the Employer and the Company, and the Plan Administrator may require such Participant, as a condition precedent to such payment, to execute a receipt and release to such effect.

. This Plan shall be construed, administered, and governed in all respects in accordance with applicable federal law and, to the extent not preempted by federal law, in accordance with the laws of the State of North Carolina. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

. The Plan Administrator may select any corporation related to the Company by stock ownership as an Employer and permit or cause such corporation to adopt the Plan. The selection by the Plan Administrator shall govern the effective date of the adoption of the Plan by such related Employer.

. In this Plan, whenever the context so indicates, the singular or plural number and the masculine, feminine, or neuter gender shall be deemed to include the other. Headings and subheadings in this Plan are inserted for convenience of reference only and are not considered in the construction of the provisions hereof.

. This Plan inures to the benefit of and is binding upon the parties hereto and their successors, heirs and assigns; provided, however, that the amounts credited to the Account of a Participant are not (except as provided in Section 5.5) 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 any benefits payable hereunder, including, without limitation, any assignment or alienation in connection with a separation, divorce, child support or similar arrangement, will be null and void and not binding on the Plan or the Company or Employer. Notwithstanding the foregoing, the Company reserves the right to make payments in accordance with a divorce decree, judgment or other court order as and when cash payments are made in accordance with the terms of this Plan due to the Account of a Participant and credited against such Account.

. Whenever, in the Plan Administrator's opinion, a Participant or Beneficiary entitled to receive any payment 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 may direct the Employer to make payments to such person or to the legal representative of such person for his benefit, or to apply the payment for the benefit of such person in such manner as the Plan Administrator considers advisable. Any payment in accordance with the provisions of this section shall be a complete discharge of any liability for the making of such payment to the Participant or Beneficiary under the Plan.

. This Plan document encompasses three separate plans of deferred compensation for all legal purposes, including ERISA and federal and state tax law, as set forth in subsections (a), (b) and (c) below.

(a) The portion of the Plan that provides for deferrals of Base Compensation and Bonus Compensation (which shall be known as the "PepsiCo Executive Income Deferral Plan").

(b) The portion of the Plan that provides for deferrals of Performance Unit Payouts (which shall be known as the "PepsiCo Performance Unit Deferral Plan").

(c) The portion of the Plan that provides for deferrals of Stock Option Gains (which shall be known as the "PepsiCo Option Gains Deferral Plan").

Together, these three separate plans of deferred compensation are referred to as the PepsiCo Executive Income Deferral Program.

This _____ day of ____________________, 1997, the above restated Plan is hereby adopted and approved by the Company's duly authorized officer to be effective as stated herein.

PEPSICO, INC.

By:_____________________________________

APPROVED

By: _____________________________
Law Department

PEPSICO EXECUTIVE INCOME DEFERRAL PROGRAM

APPENDIX

The following Appendix articles modify or supplement the general terms of the Plan as it applies to certain executives.

Except as specifically modified in the 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

SPINOFF OF TRICON

This Article sets forth provisions that apply in connection with the Company's spinoff of Tricon Global Restaurants, Inc.

A.1 Definitions: When used in this Article, the following underlined terms shall have the meanings set forth below. Except as otherwise provided in this Article, all terms that are defined in Article II of the Plan shall have the meaning assigned to them by Article II.

(a) Distribution Date: The "Distribution Date" as that term is defined in the 1997 Separation Agreement between PepsiCo, Inc. and Tricon.

(b) PepsiCo Account Holder: A Participant who has an interest in the PepsiCo Capital Stock Account on the Reference Date.

(c) Reference Date: The date specified by the Plan Administrator for purposes of determining who shall be credited with an interest in the Tricon Common Stock Account.

(d) Transferred Individual: A "Transferred Individual" as that term is defined in the 1997 Employee Programs Agreement between PepsiCo, Inc. and Tricon.

(e) Transition Individuals: A "Transition Individual" as that term is defined in the 1997 Employee Programs Agreement between PepsiCo, Inc. and Tricon.

(f) Tricon: Tricon Global Restaurants, Inc., a North Carolina Corporation.

(g) Tricon Account Holder: A PepsiCo Account Holder whose interest in the PepsiCo Capital Stock Account on the Reference Date includes at least 10 phantom shares of PepsiCo Capital Stock.

A.2 Transfer of Benefits and Liabilities. Effective as of the end of the day on the Distribution Date, all interests in the Plan of (and Plan liabilities with respect to) nonterminated Transferred Individuals shall be transferred to the Tricon Executive Income Deferral Program. This transfer shall constitute a complete payout of these individuals' Accounts for purposes of determining who is a Participant or Beneficiary under the Plan. For this purpose, a Transferred Individual shall be considered "nonterminated" if he is actively employed by (or on a leave of absence from and expected to return to) Tricon and any of its affiliates, as of the end of the day on the Distribution Date.

A.3 Cessation of Employer Status. Effective as of the end of the day on the Distribution Date, any Employer who is a member of the Tricon corporate group (Tricon and its affiliates, as determined by the Plan Administrator) shall no longer qualify as Employers hereunder. Any individual whose Account is transferred in accordance with Section A.2 shall not thereafter be able to defer any compensation (including Stock Option Gains) under this Plan, unless he returns to employment with an Employer following the Distribution Date.

A.4 Employment Transfers by Transition Individuals. If a Participant is transferred to Tricon under circumstances that cause him to be a Transition Individual (a "Transition Transfer"), such transfer to Tricon shall not be considered a Termination of Employment or other event that could trigger distribution of the Participant's interest in the Plan. In this case, the Participant's interest in the Plan (and all Plan liabilities with respect to the Participant) shall be transferred to the Tricon Executive Income Deferral Program. This transfer shall constitute a complete payout of the Participant's Account for purposes of determining who is a Participant or Beneficiary under the Plan.

A.5 Special Tricon Stock Investment Option. As of the Distribution Date, the Plan Administrator shall establish a temporary phantom investment option under the Plan, the Tricon Common Stock Account, and each Tricon Account Holder shall be credited with an interest in such account.

(a) Establishing the Account Holder's Interest. The amount of a Tricon Account Holder's interest is determined by dividing by 10 the number of phantom shares of PepsiCo Capital Stock standing to his credit in the PepsiCo Capital Stock Account on the Reference Date. The portion of the resulting quotient that is an integer shall be the number of phantom shares of Tricon Common Stock that is credited to the Participant's Tricon Common Stock Account as of the Distribution Date. A Tricon Stock Holder's interest in the Tricon Common Stock Account shall also include a dividend subaccount. The initial balance in the divident subaccount shall be zero, but it shall thereafter be credited with all amounts that would be received for the Participant by the Tricon Common Stock Account as dividends, if dividends were paid on phantom shares of Tricon Common Stock as they are on actual shares. All amounts credited to this dividend subaccount shall be invested in the phantom option described in Section 4.1(c)(1) (the Interest Bearing Account).

(b) Valuation and Adjustment: A Participant's interest in the Tricon Common Stock Account is valued as of a Valuation Date by multiplying the number of phantom shares credited to his Account on such date by the fair market value of a share of Tricon Common Stock on such date, and then adding the value of the Participant's dividend subaccount.

(1) As of any date, the fair market value of Tricon Common Stock is determined for purposes of this Article as the mean of the high and low price on such date for Tricon Common Stock as reported on the composite tape for securities listed on the New York Stock Exchange, Inc., rounded to four decimal places.

(2) If shares of Tricon Common Stock change by reason of any stock split, stock dividend, recapitalization, merger, consolidation, spin-off, combination or exchange of shares, complete or partial liquidation or other similar corporate change, such equitable adjustment shall be made in the number of shares credited to an Account or subaccount as the Plan Administrator may determine to be necessary or appropriate.

In no event will shares of Tricon Common Stock actually be purchased or held under this Plan, and no Participant shall have any rights as a shareholder of Tricon Common Stock on account of an interest in the Tricon Common Stock Account.

(c) Investment Reallocations. In accordance with Section 4.1(e), a Tricon Account Holder may reallocate amounts from his Subaccounts in the Tricon Common Stock Account to other phantom investment options under the Plan that are available for this purpose. No Participant may reallocate amounts into the Tricon Common Stock Account.

(c) Termination of the Tricon Common Stock Account. Effective as of the end of the day on December 31, 1998 (or such later date as the Plan Administrator shall specify), the Tricon Common Stock Account shall cease to be available under the Plan. Any amount under the Plan still standing to the credit of a Participant on such date shall automatically be reallocated to the phantom investment option described in Section 4.1(c)(1) (the Interest Bearing Account) unless the Participant selects a different replacement option in accordance with such requirements as the Plan Administrator may apply.

A.6 PepsiCo Account Holders with Less Than 10 Shares: The interest in the PepsiCo Capital Stock Account of any PepsiCo Account Holder who does not qualify to be a Tricon Account Holder shall be adjusted as of the Distribution Date. Pursuant to this adjustment, the value of his dividend subaccount under the PepsiCo Capital Stock Account shall be increased by the product of (a) and (b) below:

(a) The number of phantom shares of PepsiCo stock credited to the Participant's Account under the PepsiCo Capital Stock Account divided by 10.

(b) The fair market value of a share of Tricon Common Stock on the Distribution Date.

PEPSICO

PENSION EQUALIZATION PLAN

(PEP)

As Restated
Effective as of August 29, 1997, Except as Otherwise Noted

PEPSICO PENSION EQUALIZATION PLAN

Table of Contents

ARTICLE I Foreword

The PepsiCo Pension Equalization Plan ("PEP" or "Plan") has been established by PepsiCo for the benefit of salaried employees of the PepsiCo Organization who participate in the PepsiCo Salaried Employees Retirement Plan ("Salaried Plan"). PEP provides benefits for eligible employees whose pension benefits under the Salaried Plan are limited by the provisions of the Internal Revenue Code of 1986, as amended. In addition, PEP provides benefits for certain eligible employees based on the pre-1989 Salaried Plan formula.

This Plan document amends and restates in its entirety the Plan as it was in effect prior to January 1, 1989, and conforms the terms of the Plan to the practices of the Company on and after that date, in accordance with decisions by the Company's board of directors in November, 1989. Except as otherwise provided herein, this amended and restated Plan is effective as of January 1, 1989 and applies to employees who receive Credited Service on or after that date. The prior provisions of the Plan shall govern the rights and benefits of other employees and shall govern for periods before the effective date of any provision with a different effective date.

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

Where the following words and phrases, in boldface 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 the context.

(a) ACCRUED BENEFIT: The Pension payable at Normal Retirement Date determined in accordance with Article V, based on the Participant's Highest Average Monthly Earnings and Credited Service at the date of determination.

(b) ACTUARIAL EQUIVALENT: Except as otherwise specifically set forth in the Plan or any Appendix to the Plan with respect to a specific benefit determination, a benefit of equivalent value computed on the basis of the factors set forth below. The application of the following assumptions to the computation of benefits payable under the Plan shall be done in a uniform and consistent manner. In the event the Plan is amended to provide new rights, features or benefits, the following actuarial factors shall not apply to these new elements unless specifically adopted by the amendment.

(1) Annuities and Inflation Protection: To determine the amount of a Pension payable in the form of a Qualified Joint and Survivor Annuity or optional form of survivor annuity, or as an annuity with inflation protection, the factors applicable for such purposes under the Salaried Plan shall apply.

(2) Lump Sums: To determine the lump sum value of a Pension, or a Pre-Retirement Spouse's Pension under Section 4.6, the factors applicable for such purposes under the Salaried Plan shall apply, except that when the term "PBGC Rate" is used in the Salaried Plan in this context it shall mean "PBGC Rate" as defined in this Plan.

(3) Other Cases: To determine the adjustment to be made in the Pension payable to or on behalf of a Participant in other cases, the factors are those applicable for such purpose under the Salaried Plan.

(c) ADVANCE ELECTION: A Participant's election to receive his PEP Retirement Pension as a Single Lump Sum or an Annuity, made in compliance with the requirements of Section 6.3.

(d) ANNUITY: A Pension payable as a series of monthly payments for at least the life of the Participant.

(e) ANNUITY STARTING DATE: The Annuity Starting Date shall be the first day of the first period for which an amount is payable under this Plan as an annuity or in any other form. A Participant who: (1) is reemployed after his initial Annuity Starting Date, and (2) is entitled to benefits hereunder after his reemployment, shall have a subsequent Annuity Starting Date for such benefits only to the extent provided in Section 6.3(d).

(f) AUTHORIZED LEAVE OF ABSENCE: Any absence authorized by an Employer under the Employer's standard personnel practices, whether paid or unpaid.

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

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

(i) COVERED COMPENSATION: "Covered Compensation" as that term is defined in the Salaried Plan.

(j) CREDITED SERVICE: The period of a Participant's employment, calculated in accordance with Section 3.3, which is counted for purposes of determining the amount of benefits payable to, or on behalf of, the Participant.

(k) DISABILITY RETIREMENT PENSION: The Retirement Pension available to a Participant under Section 4.5.

(l) EARLY RETIREMENT PENSION: The Retirement Pension available to a Participant under Section 4.2.

(m) EFFECTIVE DATE: The date upon which this amendment and restatement is generally effective, January 1, 1989. Certain identified provisions of the Plan are effective on different dates as noted herein.

(n) ELIGIBLE SPOUSE: The spouse of a Participant to whom the Participant is married on the earlier of the Participant's Annuity Starting Date or the date of the Participant's death.

(o) EMPLOYEE: An individual who qualifies as an "Employee" as that term is defined in the Salaried Plan.

(p) EMPLOYER: An entity that qualifies as an "Employer" as that term is defined in the Salaried Plan.

(q) ERISA: Public Law No. 93-406, the Employee Retirement Income Security Act of 1974, as amended from time to time.

(r) HIGHEST AVERAGE MONTHLY EARNINGS: "Highest Average Monthly Earnings" as that term is defined in the Salaried Plan, but without regard to the limitation imposed by section 401(a)(17) of the Code (as such limitation is interpreted and applied under the Salaried Plan).

(s) LATE RETIREMENT DATE: The Late Retirement Date shall be the first day of the month coincident with or immediately following a Participant's actual Retirement Date occurring after his Normal Retirement Age.

(t) LATE RETIREMENT PENSION: The Retirement Pension available to a Participant under Section 4.4.

(u) NORMAL RETIREMENT AGE: The Normal Retirement Age under the Plan is age 65 or, if later, the age at which a Participant first has 5 Years of Service.

(v) NORMAL RETIREMENT DATE: A Participant's Normal Retirement Date shall be the first day of the month coincident with or immediately following a Participant's Normal Retirement Age.

(w) NORMAL RETIREMENT PENSION: The Retirement Pension available to a Participant under Section 4.1.

(x) PARTICIPANT: An Employee participating in the Plan in accordance with the provisions of Section 3.1.

(y) PBGC: The Pension Benefit Guaranty Corporation, a body corporate within the Department of Labor established under the provisions of Title IV of ERISA.

(z) PBGC RATE: The PBGC Rate is 120 percent of the interest rate, determined on the Participant's Annuity Starting Date, that would be used by the PBGC for purposes of determining the present value of a lump sum distribution on plan termination.

(aa) PENSION: One or more payments that are payable to a person who is entitled to receive benefits under the Plan.

(bb) PEP ELECTION: A Participant's election to receive his PEP Retirement Pension in one of the Annuity forms available under Section 6.2, made in compliance with the requirements of Sections 6.3 and 6.4.

(cc) PEPSICO ORGANIZATION: The controlled group of organizations of which the Company is a part, as defined by Code section 414 and regulations issued thereunder. An entity shall be considered a member of the PepsiCo Organization only during the period it is one of the group of organizations described in the preceding sentence.

(dd) PLAN: The PepsiCo Pension Equalization Plan, the Plan set forth herein, as it may be amended from time to time. The Plan is also sometimes referred to as PEP, or as the PepsiCo Pension Benefit Equalization Plan.

(ee) PLAN ADMINISTRATOR: The Company, which shall have authority to administer the Plan as provided in Article VII.

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

(gg) PRE-RETIREMENT SPOUSE'S PENSION: The Pension available to an Eligible Spouse under Section 4.6.

(hh) PRIMARY SOCIAL SECURITY AMOUNT: In determining Pension amounts, Primary Social Security Amount shall mean:

(1) For purposes of determining the amount of a Retirement, Vested or Pre-Retirement Spouse's Pension, the Primary Social Security Amount shall be the estimated monthly amount that may be payable to a Participant commencing at age 65 as an old-age insurance benefit under the provisions of Title II of the Social Security Act, as amended. Such estimates of the old-age insurance benefit to which a Participant would be entitled at age 65 shall be based upon the following assumptions:

(i) That the Participant's social security wages in any year prior to Retirement or severance are equal to the Taxable Wage Base in such year, and

(ii) That he will not receive any social security wages after Retirement or severance.

However, in computing a Vested Pension under Formula A of Section 5.2, the estimate of the old-age insurance benefit to which a Participant would be entitled at age 65 shall be based upon the assumption that he continued to receive social security wages until age 65 at the same rate as the Taxable Wage Base in effect at his severance from employment. For purposes of this subsection, "social security wages" shall mean wages within the meaning of the Social Security Act.

(2) For purposes of determining the amount of a Disability Pension, the Primary Social Security Amount shall be (except as provided in the next sentence) the initial monthly amount actually received by the disabled Participant as a disability insurance benefit under the provisions of Title II of the Social Security Act, as amended and in effect at the time of the Participant's retirement due to disability. Notwithstanding the preceding sentence, for any period that a Participant receives a Disability Pension before receiving a disability insurance benefit under the provisions of Title II of the Social Security Act, then the Participant's Primary Social Security Amount for such period shall be determined pursuant to paragraph (1) above.

(3) For purposes of paragraphs (1) and (2), the Primary Social Security Amount shall exclude amounts that may be available because of the spouse or any dependent of the Participant or any amounts payable on account of the Participant's death. Estimates of Primary Social Security Amounts shall be made on the basis of the Social Security Act as in effect at the Participant's Severance from Service Date, without regard to any increases in the social security wage base or benefit levels provided by such Act which take effect thereafter.

(ii) QUALIFIED JOINT AND SURVIVOR ANNUITY: An Annuity which is payable to the Participant for life with 50 percent of the amount of such Annuity payable after the Participant's death to his surviving Eligible Spouse for life. If the Eligible Spouse predeceases the Participant, no survivor benefit under a Qualified Joint and Survivor Annuity shall be payable to any person. The amount of a Participant's monthly payment under a Qualified Joint and Survivor Annuity shall be reduced to the extent provided in sections 5.1 and 5.2, as applicable.

(jj) RETIREMENT: Termination of employment for reasons other than death after a Participant has fulfilled the requirements for either a Normal, Early, Late, or Disability Retirement Pension under Article IV.

(kk) RETIREMENT DATE: The date on which a Participant's Retirement is considered to commence. Retirement shall be considered to commence on the day immediately following: (i) a Participant's last day of employment, or (ii) the last day of an Authorized Leave of Absence, if later. Notwithstanding the preceding sentence, in the case of a Disability Retirement Pension, Retirement shall be considered as commencing on the Participant's retirement date applicable for such purpose under the Salaried Plan.

(ll) RETIREMENT PENSION: The Pension payable to a Participant upon Retirement under the Plan.

(mm) SALARIED PLAN: The PepsiCo Salaried Employees Retirement Plan, as it may be amended from time to time.

(nn) SERVICE: The period of a Participant's employment calculated in accordance with Section 3.2 for purposes of determining his entitlement to benefits under the Plan.

(oo) SEVERANCE FROM SERVICE DATE: The date on which an Employee's period of service is deemed to end, determined in accordance with Article III of the Salaried Plan.

(pp) SINGLE LIFE ANNUITY: A level monthly Annuity payable to a Participant for his life only, with no survivor benefits to his Eligible Spouse or any other person.

(qq) SINGLE LUMP SUM: The distribution of a Participant's total Pension in the form of a single payment.

(rr) SOCIAL SECURITY ACT: The Social Security Act of the United States, as amended, an enactment providing governmental benefits in connection with events such as old age, death and disability. Any reference herein to the Social Security Act (or any of the benefits provided thereunder) shall be taken as a reference to any comparable governmental program of another country, as determined by the Plan Administrator, but only to the extent the Plan Administrator judges the computation of those benefits to be administratively feasible.

(ss) TAXABLE WAGE BASE: The contribution and benefit base (as determined under section 230 of the Social Security Act) in effect for the Plan Year.

(tt) VESTED PENSION: The Pension available to a Participant under Section 4.3.

: The terms of the 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 may include the plural, unless the context clearly indicates to the contrary.

(b) 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.

(c) 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 a 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).

(d) Subdivisions of the Plan Document: This Plan document is divided and subdivided using the following progression: articles, sections, subsections, paragraphs, subparagraphs, and clauses. Articles are designated by capital roman numerals. Sections are designated by Arabic numerals containing a decimal point. Subsections are designated by lower-case letters in parentheses. Paragraphs are designated by Arabic numerals in parentheses. Subparagraphs are designated by lower-case roman numerals in parentheses. Clauses are designated by upper-case letters in parentheses. Any reference in a section to a subsection (with no accompanying section reference) shall be read as a reference to the subsection with the specified designation contained in that same section. A similar rule shall apply with respect to paragraph references within a subsection and subparagraph references within a paragraph.

ARTICLE III Participation and Service : An Employee shall be a Participant in the Plan during the period:

(a) When he would be currently entitled to receive a Pension under the Plan if his employment terminated at such time, or

(b) When he would be so entitled but for the vesting requirement of Section 4.7.

: A Participant's entitlement to a Pension and to a Pre-Retirement Spouse's Pension for his Eligible Spouse shall be determined under Article IV based upon his period of Service. A Participant's period of Service shall be determined under Article III of the Salaried Plan. : The amount of a Participant's Pension and a Pre-Retirement Spouse's Pension shall be based upon the Participant's period of Credited Service, as determined under Article III of the Salaried Plan.

ARTICLE IV Requirements for Benefits

A Participant shall be entitled to receive a Pension and a surviving Eligible Spouse shall be entitled to certain survivor benefits as provided in this Article. The amount of any such Pension or survivor benefit shall be determined in accordance with Article V. : A Participant shall be eligible for a Normal Retirement Pension if he meets the requirements for a Normal Retirement Pension in Section 4.1 of the Salaried Plan. : A Participant shall be eligible for an Early Retirement Pension if he meets the requirements for an Early Retirement Pension in Section 4.2 of the Salaried Plan. : A Participant who is vested under Section 4.7 shall be eligible to receive a Vested Pension if his employment in an eligible classification under the Salaried Plan is terminated before he is eligible for a Normal Retirement Pension or an Early Retirement Pension. A Participant who terminates employment prior to satisfying the vesting requirement in Section 4.7 shall not be eligible to receive a Pension under this Plan. : A Participant who continues employment after his Normal Retirement Age shall not receive a Pension until his Late Retirement Date. Thereafter, a Participant shall be eligible for a Late Retirement Pension determined in accordance with Section 4.4 of the Salaried Plan (but without regard to any requirement for notice of suspension under ERISA section 203(a)(3)(B) or any adjustment as under Section 5.5(d) of the Salaried Plan). : A Participant shall be eligible for a Disability Pension if he meets the requirements for a Disability Pension under the Salaried Plan. : Any Pre-Retirement Spouse's Pension payable under this section shall commence as of the same time as the corresponding pre-retirement spouse's pension under the Salaried Plan and, subject to Section 4.9, shall continue monthly for the life of the Eligible Spouse.

(a) Active, Disabled and Retired Employees: A Pre-Retirement Spouse's Pension shall be payable under this subsection to a Participant's Eligible Spouse (if any) who is entitled under the Salaried Plan to the special pre-retirement spouse's pension for survivors of active, disabled and retired employees. The amount of such Pension shall be determined in accordance with the provisions of Section 5.3.

(b) Vested Employees: A Pre-Retirement Spouse's Pension shall be payable under this subsection to a Participant's Eligible Spouse (if any) who is entitled under the Salaried Plan to the pre-retirement spouse's pension for survivors of vested terminated Employees. The amount of such Pension shall be determined in accordance with the provisions of Section 5.3. If pursuant to this Section 4.6(b) a Participant has Pre-Retirement Spouse's coverage in effect for his Eligible Spouse, any Pension calculated for the Participant under Section 5.2(b) shall be reduced for each year such coverage is in effect by the applicable percentage set forth below (based on the Participant's age at the time the coverage is in effect) with a pro rata reduction for any portion of a year. No reduction shall be made for coverage in effect within the 90-day period following a Participant's termination of employment.

Attained Age	Annual Charge
Up to 35	.0%
35 -- 39	.075%
40 -- 44	.1%
45 -- 49	.175%
50 -- 54	.3%
55 -- 59	.5%
60 -- 64	.5%

: A Participant shall be fully vested in, and have a nonforfeitable right to, his Accrued Benefit at the time he becomes fully vested in his accrued benefit under the Salaried Plan.

: The distribution of a PEP Pension to a Participant shall commence as of the time specified in Section 6.1.

: 4.9 Cashout Distributions

(a) Distribution of Participant's Pension: If at a Participant's Annuity Starting Date the Actuarial Equivalent lump sum value of the Participant's PEP Pension is equal to or less than $10,000, the Plan Administrator shall distribute to the Participant such lump sum value of the Participant's PEP Pension.

(b) Distribution of Pre-Retirement Spouse's Pension Benefit: If at the time payments under the Salaried Plan commence to an Eligible Spouse the Actuarial Equivalent lump sum value of the PEP Pre-Retirement Spouse's Pension to be paid is equal to or less than $10,000, the Plan Administrator shall distribute to the Eligible Spouse such lump sum value of the PEP Pre-Retirement Spouse's Pension.

Any lump sum distributed under this section shall be in lieu of the Pension that otherwise would be distributable to the Participant or Eligible Spouse hereunder. : The terms of this section apply notwithstanding the preceding provisions of this Article. At any time prior to April 14, 1991, a Participant shall not be eligible to receive a Normal, Early, Vested or Disability Pension for any month or period of time for which he is eligible for, and receiving, benefits under a long term disability plan maintained by an Employer. However, a Participant's Eligible Spouse shall not be ineligible for a Pre-Retirement Spouse's Pension or benefits under a Qualified Joint and Survivor Annuity because the Participant was receiving benefits under a long term disability plan at the date of his death. : In the case of a current or former Participant who is reemployed and is eligible to reparticipate in the Salaried Plan after his Annuity Starting Date, payment of his Pension will be suspended if payment of his Salaried Plan pension is suspended (or would have been if it were already in pay status). Thereafter, his Pension shall recommence at the time determined under Section 6.1 (even if the suspension of his Salaried Plan pension ceases earlier).

ARTICLE V Amount of Retirement Pension

When a Pension becomes payable to or on behalf of a Participant under this Plan, the amount of such Pension shall be determined under Section 5.1, 5.2 or 5.3 (whichever is applicable), subject to any adjustments required under Sections 4.6(b), 5.4 and 5.5.

: 5.1 PEP Pension

(a) Same Form as Salaried Plan: If a Participant's Pension will be paid in the same form and will commence as of the same time as his pension under the Salaried Plan, then his Pension hereunder shall be the difference between:

(1) His Total Pension expressed in such form and payable as of such time, minus

(2) His Salaried Plan Pension expressed in such form and payable as of such time.

(b) Different Form than Salaried Plan: If a Participant's Pension will be paid in a different form (whether in whole or in part) or will commence as of a different time than his pension under the Salaried Plan, his Pension shall be the product of:

(1) The amount of the Participant's Total Pension expressed in the form and payable as of such time as applies to his Pension under this Plan, multiplied by

(2) A fraction, the numerator of which is the value of his Total Pension reduced by the value of his Salaried Plan Pension, and the denominator of which is the value of his Total Pension (with value determined on a reasonable and consistent basis, in the discretion of the Plan Administrator, with respect to similarly situated employees).

(c) Definitions: The following definitions apply for purposes of this section.

(1) A Participant's "Total Pension" means the greater of:

(i) The amount of the Participant's pension determined under the terms of the Salaried Plan, but without regard to: (A) the limitations imposed by sections 401(a)(17) and 415 of the Code (as such limitations are interpreted and applied under the Salaried Plan), and (B) the actuarial adjustment under Section 5.5(d) of the Salaried Plan; or

(ii) The amount (if any) of the Participant's PEP Guarantee determined under Section 5.2.

In making this comparison, the benefits in subparagraphs (i) and (ii) above shall be calculated with reference to the specific form and time of payment that is applicable. If the applicable form of payment is a lump sum, the Actuarial Equivalent factors in Section 2.1(b)(2) shall apply for purposes of subparagraph (i) in lieu of those in the Salaried Plan.

(2) A Participant's "Salaried Plan Pension" means the amount of the Participant's pension determined under the terms of the Salaried Plan.

: A Participant who is eligible under subsection (a) below shall be entitled to a PEP Guarantee benefit determined under subsection (b) below. In the case of other Participants, the PEP Guarantee shall not apply.

(a) Eligibility: A Participant shall be covered by this section if the Participant has 1988 pensionable earnings from an Employer of at least $75,000. For purposes of this section, "1988 pensionable earnings" means the Participant's remuneration for the 1988 calendar year, within the meaning of the Salaried Plan as in effect in 1988. "1988 pensionable earnings" does not include remuneration from an entity attributable to any period when that entity was not an Employer.

(b) PEP Guarantee Formula: The amount of a Participant's PEP Guarantee shall be determined under the applicable formula in paragraph (1), subject to the special rules in paragraph (2).

(1) Formulas: The amount of a Participant's Pension under this paragraph shall be determined in accordance with subparagraph (i) below. However, if the Participant was actively employed by the PepsiCo Organization in a classification eligible for the Salaried Plan prior to July 1, 1975, the amount of his Pension under this paragraph shall be the greater of the amounts determined under subparagraphs (i) and (ii), provided that subparagraph (ii)(B) shall not apply in determining the amount of a

Vested Pension.

(i) Formula A: The Pension amount under this subparagraph shall be:

(A) 3 percent of the Participant's Highest Average Monthly Earnings for the first 10 years of Credited Service, plus

(B) 1 percent of the Participant's Highest Average Monthly Earnings for each year of Credited Service in excess of 10 years, less

(C) 1-2/3 percent of the Participant's Primary Social Security Amount multiplied by years of Credited Service not in excess of 30 years.

In determining the amount of a Vested Pension under this Formula A, the Pension shall first be calculated on the basis of (I) the Credited Service the Participant would have earned had he remained in the employ of the Employer until his Normal Retirement Age, and (II) his Highest Average Monthly Earnings and Primary Social Security Amount at his Severance from Service Date, and then shall be reduced by multiplying the resulting amount by a fraction, the numerator of which is the Participant's actual years of Credited Service on his Severance from Service Date and the denominator of which is the years of Credited Service he would have earned had he remained in the employ of an Employer until his Normal Retirement Age.

(ii) Formula B: The Pension amount under this subparagraph shall be the greater of (A) or (B) below:

(A) 1-1/2 percent of Highest Average Monthly Earnings times the number of years of Credited Service, less 50 percent of the Participant's Primary Social Security Amount, or

(B) 3 percent of Highest Average Monthly Earnings times the number of years of Credited Service up to 15 years, less 50 percent of the Participant's Primary Social Security Amount.

In determining the amount of a Disability Pension under Formula A or B above, the Pension shall be calculated on the basis of the Participant's Credited Service (determined in accordance with Section 3.3(d)(3) of the Salaried Plan), and his Highest Average Monthly Earnings and Primary Social Security Amount at the date of disability.

(2) Calculation: The amount of the PEP Guarantee shall be determined pursuant to paragraph (1) above, subject to the following special rules:

(i) Surviving Eligible Spouse's Annuity: Subject to subparagraph (iii) below and the last sentence of this subparagraph, if the Participant has an Eligible Spouse, the Participant's Eligible Spouse shall be entitled to receive a survivor annuity equal to 50 percent of the Participant's Annuity under this section, with no corresponding reduction in such Annuity for the Participant. Annuity payments to a surviving Eligible Spouse shall begin on the first day of the month coincident with or following the Participant's death and shall end with the last monthly payment due prior to the Eligible Spouse's death. If the Eligible Spouse is more than 10 years younger than the Participant, the survivor benefit payable under this subparagraph shall be adjusted as provided below.

(A) For each full year more than 10 but less than 21 that the surviving Eligible Spouse is younger than the Participant, the survivor benefit payable to such spouse shall be reduced by 0.8 percent.

(B) For each full year more than 20 that the surviving Eligible Spouse is younger than the Participant, the survivor benefit payable to such spouse shall be reduced by an additional 0.4 percent.

(ii) Reductions: The following reductions shall apply in determining a Participant's PEP Guarantee.

(A) If the Participant will receive an Early Retirement Pension, the payment amount shall be reduced by 3/12ths of 1 percent for each month by which the benefit commencement date precedes the date the Participant would attain his Normal Retirement Date.

(B) If the Participant is entitled to a Vested Pension, the payment amount shall be reduced to the Actuarial Equivalent of the amount payable at his Normal Retirement Date (if payment commences before such date), and the Section 4.6(b) reductions for any Pre-Retirement Spouse's coverage shall apply.

(C) This clause applies if the Participant will receive his Pension in a form that provides an

Eligible Spouse benefit, continuing for the life of the surviving spouse, that is greater than that provided under subparagraph (i). In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the Actuarial Equivalent of the Pension otherwise payable under the foregoing provisions of this section.

(D) This clause applies if the Participant will receive his Pension in a form that provides a survivor annuity for a beneficiary who is not his Eligible Spouse. In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the Actuarial Equivalent of a Single Life Annuity for the Participant's life.

(E) This clause applies if the Participant will receive his Pension in a Annuity form that includes inflation protection described in Section 6.2(b). In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the Actuarial Equivalent of the elected Annuity without such protection.

(iii) Lump Sum Conversion: The amount of the Retirement Pension determined under this section for a Participant whose Retirement Pension will be distributed in the form of a lump sum shall be the Actuarial Equivalent of the Participant's PEP Guarantee determined under this section, taking into account the value of any survivor benefit under subparagraph (i) above and any early retirement reductions under subparagraph (ii)(A) above.

: The monthly amount of the Pre-Retirement Spouse's Pension payable to a surviving Eligible Spouse under Section 4.6 shall be determined under subsection (a) below.

(a) Calculation: An Eligible Spouse's Pre-Retirement Spouse's Pension shall be the difference between:

(1) The Eligible Spouse's Total Pre-Retirement Spouse's Pension, minus

(2) The Eligible Spouse's Salaried Plan Pre-Retirement Spouse's Pension.

(b) Definitions: The following definitions apply for purposes of this section.

(1) An Eligible Spouse's "Total Pre-Retirement Spouse's Pension" means the greater of:

(i) The amount of the Eligible Spouse's pre-retirement spouse's pension determined under the terms of the Salaried Plan, but without regard to: (A) the limitations imposed by sections 401(a)(17) and 415 of the Code (as such limitations are interpreted and applied under the Salaried Plan), and (B) the actuarial adjustment under Section 5.5(d) of the Salaried Plan; or

(ii) The amount (if any) of the Eligible Spouse's PEP Guarantee Pre-Retirement Spouse's Pension determined under
subsection (c).

In making this comparison, the benefits in subparagraphs (i) and (ii) above shall be calculated with reference to the specific time of payment applicable to the Eligible Spouse.

(c) PEP Guarantee Pre-Retirement Spouse's Pension: An Eligible Spouse's PEP Guarantee Pre-Retirement Spouse's Pension shall be determined in accordance with paragraph (1) or (2) below, whichever is applicable, with reference to the PEP Guarantee (if any) that would have been available to the Participant under Section 5.2.

(1) Normal Rule: The Pre-Retirement Spouse's Pension payable under this paragraph shall be equal to the amount that would be payable as a survivor annuity, under a Qualified Joint and Survivor Annuity, if the Participant had:

(i) Separated from service on the date of death (or, if earlier, his actual Severance from Service Date);

(ii) Commenced a Qualified Joint and Survivor Annuity on the same date payments of the Qualified Pre-Retirement Spouse's Pension are to commence; and

(iii) Died on the day immediately following such commencement.

If payment of a Pre-Retirement Spouse's Pension under this paragraph commences prior to the date which would have been the Participant's Normal Retirement Date, appropriate reductions for early commencement shall be applied to the Qualified Joint and Survivor Annuity upon which the Pre-Retirement Spouse's Pension is based.

(2) Special Rule for Active and Disabled Employees: Notwithstanding paragraph (1) above, the Pre-Retirement Spouse's Pension paid on behalf of a Participant described in Section 4.6(a) shall not be less than an amount equal to 25 percent of such Participant's PEP Guarantee determined under Section 5.2. For this purpose, Credited Service shall be determined as provided in Section 3.3(d)(2) of the Salaried Plan, and the deceased Participant's Highest Average Monthly Earnings, Primary Social Security Amount and Covered Compensation shall be determined as of his date of death. A Pre-Retirement Spouse's Pension under this paragraph is not reduced for early commencement.

: Pensions determined under the foregoing sections of this Article are subject to adjustment as provided in this section. For purposes of this section, "specified plan" shall mean the Salaried Plan or a nonqualified pension plan similar to this Plan. A nonqualified pension plan is similar to this Plan if it is sponsored by a member of the PepsiCo Organization and if its benefits are not based on participant pay deferrals.

(a) Adjustments for Rehired Participants: This subsection shall apply to a current or former Participant who is reemployed after his Annuity Starting Date and whose benefit under the Salaried Plan is recalculated based on an additional period of Credited Service. In the event of any such recalculation, the Participant's PEP Pension shall also be recalculated hereunder. For this purpose, the PEP Guarantee under Section 5.2 is adjusted for in-service distributions and prior distributions in the same manner as benefits are adjusted under the Salaried Plan, but by taking into account benefits under this Plan and any specified plans.

(b) Adjustment for Increased Pension Under Other Plans: If the benefit paid under a specified plan on behalf of a Participant is increased after PEP benefits on his behalf have been determined (whether the increase is by order of a court, by agreement of the plan administrator of the specified plan, or otherwise), the PEP benefit for the Participant shall be recalculated. If the recalculation identifies an overpayment hereunder, the Plan Administrator shall take such steps as it deems advisable to recover the overpayment. It is specifically intended that there shall be no duplication of payments under this Plan and any specified plans.

: Effective for periods of employment on or after June 30, 1997, an executive classified as level 22 or above whose employment by an Employer is for a limited duration assignment shall not become entitled to a benefit or to any increase in benefits in connection with such employment.

ARTICLE VI Distribution Options

The terms of this Article govern the distribution of benefits to a Participant who becomes entitled to payment of a Pension under the Plan. : This section shall govern the form and timing of distributions of PEP Pensions that begin on or after March 1, 1992. Plan distributions that begin before that date shall be governed by the prior terms of the Plan. The provisions of this Section 6.1 are in all cases subject to the cashout rules set forth in Section 4.9.

(a) No Advance Election: This subsection shall apply to a Participant: (i) who does not have an Advance Election in effect as of the close of business on the day before his Retirement Date, or (ii) who terminates employment prior to Retirement. Subject to the next sentence, a Participant described in this subsection shall be paid his PEP Pension in the same form and at the same time as he is paid his Pension under the Salaried Plan. If a Participant's Salaried Plan Annuity Starting Date occurs while he is still an employee of the PepsiCo Organization (because of the time of payment provisions in Code section 401(a)(9)), payment under the Plan shall not begin until the first of the month next following the Participant's Severance from Service Date. In this instance, the form of payment under this Plan shall remain that applicable under the Salaried Plan.

(b) Advance Election in Effect: This subsection shall apply to a Participant: (i) who has an Advance Election in effect as of the close of business on the day before his Retirement Date, and (ii) whose Retirement Date is after 1993. To be in effect, an Advance Election must meet the advance receipt and other requirements of Section 6.3(b).

(1) Lump Sum Election: If a Participant covered by this subsection has an Advance Election to receive a Single Lump Sum in effect as of the close of business on the day before his Retirement Date, the Participant's Retirement Pension under the Plan shall be paid as a Single Lump Sum as of the first of the month coincident with or next following his Retirement Date.

(2) Annuity Election: If a Participant covered by this subsection has an Advance Election to receive an Annuity in effect as of the close of business on the day before his Retirement Date, the Participant's Retirement Pension under the Plan shall be paid in an Annuity beginning on the first of the month coincident with or next following his Retirement Date. The following provisions of this paragraph govern the form of Annuity payable in the case of a Participant described in this paragraph.

(i) Salaried Plan Election: A Participant who has a qualifying Salaried Plan election shall receive his distribution in the same form of Annuity the Participant selected in such qualifying Salaried Plan election. For this purpose, a "qualifying Salaried Plan election" is a written election of a form of payment by the Participant that: (A) is currently in effect under the Salaried Plan as of the close of business on the day before the Participant's Retirement Date, and (B) specifies an Annuity as the form of payment for all or part of the Participant's Retirement Pension under the Salaried Plan. For purposes of the preceding sentence, a Participant who elects a combination lump sum and Annuity under the Salaried Plan is considered to have specified an Annuity for part of his Salaried Plan Pension.

(ii) PEP Election: A Participant who is not covered by subparagraph (i) and who has a PEP Election in effect as of the close of business on the day before his Retirement Date shall receive his distribution in the form of Annuity the Participant selects in such PEP Election.

(iii) No PEP Election: A Participant who is not covered by subparagraph (i) or (ii) above shall receive his distribution in the form of a Qualified Joint and Survivor Annuity if he is married, or in the form of a Single Life Annuity if he is not married. For purposes of this subparagraph (iii), a Participant shall be considered married if he is married on the day before his Retirement Date.

: The forms of payment set forth in subsections (a) and (b) may be provided to any Participant who is entitled to a Retirement Pension. The forms of payment for other Participants are set forth in subsection (c) below. The provisions of this section are effective for Annuity Starting Dates after 1989 and earlier distributions shall be governed by prior terms of the Plan.

(a) Basic Forms of Payment: A Participant's Retirement Pension shall be distributed in one of the forms of payment listed in this subsection. The particular form of payment applicable to a Participant shall be determined in accordance with Section 6.1. Payments shall commence on the date specified in Section 6.1 and shall end on the date specified in this subsection.

(1) Single Life Annuity Option: A Participant may receive his Pension in the form of a Single Life Annuity, which provides monthly payments ending with the last payment due prior to his death.

(2) Survivor Options: A Participant may receive his Pension in accordance with one of the following survivor options:

(i) 100 Percent Survivor Option: The Participant shall receive a reduced Pension payable for life, ending with the last monthly payment due prior to his death. Payments in the same reduced amount shall continue after the Participant's death to his beneficiary for life, beginning on the first day of the month coincident with or following the Participant's death and ending with the last monthly payment due prior to the beneficiary's death.

(ii) 75 Percent Survivor Option: The Participant shall receive a reduced Pension payable for life, ending with the last monthly payment due prior to his death. Payments in the amount of 75 percent of such reduced Pension shall be continued after the Participant's death to his beneficiary for life, beginning on the first day of the month coincident with or following the Participant's death and ending with the last monthly payment due prior to the beneficiary's death.

(iii) 50 Percent Survivor Option: The Participant shall receive a reduced Pension payable for life, ending with the last monthly payment due prior to his death. Payments in the amount of 50 percent of such reduced Pension shall be continued after the Participant's death to his beneficiary for life, beginning on the first day of the month coincident with or following the Participant's death and ending with the last monthly payment due prior to the beneficiary's death. A 50 percent survivor option under this paragraph shall be a Qualified Joint and Survivor Annuity if the Participant's beneficiary is his Eligible Spouse.

(iv) Ten Years Certain and Life Option: The Participant shall receive a reduced Pension which shall be payable monthly for his lifetime but for not less than 120 months. If the retired Participant dies before 120 payments have been made, the monthly Pension amount shall be paid for the remainder of the 120 month period to the Participant's primary beneficiary (or if the primary beneficiary has predeceased the Participant, the Participant's contingent beneficiary).

(3) Single Lump Sum Payment Option: A Participant may receive payment of his Pension in the form of a Single Lump Sum payment.

(4) Combination Lump Sum/Monthly Benefit Option: A Participant who does not have an Advance Election in effect may receive a portion of his Pension in the form of a lump sum payment, and the remaining portion in the form of one of the monthly benefits described in paragraphs (1) and (2) above. The Pension is divided between the two forms of payment based on the whole number percentages designated by the Participant on a form provided for this purpose by the Plan Administrator. For the election to be effective, the sum of the two percentages designated by the Participant must equal 100 percent.

(i) The amount of the Pension paid in the form of a lump sum is determined by multiplying: (A) the amount that would be payable to the Participant as a Single Lump Sum payment if the Participant's entire benefit were payable in that form, by (B) the percentage that the Participant has designated for receipt in the form of a lump sum.

(ii) The amount of the Pension paid in the form of a monthly benefit is determined by multiplying: (A) the amount of the monthly benefit elected by the Participant, determined in accordance with paragraph (1) or (2) above (whichever applies), by (B) the percentage that the Participant has designated for receipt in the form of a monthly benefit. (b) Inflation Protection: The following levels of inflation protection may be provided to any Participant who is entitled to a Retirement Pension (except to the extent such Pension is paid as a lump sum).

(1) 5 Percent Inflation Protection: A Participant's monthly benefit shall be initially reduced, but thereafter shall be increased if inflation in the prior year exceeds 5 percent. The amount of the increase shall be the difference between inflation in the prior year and 5 percent.

(2) 7 Percent Inflation Protection: A Participant's monthly benefit shall be initially reduced, but thereafter shall be increased if inflation in the prior year exceeds 7 percent. The amount of the increase shall be the difference between inflation in the prior year and 7 percent.

Benefits shall be subject to increase in accordance with this subsection each January 1, beginning with the second January 1 following the Participant's Annuity Starting Date. The amount of inflation in the prior year shall be determined based on inflation in the 12-month period ending on September 30 of such year, with inflation measured in the same manner as applies on the Effective Date for adjusting Social Security benefits for changes in the cost of living. Inflation protection that is in effect shall carry over to any survivor benefit payable on behalf of a Participant, and shall increase the otherwise applicable survivor benefit as provided above. Any election by a Participant to receive inflation protection shall be irrevocable by such Participant or his surviving beneficiary.

(c) Available Options for Vested Benefits: The forms of payment available for a Participant with a Vested Pension are a Qualified Joint and Survivor Annuity for married Participants and a Single Life Annuity for both married and unmarried Participants. The applicable form of payment shall be determined in accordance with Section 6.1(a).

: This section sets forth the procedures for making Advance Elections and PEP Elections.

(a) In General: To qualify as an Advance Election or PEP Election for purposes of Section 6.1, an election must be made in writing, on the form designated by the Plan Administrator, and must be signed by the Participant. These requirements also apply to any revocations of such elections. Spousal consent is not required for any election (or revocation of election) under the Plan.

(b) Advance Election: To qualify as an Advance Election, an election must be made on or after July 15, 1993 and meet the following requirements.

(1) Election: The Participant shall designate on the Advance Election form whether the Participant elects to take his Pension in the form of an Annuity or a Single Lump Sum.

(2) Receipt by Plan Administrator: The Advance Election must be received by the Plan Administrator before the start of the calendar year containing the Participant's Retirement Date, and at least 6 months before that Retirement Date. An election that meets the foregoing requirements shall remain effective until it is changed or revoked.

(3) Change or Revocation of Election: A Plan Participant may change an Advance Election by filing a new Election that meets the foregoing requirements. A Plan Participant may revoke an Advance Election only by filing a revocation that is received by the Plan Administrator before the start of the calendar year containing the Plan Participant's Retirement Date, and at least 6 months before that Retirement Date.

Any Advance Election by a Participant shall be void if the Participant is not entitled to a Retirement Pension.

(c) PEP Election: A PEP Election may only be made by a Participant who has an Advance Election to receive an Annuity in effect at the time his PEP Election is received by the Plan Administrator. In determining whether an Advance Election is in effect for this purpose, the advance receipt requirement of subsection (b)(2) shall be considered met if it will be met by the Participant's proposed Retirement Date.

(1) Election: The Participant shall designate on the PEP Election form the Annuity form of benefit the Participant selects from those described in Section 6.2, including the Participant's choice of inflation protection, subject to the provisions of this Article VI. The forms of payment described in Section 6.2(a)(3) and (4) are not available pursuant to a PEP Election.

(2) Receipt by the Plan Administrator: The PEP Election must be received by the Plan Administrator no earlier than 90 days before the Participant's Retirement Date, and no later than the close of business on the day before the Participant's Retirement Date. The Participant shall furnish proof of the age of his beneficiary (including his Eligible Spouse if applicable), to the Plan Administrator by the day before the Participant's Retirement Date, for any form of payment which is subject to reduction in accordance with subsection 6.2(c) above.

A Participant may change his PEP Election by filing a new Election with the Plan Administrator that meets the foregoing requirements. The Participant's PEP Election shall become effective at the close of business on the day before the Participant's Retirement Date. Any PEP Election by a

Participant shall be void if the Participant does not have an Advance Election in effect at such time.

(d) Elections Rules for Annuity Starting Dates: When amounts become payable to a Participant in accordance with Article IV, they shall be payable as of the Participant's Annuity Starting Date and the election procedures (in this section and Sections 6.1 and 6.5) shall apply to all of the Participant's unpaid accruals as of such Annuity Starting Date, with the following exception. In the case of a Participant who is rehired after his initial Annuity Starting Date and who (i) is currently receiving an Annuity that remained in pay status upon rehire, or (ii) was previously paid a lump sum distribution (other than a cashout distribution described in Section 4.9(a)), the Participant's subsequent Annuity Starting Date (as a result of his termination of reemployment), and the election procedures at such subsequent Annuity Starting Date, shall apply only to the portion of his benefit that accrues after his rehire. Any prior accruals that remain to be paid as of the Participant's subsequent Annuity Starting Date shall continue to be payable in accordance with the elections made at his initial Annuity Starting Date.

For purposes of this section, an election shall be treated as received on a particular day if it is: (A) postmarked that day, or (B) actually received by the Plan Administrator on that day. Delivery under clause (B) must be made by the close of business, which time is to be determined by the Plan Administrator.

: 6.4 Special Rules for Survivor Options

(a) Effect of Certain Deaths: If a Participant makes a PEP Election for a form of payment described in Section 6.2(a)(2) and the Participant or his beneficiary (beneficiaries in the case of Section 6.2(a)(2)(iv)) dies before the PEP Election becomes effective, the election shall be disregarded. If the Participant dies after such PEP Election becomes effective but before his Retirement Pension actually commences, the election shall be given effect and the amount payable to his surviving Eligible Spouse or other beneficiary shall commence on the first day of the month following his death (any back payments due the Participant shall be payable to his estate). In the case of a Participant who has elected the form of payment described in Section 6.2(a)(2)(iv), if such Participant dies: (i) after the PEP Election has become effective, (ii) without a surviving primary or contingent beneficiary, and (iii) before receiving 120 payments under the form of payment, then the remaining payments due under such form of payment shall be paid to the Participant's estate. If payments have commenced under such form of payment to a Participant's primary or contingent beneficiary and such beneficiary dies before payments are completed, then the remaining payments due under such form of payment shall be paid to such beneficiary's estate.

(b) Nonspouse Beneficiaries: If a Participant's beneficiary is not his Eligible Spouse, he may not elect:

(i) The 100 percent survivor option described in Section 6.2(a)(2)(i) if his nonspouse beneficiary is more than 10 years younger than he is, or

(ii) The 75 percent survivor option described in Section 6.2(a)(2)(ii) if his nonspouse beneficiary is more than 19 years younger than he is.

: A Participant who has elected to receive all or part of his pension in a form of payment that includes a survivor option shall designate a beneficiary who will be entitled to any amounts payable on his death. Such designation shall be made on a PEP Election Form or an approved election form filed under the Salaried Plan, whichever is applicable. In the case of the survivor option described in Section 6.2(a)(2)(iv), the Participant shall be entitled to name both a primary beneficiary and a contingent beneficiary. A Participant (whether active or former) shall have the right to change or revoke his beneficiary designation at any time prior to when his election is finally effective. The designation of any beneficiary, and any change or revocation thereof, shall be made in accordance with rules adopted by the Plan Administrator. A beneficiary designation shall not be effective unless and until filed with the Plan Administrator. If no beneficiary is properly designated, then a Participant's election of a survivor's option described in Section 6.2(a)(2) shall not be given effect.

ARTICLE VII Administration

: The Plan shall be administered by the Plan Administrator, which shall have the authority to interpret the Plan and issue such regulations as it deems appropriate. The Plan Administrator shall maintain Plan records and make benefit calculations, and may rely upon information furnished it by the Participant in writing, including the Participant's current mailing address, age and marital status. The Plan Administrator's interpretations, determinations, regulations and calculations shall be final and binding on all persons and parties concerned. The Company, in its capacity as Plan Administrator or in any other capacity, shall not be a fiduciary of the Plan and any restrictions that apply to a party in interest under section 406 of ERISA shall not apply to the Company or otherwise under the Plan. : Whenever, in the Plan Administrator's opinion, a person entitled to receive any payment of a benefit or installment thereof 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 may make payments to such person or to the legal representative of such person for his benefit, or the Plan Administrator may apply the payment for the benefit of such person in such manner as it 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. : 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 decisions on such matters are final and conclusive. This discretionary authority is intended to be absolute, and in any case where the extent of this discretion is in question, the Plan Administrator is to be accorded the maximum discretion possible. Any exercise of this discretionary authority shall be reviewed by a court, arbitrator or other tribunal 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 or on behalf of a Participant or beneficiary is wholly or partially denied, the Plan Administrator, or a party designated by the Plan Administrator, will provide such claimant within the 90-day period following the receipt of the claim by the Plan Administrator, 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 within a reasonable period of time after the Plan receives the claim asserted by the Participant, the Plan Administrator, or the designated party, 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, the claim shall be deemed denied. Once the claim is deemed denied, the Participant shall be entitled to the claim review procedure described in subsection (d) above. Such review procedure shall be available upon written request by the claimant to the Plan Administrator, or the designated party, within 60 days after the claim is deemed denied. Any claim under the Plan that is reviewed by a court shall be reviewed solely on the basis of the record before the Plan Administrator at the time it made its determination. : Specific references in the Plan to the Plan Administrator's discretion shall create no inference that the Plan Administrator's discretion in any other respect, or in connection with any other provision, is less complete or broad.

ARTICLE VIII Miscellaneous

: Nothing contained in this Plan shall be construed as a contract of employment between an Employer and any Employee, or as a right of any Employee to be continued in the employment of an Employer, or as a limitation of the right of an Employer to discharge any of its Employees, with or without cause. : Benefits payable under the Plan or the right to receive future benefits under the 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, including any assignment or alienation in connection with a divorce, separation, child support or similar arrangement, shall be null and void and not binding on the Company. The Company 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. : The Company's obligations under the Plan shall not be funded, but shall constitute liabilities by the Company payable when due out of the Company's general funds. To the extent the Participant or any other person acquires a right to receive benefits under this Plan, such right shall be no greater than the rights of any unsecured general creditor of the Company. : Any action by the Company under this Plan may be made by the Board of Directors of the Company or by the Compensation Committee of the Board of Directors, with a report of any actions taken by it to the Board of Directors. In addition, such action may be made by any other person or persons duly authorized by resolution of said Board to take such action. : 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.

ARTICLE IX Amendment and Termination

: While the Company and the Employers intend to continue the Plan indefinitely, they assume no contractual obligation as to its continuance. In accordance with Section 8.4, the Company hereby reserves the right, in its sole discretion, to amend, terminate, or partially terminate the Plan at any time provided, however, that no such amendment or termination shall adversely affect the amount of benefit to which a Participant or his beneficiary is entitled under Article IV on the date of such amendment or termination, unless the Participant becomes entitled to an amount equal to such benefit under another plan or practice adopted by the Company. Specific forms of payment are not protected under the preceding sentence. : The Company may, in its sole discretion, make any amendment or amendments to this Plan from time to time, with or without retroactive effect, including any amendment or amendments to eliminate available distribution options under Article VI hereof at any time before the earlier of the Participant's Annuity Starting Date under this Plan or under the Salaried Plan. An Employer (other than the Company) shall not have the right to amend the Plan. : The Company may terminate the Plan, either as to its participation or as to the participation of one or more Employers. If the Plan is terminated with respect to fewer than all of the Employers, the Plan shall continue in effect for the benefit of the Employees of the remaining Employers.

ARTICLE X ERISA Plan Structure This Plan document encompasses three separate plans within the meaning of ERISA, as are set forth in subsections (a), (b) and (c). This division into separate plans shall be effective as of July 1, 1996; previously the plans set forth in subsections (b) and (c) were a single plan within the meaning of ERISA.

(a) Excess Benefit Plan: An excess benefit plan within the meaning of section 3(36) of ERISA, maintained solely for the purpose of providing benefits for Salaried Plan participants in excess of the limitations on benefits imposed by section 415 of the Code.

(b) Excess Compensation High Hat Plan: A plan maintained by the Company primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of sections 201(2) and 401(a)(1) of ERISA. The plan provides benefits for Salaried Plan participants in excess of the limitations imposed by section 401(a)(17) of the Code on benefits under the Salaried Plan (after taking into account any benefits under the excess benefit plan). For ERISA reporting purposes, this portion of PEP may be referred to as the PepsiCo Pension Equalization Plan I.

(c) Grandfather High Hat Plan: A plan maintained by the Company primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of sections 201(2) and 401(a)(1) of ERISA. The plan provides grandfather benefits to those Salaried Plan participants described in section 5.2(a) hereof, by preserving for them the pre-1989 level of benefit accrual that was in effect before the Salaried Plan's amendment effective January 1, 1989 (after taking into account any benefits under the excess benefit plan and excess compensation high hat plan). For ERISA reporting purposes, this portion of PEP shall be referred to as the PepsiCo Pension Equalization Plan II.

Benefits under this Plan shall be allocated first to the excess benefit plan, to the extent of benefits paid for the purpose indicated in (a) above; then any remaining benefits shall be allocated to the excess compensation high hat plan, to the extent of benefits paid for the purpose indicated in (b) above; then any remaining benefits shall be allocated to the grandfather high hat plan. These three plans are severable for any and all purposes as directed by the Company.

ARTICLE XI Applicable Law

All questions pertaining to the construction, validity and effect of the Plan shall be determined in accordance with the provisions of ERISA. In the event ERISA is not applicable or does not preempt state law, the laws of the state of New York shall govern.

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 XII Signature

The above restated Plan is hereby adopted and approved, to be effective as of August 29, 1997 (except as otherwise provided), this of _______________________, 1998.

PEPSICO, INC.

By:

APPROVED

By:

APPENDIX

Foreword

This Appendix sets forth additional provisions applicable to individuals specified in the Articles of this Appendix. In any case where there is a conflict between the Appendix and the main text of the Plan, the Appendix shall govern.

ARTICLE A

Accruals for 1993 and 1994

This Article A of the Appendix shall be effective on the date the Plan is adopted.

A.1 Accruals for 1993 and 1994: This section shall apply to any individual: (i) who is a Salaried Plan Participant and employed by the PepsiCo Organization on December 31, 1993, (ii) whose Salaried Plan Pension is vested during 1993 (or would become vested in 1994 if his Service included the assumed period of continued service specified in (a)(1) below), and (iii) whose minimum 1993 Pension in subsection (a) below is not derived solely from that portion of the Plan described in (c) of Article X. In determining the amount of the 1993 and 1994 Pension amounts for any such individual, the provisions set forth in subsections (a) and (b) below shall apply.

(a) Minimum 1993 Pension: Any individual who is covered by this section shall accrue a minimum 1993 Pension as of December 31, 1993. In determining the amount of such individual's minimum 1993 Pension, the following shall apply.

(1) An individual's Service and Credited Service as of the end of 1993 shall be assumed to equal the respective Service and Credited Service he would have if his Service continued through December 31, 1994. Notwithstanding the preceding sentence, the assumed period of continued Service shall be less to the extent the Corporation's human resource records on December 31, 1993 reflect a scheduled termination date in 1994 for such individual. In this case, the individual's assumed period of continued service shall be the portion of 1994 that ends with such scheduled termination date.

(2) An individual's Highest Average Monthly Earnings as of the end of 1993 shall be adjusted by the actuary's salary scale assumption which is used under the Salaried Plan, so that they equal the amount such scale projects for the individual as of the end of 1994. Notwithstanding the preceding sentence, the following special rules shall apply.

(i) A higher salary scale assumption shall be used for anyone whose projected 1994 earnings as reflected on the "Special PEP Salary Scale" of the PepsiCo Benefits Department on December 31, 1993 are higher than would be assumed under the first sentence of this paragraph. In this case, the individual's 1993 earnings shall be adjusted using such higher salary scale.

(ii) In the case of an individual whose assumed period of service under paragraph (1) above is less than all of 1994, the salary adjustment under the preceding provisions of this paragraph shall be reduced to the amount that would apply if the individual had no earnings after his scheduled termination date.

(3) An individual's attained age as of the end of 1993 shall be assumed to be the age he would have at the end of the assumed period of continued service applicable under paragraph (1) above.

Any individual who is covered by this section, and who is not otherwise vested as of December 31, 1993, shall be vested as of such date in both his Pension (determined without regard to this subsection) and his minimum 1993 Pension. For purposes of this subsection, Code section 401(a)(17) shall be applied in 1993 by giving effect to the amendments to such Code section made by the Omnibus Budget Reconciliation Amendments of 1993.

(b) Determination of 1994 Accrual: If a participant in the Salaried Plan accrues a minimum 1993 Pension under subsection (a) above, the amount of any PEP Pension for 1994 that accrues shall be only the amount by which the PEP Pension that would otherwise accrue for 1994 exceeds his minimum 1993 Pension under subsection (a).

ARTICLE PFS

PFS Special Early Retirement Benefit

PFS.1 Scope: This Article supplements the main portion of the Plan document with respect to the rights and benefits of Covered Employees on and after the Effective Date.

PFS.2 Definitions: This section provides definitions for the following words or phrases in boldface and underlined. Where they appear in this Article with initial capitals they shall have the meaning set forth below. Except as otherwise provided in this Article, all defined terms shall have the meaning given to them in Section 2.1 of the Plan.

(a) Article: This Article PFS of the Appendix to the Plan.

(b) Covered Employee: An Employee who does not meet the eligibility requirements for the Salaried Plan Early Retirement Benefit solely because he is a highly compensated employee within the meaning of Section PFS.11(c) of the Salaried Plan Appendix.

(c) Effective Date: The date the provisions of this Article are effective, which shall be July 11, 1997.

(d) Salaried Plan Special Early Retirement Benefit: The special early retirement benefit for certain PFS employees described in Section PFS.11 of the Salaried Plan Appendix.

(e) Severance Date: The involuntary termination of employment described in Section PFS.11(a) of the Salaried Plan Appendix that qualifies an Employee for status as a Covered Employee.

(f) PFS: PepsiCo Foods Systems, a division of PepsiCo, Inc. prior to the Effective Date.

PFS.3 Special Early Retirement Benefit: In addition to any benefits he would otherwise be entitled to under this Plan, a Covered Employee shall receive a single lump sum benefit as soon as administratively practical following his Severance Date. The amount of such lump sum shall be the excess of:

(a) The Actuarial Equivalent present value under Section 2.1(b)(2) of the Covered Employee's Total Pension under this Plan, for this purpose treating the Covered Employee as eligible for the Salaried Plan Special Early Retirement Benefit, over

(b) The Actuarial Equivalent present value under Section 2.1(b)(2) of the Covered Employee's Total Pension under this Plan determined without regard to this Appendix.

Such calculation shall be made as of the Covered Employee's Severance Date. Except as specifically modified by this Article, the Early Retirement Pension provided by this section is subject to all the usual limitations and provisions set forth in the Plan.

EXHIBIT 12

PEPSICO, INC. AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
Years Ended December 27, 1997, December 28, 1996, December 30, 1995, December 31, 1994 and December 25, 1993
(in millions except ratio amounts)

	52 Weeks 1997	52 Weeks 1996	52 Weeks 1995	53 Weeks 1994	52 Weeks 1993
Earnings:					
Income from continuing operations before income taxes and cumulative effect of accounting changes	$1,491	$ 942	$1,422	$1,393	1,152
Unconsolidated affiliates interests, net	17	273	26	(12)	4
Amortization of capitalized interest	6	4	6	5	4
Interest expense	478	565	629	596	527
Interest portion of net rent expense (a)	43	48	41	38	43
Earnings available for fixed charges	$2,035	$1,832	$2,124	$2,020	$1,730
Fixed Charges:					
Interest expense	$ 478	$ 565	$ 629	$ 596	$ 527
Capitalized interest	18	8	10	5	7
Interest portion of net rent expense (a)	43	48	41	38	43
Total fixed charges	$ 539	$ 621	$ 680	$ 639	$ 577
Ratio of Earnings to Fixed Charges(b)	3.78	2.95	3.12	3.16	3.00

(a) One-third of net rent expense is the portion deemed representative of the interest factor.
(b) Included the impact of unusual items of $290 (or $239 after-tax), $576 (or $527 after-tax) and $66 (or $64 after-tax) in 1997, 1996 and 1995, respectively (see Note 3). Excluding those charges, the ratio of earnings to fixed charges for 1997, 1996 and 1995 would have been 4.32, 3.88 and 3.22, respectively.

EXHIBIT 21

ACTIVE SUBSIDIARIES OF PEPSICO, INC.

DECEMBER 27, 1997

Subsidiary	State or Country of Incorporation
Ainwick Corporation	Oregon
Anderson Hill Insurance Limited	Bermuda
Atlantic Soft Drink Company, Inc.	South Carolina
Atlantic Holding Company	California
Atlantic Soft Drink Company of Knoxville	Tennessee
Beaman Bottling Company	Delaware
Bramshaw Limited	Ireland
PepsiCo Global Investments B.V.	Netherlands
Pepsi-Cola CR SPOL s.r.o.	Czech Repub.
Pepsi-Cola France SNC	France
Dornfell	Ireland
International Bottlers LLC	Delaware
Pepsi-Cola G.m.b.H.	Germany
Florida Int'l. Fruchtsaftgetraenke G.m.b.H.	Germany
PepsiCo Investment (China) Ltd	China
PepsiCo (China) Ltd.	China
PepsiCo Trading sp.zo.o	Poland
Pepsi-Cola Argentina, S.A.C.I.	Argentina
Inversiones PFI Chile Limitada	Chile
Evercrisp Snack Products de Chile S.A.	Chile
PepsiCo Finance (Antilles B) N.V.	Neth. Antilles
Panimex (Mauritius)	Mauritius
PepsiCo (India) Holdings	India
Shelbyville Bottling Company, Inc.	Delaware
Pepsi-Cola Canada (NRO) Ltd.	Canada
Pepsi-Cola Canada, Ltd.	Canada
Sociedad de Productora y Sabores C.A. (SOPRESA)	Venezuela
PepsiCo do Brasil Ltda.	Brazil
PepsiCo do Brasil Holdings Ltda.	Brazil
Senrab Limited	Ireland
Pepsi Snacks Argentina S.A.	Argentina

Subsidiary	State or Country of Incorporation
Beverages, Foods & Service Industries, Inc.	Delaware
Frito-Lay Australia, LLC	Delaware
Frito-Lay Australia Holdings Pty Limited	Australia
PFI Australia Pty. Limited	Australia
Frito-Lay Australia	Australia
KFC Canada (NRO) Ltd.	Canada
Seven-Up Nederland B.V.	Netherlands
PepsiCo IVI S.A.	Greece
PepsiCo Investments (Europe) I B.V.	Netherlands
Pepsi-Cola International (PVT) Limited	Pakistan
Pepsi-Cola Belgium S.A.	Belgium
Pepsi-Cola Korea Co. Ltd.	Korea
Pepsi-Cola Mamulleri Limited Sirketi	Turkey
Uzay Gida Sanayive Picaret A.S.	Turkey
Davlyn Realty Corporation	Delaware
Equity Beverage, Inc.	Delaware
FLRC, Inc.	California
Grayhawk Leasing Company	Delaware
Heathland Inc.	Delaware
Hostess-FL NRO Ltd.	Canada
Japan Frito-Lay Ltd.	Japan
Mountain Dew Marketing, Inc.	Delaware
National Beverages, Inc.	Florida
North Pacific Territories Holding Company	Washington
Alpac Corporation	Washington
Gamble, Inc.	Oregon
MBA Western Co.	Delaware

Western Bottling Company, Inc.	Washington
Mann Bottling Company, Inc.	Idaho
Pepsi-Cola Bottling Company of Everett, Inc.	Washington
Pepsi-Cola Bottling Company of Alaska, Inc.	Alaska
Pepsi Foods Ltd.	India
PepsiCo Captive Holdings, Inc.	Delaware
Hillbrook Insurance Company, Inc.	Vermont
Mexican Trust Company	Mexico
PepsiCo & Cia	Brazil
PepsiCo Holdings	England
PepsiCo International Ltd.	England
PepsiCo World Trading Company (UK) Ltd.	England
Smiths Crisps Limited	England
Walkers Snack Foods Limited	England
PFI Agriculture Europe Ltd.	England
PepsiCo Overseas Corp.	Delaware
PepsiCo Pacific Trading Co. Ltd.	Hong Kong
PepsiCo Services Corp.	Delaware
PepsiCo World Trading Company, Inc.	Delaware

Subsidiary	State or Country of Incorporation
Pepsi-Cola (Bermuda) Limited	Bermuda
Pepsi-Cola Manufacturing Company of Uruguay S.A.	Uruguay
The Concentrate Manufacturing Company of Ireland	Ireland
PepsiCo Finance (South Africa) (Proprietary) Ltd.	South Africa
Pepsi-Cola Manufacturing (Ireland)	Ireland
PepsiCo Finance (U.K.) Limited	England
Pepsi-Cola Kft. Hungary	Hungary
E Wedel S.A.	Poland
PepsiCo (Ireland) Limited	Ireland
Pepsi-Cola Bottling Co. of Los Angeles	California
Pepsi-Cola Commodities, Inc.	Delaware
Pepsi-Cola de Espana, S.A.	Spain
Compania de Bebidas PepsiCo, S.A.	Spain
PepsiCo Ventas Andalucia, S.A.	Spain
Catalana de Bebidas Carbonicas, S.A.	Spain
Snack Ventures Europe S.C.A.	Belgium
Biscuiterie Nantaise BN, S.A.	France
Smiths Food Group, B.V.	Netherlands
Snacks Ventures S.A.	Spain
Tasty Foods S.A.	Greece
Pet-Iberia, S.A.	Spain
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 Gesellschaft m.b.H.	Austria
Pepsi-Cola Interamericana de Guatemala S.A.	Guatemala
Pepsi-Cola International Limited	Bermuda
Pepsi-Cola International Limited (U.S.A.)	Delaware
Pepsi-Cola Metropolitan Bottling Company, Inc.	New Jersey
General Cinema Beverages, Inc.	Delaware
New Century Beverage Company	California
Belfast Bottling Co. of Reno	Nevada
PepsiCo Puerto Rico, Inc.	Delaware
PRS, Inc.	Delaware
PEI N.V.	Neth. Antilles
Pepsi-Cola Laurel Bottling Company	Pennsylvania
Pepsi-Cola Mediterranean, Ltd.	Wyoming
Seven-Up International, Inc.	Delaware
Seven-Up Southern Hemisphere, Inc.	Missouri
Pepsi-Cola Mexicana, S.A. de C.V.	Mexico
BUG de Mexico, S.A. de C.V.	Mexico
Pepsi-Cola Panamericana, Inc.	Delaware
Pepsi-Cola Panamericana, S.A.	Venezuela
Pepsi-Cola Personnel, Inc.	Delaware
Pepsi-Cola (Thai) Trading Co., Ltd.	Thailand
Pepsi Stuff, Inc.	Delaware

Subsidiary	State or Country of Incorporation
Pizza Hut, Inc.	Delaware
PGCC, Inc.	Delaware
Pepsi-Cola Bottling Company of Ohio, Inc.	Delaware
Bell Taco Funding Syndicate	Australia
Putnam Holdings, Inc.	Delaware
Recot, Inc.	Delaware
Frito-Lay, Inc.	Delaware
FL Holding, Inc.	Delaware
Opco Holding Inc.	Delaware
Pepsi-Cola Operating Company of Chesapeake and Indianapolis	Delaware
New Bern Transport Corporation	Delaware
Midland Bottling Co.	Delaware
Beverage Products Corporation	Oklahoma
EIEIO Beverage Company	Delaware
Pepsi-Cola Bottling Company of St. Louis, Inc.	Missouri
Wetter Beverage Company	Delaware
PlayCo, Inc.	Delaware
Smartfoods, Inc.	Delaware
TGCC, Inc.	Delaware
General Cinema Beverages of North Florida, Inc.	Delaware
General Cinema Beverages of Virginia, Inc.	Delaware
General Cinema Beverages of Washington, D.C., Inc.	Delaware
Redux Realty, Inc.	Delaware
Rice Bottling Enterprises, Inc.	Tennessee
Rio Grande Snack Company	Delaware
Sabritas, S.A. de C.V.	Mexico
Corporativo International S.A. de C.V.	Mexico
PepsiCo Worldwide Holdings	Neth. Antilles
Empresas Gamesa, S.A. de C.V.	Mexico
Grupo Gamesa, S.A. de C.V.	Mexico
Spirituosen S.A.	Spain
Spirituosen e Companhia Comercio E Distribucao de Bebidas	Portugal
TFL Holdings, Inc.	Delaware
Wilson International Sales Corporation	Delaware

Omitted from the above list are approximately 360 insignificant or inactive subsidiaries which, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

EXHIBIT 23

REPORT AND CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
PepsiCo, Inc.

The audits referred to in our report dated February 3, 1998 included the related financial statement schedule as of December 27, 1997, and for each of the years in the three-year period ended December 27, 1997 listed in the accompanying index at Item 14(a)2. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

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

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

KPMG Peat Marwick LLP

New York, New York
March 24, 1998

EXHIBIT 24

POWER OF ATTORNEY

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

(i) Registration Statements No. 33-8677, 33-39283, 33-53232 and 33-64342 relating to the offer and sale of PepsiCo's Debt Securities and Warrants, and any registration statements deemed by any such attorney-in-fact to be necessary or appropriate to register the offer and sale of debt securities or warrants by PepsiCo or guarantees by PepsiCo of any of its subsidiaries' debt securities or warrants;

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

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

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

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

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

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

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

IN WITNESS WHEREOF, the undersigned has executed this instrument on March 24, 1998.

PepsiCo, Inc.

By: /s/ ROBERT F. SHARPE, JR.

Robert F. Sharpe, Jr.
Senior Vice President, General Counsel and Secretary

/s/ ROGER A. ENRICO Roger A. Enrico Chairman of the Board and Chief Executive Officer	/s/ KARL M. VON DER HEYDEN Karl M. von der Heyden Vice Chairman and Chief Financial Officer
/s/ SEAN F. ORR Sean F. Orr Senior Vice President and Controller (Chief Accounting Officer)	/s/ ROBERT E. ALLEN Robert E. Allen Director
/s/ JOHN F. AKERS John F. Akers Director	/s/ PETER FOY Peter Foy Director
/s/ D. WAYNE CALLOWAY D. Wayne Calloway Director	/s/ RAY L. HUNT Ray L. Hunt Director
/s/ JOHN J. MURPHY John J. Murphy Director	/s/ STEVEN S REINEMUND Steven S Reinemund Chairman and Chief Executive Officer of The Frito-Lay Company and Director
/s/ SHARON PERCY ROCKEFELLER Sharon Percy Rockefeller Director	/s/ FRANKLIN A. THOMAS Franklin A. Thomas Director
/s/ P. ROY VAGELOS P. Roy Vagelos Director	/s/CRAIG E. WEATHERUP Craig E. Weatherup Chairman and Chief Executive Officer of Pepsi-Cola Company and Director
/s/ ARNOLD R. WEBER Arnold R. Weber Director	

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM PEPSICO, INC. AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD ENDED DECEMBER 27, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

Year
Dec-27-1997
Dec-27-1997
1,928
955
2,275
125
732
6,251
11,294
5,033
20,101
4,257
4,946
0
0
29
6,907
20,101
20,917
20,917
8,525
8,525
0
41
478
2,309
818
1,491
651
0
0
2,142
1.40
1.36