UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)
X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 6, 1997 (12 and 36 Weeks Ended)

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-1183

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

North Carolina	13-1584302
(State or other jurisdiction of Employer incorporate or organization)	(I.R.S. Identification No.)

700 Anderson Hill Road Purchase, New York	10577
(Address of principal executive offices)	(Zip Code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

Number of shares of Capital Stock outstanding as of October 3, 1997: 1,517,085,909

PEPSICO, INC. AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

PEPSICO, INC. AND SUBSIDIARIES

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

	12 Weeks Ended		36 Weeks Ended	
	9/6/97	9/7/96	9/6/97	9/7/96
Net Sales	$5,362	$5,159	$14,661	$14,287
Costs and Expenses, net				
Cost of sales	2,179	2,158	5,969	5,936
Selling, general and administrative expenses	2,209	2,230	6,303	6,180
Amortization of intangible assets	45	48	139	142
Unusual items	-	390	304	390
Operating Profit	929	333	1,946	1,639
Interest expense	(123)	(134)	(358)	(399)
Interest income	31	22	54	67
Income from Continuing Operations Before Income Taxes	837	221	1,642	1,307
Provision for Income Taxes	286	211	597	563
Income from Continuing Operations	551	10	1,045	744
Income from Discontinued Operations, net of tax	107	134	696	377
Net Income	$ 658	$ 144	$ 1,741	$ 1,121
Income per share				
Continuing Operations	$ 0.35	$ 0.01	$ 0.66	$ 0.46
Discontinued Operations	0.07	0.08	0.45	0.23
Net Income Per Share	$ 0.42	$ 0.09	$ 1.11	$ 0.69
Cash Dividends Declared				

Per Share	$0.125	$0.115	$ 0.365	$ 0.33
Average Shares Outstanding Used To Calculate Income Per Share	1,566	1,607	1,575	1,613

See accompanying notes.

PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions, unaudited)

	36 Weeks Ended	
	9/6/97	9/7/96
Cash Flows - Operating Activities		
Income From Continuing Operations	$ 1,045	$ 744
Adjustments to reconcile income from continuing operations to net cash provided by operating activities		
Depreciation and amortization	746	730
Noncash portion of unusual charges	220	390
Deferred income taxes	112	13
Other noncash charges and credits, net	166	231
Changes in operating working capital, excluding effects of acquisitions and dispositions		
Accounts and notes receivable	(360)	(415)
Inventories	11	(119)
Prepaid expenses, deferred income taxes and other current assets	(96)	(28)
Accounts payable and other current liabilities	-	(46)
Income taxes payable	208	174
Net change in operating working capital	(237)	(434)
Net Cash Provided by Operating Activities	2,052	1,674
Cash Flows - Investing Activities		
Capital spending	(957)	(1,091)
Acquisitions and investments in unconsolidated affiliates	(58)	(33)
Sales of businesses	85	-
Sales of property, plant and equipment	-	27
Short-term investments, by original maturity		
More than three months - purchases	(162)	(103)
More than three months - maturities	141	179
Three months or less, net	(1,649)	(94)
Other, net	(5)	(170)
Net Cash Used for Investing Activities	(2,605)	(1,285)
Cash Flows - Financing Activities		
Proceeds from issuances of long-term debt	2	1,679
Payments of long-term debt	(1,457)	(1,043)
Short-term borrowings, by original maturity		
More than three months - proceeds	127	651
More than three months - payments	(159)	(1,536)
Three months or less, net	2,358	600
Cash dividends paid	(545)	(496)
Share repurchases	(1,643)	(1,051)
Proceeds from exercises of stock options	279	239
Other, net	-	(6)
Net Cash Used for Financing Activities	(1,038)	(963)
Net Cash Provided by Discontinued Operations	1,791	605
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(5)	(1)
Net Increase in Cash and Cash Equivalents	195	30
Cash and Cash Equivalents - Beginning of year	307	284
Cash and Cash Equivalents - End of period	$ 502	$ 314

See accompanying notes.

PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

(in millions)

ASSETS

	(Unaudited) 9/6/97	12/28/96
Current Assets		
Cash and cash equivalents	$ 502	$ 307
Short-term investments, at cost............	1,975	289
	2,477	596
Accounts and notes receivable, less allowance: 9/97 - $138, 12/96 - $166	2,331	2,276
Inventories		
Raw materials and supplies	404	484
Finished goods	371	369
	775	853
Prepaid expenses, deferred income taxes and other current assets	638	225
Total Current Assets	6,221	3,950
Property, Plant and Equipment	10,892	10,908
Accumulated Depreciation	(4,885)	(4,822)
	6,007	6,086
Intangible Assets, net	5,799	6,036
Investments in Unconsolidated Affiliates	1,195	1,147
Other Assets	469	491
Net Assets of Discontinued Operations	3,350	4,450
Total Assets	$23,041	$22,160

Continued on next page.

PEPSICO, INC. AND SUBSIDIARIES

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

LIABILITIES AND SHAREHOLDERS' EQUITY

	Unaudited 9/6/97	12/28/96
Current Liabilities		
Short-term borrowings	$ 5,350	$ -
Accounts payable and other current liabilities	3,503	3,378
Income taxes payable	490	413
Total Current Liabilities	9,343	3,791
Long-term Debt	3,584	8,174
Other Liabilities	2,120	1,997
Deferred Income Taxes	1,649	1,575
Shareholders' Equity		
Capital stock, par value 1 2/3 cents per share: authorized 3,600 shares, issued 9/97 and 12/96 - 1,726 shares	29	29
Capital in excess of par value	1,305	1,201
Retained earnings	10,366	9,184
Currency translation adjustment	(1,035)	(768)

	10,665	9,646
Less: Treasury Stock, at Cost:		
9/97 - 209 shares, 12/96 - 181 shares	(4,320)	(3,023)
Total Shareholders' Equity	6,345	6,623
Total Liabilities and Shareholders' Equity	$23,041	$22,160

See accompanying notes.

PEPSICO, INC. AND SUBSIDIARIES
(unaudited)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Our Condensed Consolidated Balance Sheet at September 6, 1997 and the Condensed Consolidated Statement of Income for the 12 and 36 weeks ended September 6, 1997 and September 7, 1996 and the Condensed Consolidated Statement of Cash Flows for the 36 weeks ended September 6, 1997 and September 7, 1996 have not been audited, but have been prepared in conformity with the accounting principles applied in our 1996 Annual Report on Form 10-K (Annual Report) for the year ended December 28, 1996. In our opinion, this information includes all material adjustments, which are of a normal and recurring nature, necessary for a fair presentation. The results for the 12 and 36 weeks are not necessarily indicative of the results expected for the year. Certain reclassifications were made to prior year amounts to conform with the current presentation, including classifying our Restaurants segment as a discontinued operation. See Note 5.

(2) Unusual items included in continuing operations were composed of the following:

($ in millions)	36 Weeks Ended 9/6/97	12 and 36 Weeks Ended 9/7/96
Beverages		
-North America	$ 52	$ -
-International	180	390
Snack Foods		
-North America	10	-
-International	62	-
Net loss	$ 304	$ 390
After-tax loss*	$ 240	$ 376
Per share*	$ 0.15	$0.23

*Reflected the full-year after-tax impact.

The 1997 unusual items related to decisions to dispose of assets, improve productivity and strengthen the international bottler structure. The 1996 unusual items primarily related to the impairment of assets.

(3) Through the 36 weeks ended September 6, 1997, we repurchased 46.6 million shares of our capital stock at a cost of $1.6 billion. From September 7, 1997 through October 17, 1997, we repurchased 2.2 million shares at a cost of $85 million.

(4) Supplemental Cash Flow Information

($ in millions)	36 Weeks Ended 9/6/97	36 Weeks Ended 9/7/96
Interest paid	$357	$403
Income taxes paid	$352	$324

(5) Discontinued Operations - Our Restaurants segment was composed of our core restaurant businesses of Pizza Hut, Taco Bell and KFC, PepsiCo Foods Systems (PFS), our restaurant distribution operation, and several non-core U.S. restaurant businesses. On January 23, 1997, we announced our intention to pursue a plan to spin off our restaurant businesses to our shareholders as an independent publicly-traded company (Distribution) and explore selling PFS separately. We sold PFS in the second quarter of this year. On August 14, 1997, our Board of Directors approved a formal plan to spin off the restaurant businesses to our shareholders and announced the receipt of all necessary regulatory approvals, including the ruling from the Internal Revenue Service that the spin-off would be tax free to us and our shareholders. The spin-off was effective 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. The condensed consolidated financial statements of PepsiCo have been restated to reflect our Restaurants segment as a discontinued operation.

Income from discontinued restaurant operations was as follows:

	12 weeks ended		36 weeks ended	
	9/6/97	9/7/96	9/6/97	9/7/96
Net Sales	$ 2,317	$ 2,738	$ 7,482	$ 7,920
Costs and expenses	(2,106)	(2,512)	(6,772)	(7,281)
Unusual items	(37)	-	408	(26)
Interest expense	(4)	(6)	(17)	(20)
Provision for income taxes	(63)	(86)	(405)	(216)
Income from discontinued operations	$ 107	$ 134	$ 696	$ 377

Interest expense included amounts directly related to the Restaurants segment; it did not include an allocation of PepsiCo interest or G&A expense.

Unusual items included in discontinued operations were composed of:

	12 Weeks Ended	36 Weeks Ended	
	9/6/97	9/6/97	9/7/96
PFS gain		$ 500	
Non-core impairment charges	$ (15)	(54)	$ (26)
Spin-related costs	(22)	(38)	
Net (loss)/gain	$ (37)	$ 408	$ (26)
After-tax*	$ (34)	$ 220	$ (17)
Per share*	$(0.02)	$ 0.14	$(0.01)

*Reflected the full-year after-tax impact.

The net assets of the discontinued restaurant operations are carried in "Net Assets of Discontinued Operations" in the Condensed Consolidated Balance Sheet. The components are as follows:

	9/6/97	12/28/96
Current assets	$ 897	$ 1,190
Current liabilities	(1,604)	(1,381)
Net current liabilities	(707)	(191)
Property, plant and equipment	3,600	4,105
Other non-current assets	1,330	1,507
Non-current liabilities	(873)	(971)
Net non-current assets	4,057	4,641
Net Assets of Discontinued Operations	$ 3,350	$ 4,450

As of September 6, 1997 we received $91 million in cash and a $14 million note from the sale of three of our non-core restaurant businesses: Chevys Mexican Restaurants, East Side Mario's, and Hot'n Now. The remaining carrying amount of the assets held for disposal (and classified in current assets above) was $123 million. D'Angelo Sandwich Shops and California Pizza Kitchen were sold early in the fourth quarter of 1997 for $96 million in cash, which equaled their carrying amount on September 6,1997.

On October 6, 1997, we received from TRICON $4.5 billion in cash as repayment of certain amounts due and a dividend just prior to the Distribution. We used $3.7 billion to pay down short-term borrowings.

PEPSICO, INC. AND SUBSIDIARIES

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

	36 Weeks Ended		
	Historical 9/6/97	Pro Forma Adjustments	Pro Forma 9/6/97
Net Sales	$14,661		$14,661
Costs and Expenses, net			
Cost of sales	5,969		5,969
Selling, general and administrative expenses	6,303		6,303
Amortization of intangible assets	139		139
Unusual items	304		304
Operating Profit	1,946		1,946
Interest expense	(358)	$ 138(a)	(220)
Interest income	54	-	54
Income from Continuing Operations Before Income Taxes	1,642	138(a)	1,780
Provision for Income Taxes	597	51(b)	648
Income from Continuing Operations	1,045	87	1,132
Income from Discontinued Operations, net of tax	696	(696)(c)	-
Net Income	$ 1,741	$(609)	$ 1,132
Income per share			
Continuing Operations	$ 0.66		$ 0.72
Discontinued Operations	0.45		-
Net Income Per Share	$ 1.11		$ 0.72

Average Shares Outstanding Used To Calculate Income Per Share	1,575	1,575

See accompanying Notes to Unaudited Pro Forma Financial Statements.

PEPSICO, INC. AND SUBSIDIARIES

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

	52 Weeks Ended		
	Historical 12/28/96	Pro Forma Adjustments	Pro Forma 12/28/96
Net Sales	$20,364		$20,364
Costs and Expenses, net			
Cost of sales	8,479		8,479
Selling, general and administrative expenses	9,063		9,063
Amortization of intangible assets	206		206
Unusual items	576		576
Operating Profit	2,040		2,040
Interest expense	(565)	$ 200(a)	(365)
Interest income	91	-	91
Income from Continuing Operations Before Income Taxes	1,566	200(a)	1,766
Provision for Income Taxes	728	74(b)	802
Income from Continuing Operations	838	126	964
Income from Discontinued Operations, net of tax	311	(311)(c)	-
Net Income	$ 1,149	$(185)	$ 964
Income per share			
Continuing Operations	$ 0.52		$ 0.60
Discontinued Operations	0.20		-
Net Income Per Share	$ 0.72		$ 0.60
Average Shares Outstanding Used To Calculate Income Per Share	1,606		1,606

See accompanying Notes to Unaudited Pro Forma Financial Statements.

PEPSICO, INC. AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
(in millions)

	Historical 9/6/97	Pro Forma Adjustments	Pro Forma 9/6/97
Assets			
Cash and cash equivalents	$ 502	$ -	$ 502

Short-term investments, at cost	1,975	800(a)	2,775
Other current assets	3,744	-	3,744
Total Current Assets	6,221	800	7,021
Investments in unconsolidated affiliates	1,195	-	1,195
Property, plant and equipment, net	6,007	-	6,007
Intangible assets, net	5,799	-	5,799
Other assets	469	-	469
Net assets of discontinued operations	3,350	(4,500)(a) 1,150 (b)	-
Total Assets	$23,041	$(2,550)	$20,491
Liabilities and Shareholders' Equity			
Short-term borrowings	$ 5,350	$(3,700)(a)	$ 1,650
Other current liabilities	3,993		3,993
Total Current Liabilities	9,343	(3,700)	5,643
Long-term debt	3,584	-	3,584
Other liabilities	2,120	-	2,120
Deferred income taxes	1,649	-	1,649
Total Liabilities	16,696	(3,700)	12,996
Shareholders' Equity	6,345	1,150 (b)	7,495
Total Liabilities and Shareholders' Equity	$23,041	$(2,550)	$20,491

See accompanying Notes to Unaudited Pro Forma Financial Statements.

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

The historical condensed consolidated financial statements have been restated to reflect our Restaurants segment as discontinued operations. See Note 5 to the Condensed Consolidated Financial Statements. The Pro Forma Condensed Consolidated Financial Statements should be read in conjunction with the historical financial statements contained in this Form 10-Q. The pro forma condensed consolidated financial information is presented for informational purposes only.

Note 1 - The pro forma adjustments to the accompanying historical condensed consolidated statement of income for the 36 weeks ended September 6, 1997 and the 52 weeks ended December 28, 1996 were:

(a) To reduce net interest expense to reflect the effect of reducing short-term borrowings by $3.7 billion with an average interest rate of 5.4% as of the beginning of each respective year. We received a $4.5 billion cash distribution from TRICON just prior to the spin-off and used $3.7 billion of it to repay short-term debt. The 5.4%, reflected an average interest rate we paid on our commercial paper debt for the respective periods.

(b) To reflect the estimated tax impact for the pro forma adjustment in Note 1(a) above.

(c) To eliminate discontinued operations.

Note 2 - The pro forma adjustments to the accompanying historical condensed consolidated balance sheet at September 6, 1997 were:

(a) To reduce debt and increase short-term investments as a result of the cash distribution of $4.5 billion received from TRICON.

(b) To eliminate net assets of discontinued operations net of the $4.5 billion cash distribution against retained earnings.

MANAGEMENT'S ANALYSIS OF OPERATIONS, CASH FLOWS AND FINANCIAL CONDITION

Overview

In the second quarter of 1997, we sold our investment in PepsiCo Foods Systems (PFS), our restaurant distribution operation, for $830 million in cash resulting in a pre-tax gain of $500 million. All of our non-core restaurant businesses, with the exception of D'Angelo Sandwich Shops (D'Angelo) and California Pizza Kitchen (CPK), were sold by the end of the third quarter. These last two non-core restaurant businesses were sold early in the fourth quarter.

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. As a result, the sales, costs and expenses, assets and liabilities, and cash flows of our Restaurants segment have been classified as discontinued operations in our financial statements. Accordingly, the discussions that follow have been restated to reflect the continuing operations of our packaged goods businesses.

In the following discussion, volume is the estimated dollar effect of the year-over-year change in case sales by company-owned bottling operations and concentrate unit sales to franchisees in Beverages, and pound or kilo sales of salty and sweet snacks in Snack Foods. Effective net pricing includes price changes and the effect of product, package and country mix.

Analysis of Consolidated Operations

Net sales rose $203 million or 4% in the quarter and $374 million or 3% year-to-date. The increases reflected net volume gains partially offset by the impact of unfavorable currency translation.

Cost of sales as a percent of net sales decreased 1.2 points to 40.6% for the quarter and .8 points to 40.7% year-to-date. The declines were primarily due to higher pricing by North American Snack Foods, as well as higher effective net pricing in International Snack Foods, year-to-date.

Selling, general and administrative expenses (SG&A) declined slightly in the quarter and grew at a slower rate than sales year-to-date. SG&A includes 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. G&A grew significantly faster than sales for the quarter and year-to-date, driven by information systems-related spending and customer focus leadership training partially offset by savings from a prior year

restructuring and the consolidation of certain administrative functions.

A&M grew at a slower rate than sales for both the quarter and year-to-date, while S&D grew at a slower rate than sales in the quarter but slightly higher year-to-date.

Equity income from our investments in unconsolidated affiliates, compared to losses a year ago, primarily reflected the absence of losses from our Latin American bottler, Buenos Aires Embotelladora S.A. (BAESA).

Other income and expense reflected increased foreign exchange losses of $3 million and $11 million for the quarter and year-to-date, respectively.

Amortization of intangible assets declined 6% and 2% to $45 million and $139 million in the quarter and year-to-date, respectively. The decline accelerated in the quarter, primarily reflecting the impact of writing-off intangible assets as part of the unusual charges recorded at the end of the third quarter of 1996.

Unusual items produced a net charge of $304 million year-to-date compared to a $390 million charge taken in the third quarter of 1996. See Note 2.

Operating Profit
($ in millions)

	12 Weeks Ended			36 Weeks Ended		
	9/6/97	9/7/96	% Change	9/6/97	9/7/96	% Change
Reported	$929	$333	NM	$1,946	$1,639	19
Ongoing*	$929	$723	28	$2,250	$2,029	11

* Excluded the effect of the unusual items described in Note 2.

Reported operating profit increased $596 million and $307 million for the quarter and year-to-date, respectively. Ongoing operating profit increased $206 million for the quarter and $221 million year-to-date. The increase reflected the volume gains.

Interest Expense, net declined $20 million or 18% in the quarter and $28 million or 8% year-to-date. Interest expense declined for both the quarter and year-to-date reflecting lower average debt levels, partially offset by increased interest rates. Interest income increased in the quarter, primarily reflecting higher average investment levels due to the cash proceeds received from the sale of PFS. However, year-to-date interest income declined due to lower average investment levels. This decline resulted from a 1996 change in the tax law which eliminated a tax exemption on investment income in Puerto Rico, effective for us December 1, 1996. Accordingly, as our investments matured in Puerto Rico, the proceeds were repatriated and used to reduce debt.

Provision for Income Taxes
($ in millions)

	12 Weeks Ended		36 Weeks Ended	
	9/6/97	9/7/96	9/6/97	9/7/96
Provision for Income Taxes	$ 286	$ 211	$ 597	$ 563
Effective tax rate				
Reported	34.2%	95.5%	36.4%	43.1%
Ongoing*	34.4%	38.8%	34.0%	34.7%

* Excluded the effect of the unusual items.

The 1997 reported effective tax rate decreased 61.3 points in the quarter and 6.7% year-to-date, primarily reflecting the effect of the unusual items.

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

	12 Weeks Ended			36 Weeks Ended		
	9/6/97	9/7/96	% Change	9/6/97	9/7/96	% Change
Income from continuing operations						

Reported	$ 551	$ 10	NM	$1,045	$ 744	40
Ongoing*	$ 551	$ 374	47	$1,280	$1,108	16
Income per share from continuing operations						
Reported	$0.35	$0.01	NM**	$ 0.66	$0.46	44**
Ongoing*	$0.35	$0.23	51**	$ 0.81	$0.69	18**

* Excluded the effect of unusual items.
**The percentage change in Income Per Share was calculated by using Income Per Share calculated to four decimal places to eliminate the effects of rounding.

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

	12 Weeks Ended			36 Weeks Ended		
	9/6/97	9/7/96	% Change	9/6/97	9/7/96	% Change
Income from discontinued operations	$ 107	$ 134	(20)	$696	$377	85
Income per share from discontinued operations	$0.07	$0.08	(18)*	$0.45	$0.23	89*

* The percentage change in Income Per Share was calculated by using Income Per Share calculated to four decimal places to eliminate the effects of rounding.

Income from Discontinued Operations reflected the operating results of TRICON's core restaurant businesses of Pizza Hut, KFC and Taco Bell, as well as PFS, its restaurant distribution operation sold in the second quarter, and several non-core U.S. restaurant businesses through their respective disposal dates. Operating results included expenses associated with the spin-off and interest expense directly related to the Restaurants segment; it did not include an allocation of PepsiCo interest expense or G&A. It also included the 1997 gain from the sale of PFS as well as charges associated with the disposal of non-core businesses. Chevys Mexican Restaurants (Chevys), East Side Mario's (ESM), and Hot 'n Now (HNN) were sold in the first half of 1997. Subsequent to the quarter, D'Angelo Sandwich Shops (D'Angelo) and California Pizza Kitchen (CPK) were sold.

Net Income
($ in millions except per share amounts)

	12 Weeks Ended			36 Weeks Ended		
	9/6/97	9/7/96	% Change	9/6/97	9/7/96	% Change
Net Income	$ 658	$ 144	NM	$1,741	$1,121	55
Net Income Per Share	$0.42	$0.09	NM	$ 1.11	$ 0.69	59*
Average Shares Outstanding Used to Calculate Net Income Per Share	1,566	1,607	(3)	1,575	1,613	(2)

* The percentage change in Net Income Per Share was calculated by using Net Income per share calculated to four decimal places to eliminate the effects of rounding.

PEPSICO, INC. AND SUBSIDIARIES

SUPPLEMENTAL SCHEDULE OF NET SALES AND OPERATING PROFIT (a)
MANAGEMENT BASIS
($ in millions, unaudited)

	Net Sales			Operating Profit			
	12 Weeks Ended		% Change	12 Weeks Ended		% Change B/(W)	
	9/6/97	9/7/96	B/(W)	9/6/97	9/7/96 (b)	As Rept'd (b)	On-going (c)
Beverages							
- -N.A.	$2,071	$2,032	2	$ 425	$ 435	(2)	(2)
- -Int'l	799	791	1	75	(468)	NM	NM
	2,870	2,823	2	500	(33)	NM	40
Snack Foods							
- -N.A.	1,714	1,622	6	378	333	14	14
- -Int'l	778	714	9	90	72	25	25
	2,492	2,336	7	468	405	16	16
Combined Segments	$5,362	$5,159	4	968	372	NM	27
Unallocated Expenses				(39)	(39)	-	-
Operating Profit				$ 929	$ 333	NM	28

NM - Not Meaningful

Notes:
(a) This schedule should be read in conjunction with Management's Analysis beginning on page 19 and reflects the continuing operations of our Beverages and Snack Foods segments. Prior year amounts have been restated to reflect the effects of classifying the operating results of our Restaurants segment as discontinued operations.
(b) Included International Beverages' 1996 unusual impairment charges of $390 million.
(c) Excluded the effects of International Beverages' 1996 unusual impairment charges.

PEPSICO, INC. AND SUBSIDIARIES

SUPPLEMENTAL SCHEDULE OF NET SALES AND OPERATING PROFIT (a)
MANAGEMENT BASIS
($ in millions, unaudited)

	Net Sales			Operating Profit			
	36 Weeks Ended		% Change	36 Weeks Ended		% Change B/(W)	
	9/6/97	9/7/96	B/(W)	9/6/97 (b)	9/7/96 (b)	As Rept'd (b)	On-going (c)
Beverages							
- -N.A.	$ 5,557	$5,502	1	$1,029	$1,084	(5)	-

- -Int'l	1,903	2,053	(7)	(121)	(433)	72	NM
	7,460	7,555	(1)	908	651	39	10
Snack Foods							
- -N.A.	4,905	4,652	5	985	881	12	13
- -Int'l	2,296	2,080	10	196	226	(13)	14
	7,201	6,732	7	1,181	1,107	7	13
Combined Segments	$14,661	$14,287	3	2,089	1,758	19	11
Unallocated Expenses				(143)	(119)	(20)	(20)
Operating Profit				$1,946	$1,639	19	11

NM - Not Meaningful

Notes:

a) This schedule should be read in conjunction with Management's Analysis beginning on page 19 and reflects the continuing operations of our Beverages and Snack Foods segments. Prior year amounts have been restated to reflect the effects of classifying the operating results of our Restaurants segment as discontinued operations.

(b) Included the following unusual charges:

	1997	1996
Beverages		
- N.A.	$ 52	$ -
- Int'l	180	390
Snack Foods		
- N.A.	10	-
- Int'l	62	-
	$304	$390

(c) Excluded the effects of the unusual items described in note (b) above.

Segments of The Business

Beverages

($ in millions)

	12 Weeks Ended			36 Weeks Ended		
	9/6/97	9/7/96	% Change	9/6/97	9/7/96	% Change
Net Sales						
N.A.	$2 071	$2,032	2	$5,557	$5,502	1
Int'l	799	791	1	1,903	2,053	(7)
	$2 870	$2,823	2	$7 460	$7,555	(1)
Operating Profit						
Reported						
N.A.	$ 425	$ 435	(2)	$1 029	$1,084	(5)
Int'l	75	(468)	NM	(121)	(433)	72
	$ 500	$ (33)	NM	$ 908	$ 651	39
Ongoing*						
N.A.	$ 425	$ 435	(2)	$1,081	$1,084	-
Int'l	75	(78)	NM	59	(43)	NM
	$ 500	$ 357	40	$1,140	$1,041	10

NM - Not Meaningful

* Excluded unusual net charges of $232 ($52-North America, $180-Int'l) year-to-date in 1997 and $390 (Int'l) in both the 1996 quarter and year-to-date. See Note 2.

System bottler case sales (BCS) is our standard volume measure. It represents Pepsi Corporate brands as well as brands we have the right to produce, distribute and market nationally. Third quarter BCS included the months of June, July and August, consistent with prior years.

North America

Sales increased $39 million and $55 million in the quarter and year-to-date, respectively. The increases reflected volume growth, led by packaged goods, partially offset by lower effective net pricing. The decrease in effective net pricing, primarily in take-home packaged products, reflected an intensely competitive environment.

BCS increased 4% for both the quarter and year-to-date, reflecting double-digit growth by Mountain Dew. Non-carbonated soft drink products, led by Aquafina bottled water and Lipton Brisk, grew at a double-digit rate for both the quarter and year-to-date. Our concentrate shipments to franchisees grew faster than their BCS growth in the quarter but were slightly slower year-to-date.

Reported operating profit declined $10 million for the quarter and $55 million year-to-date. Ongoing operating profit declined $10 million in the quarter and $3 million year-to-date. Both periods reflected the lower

effective net pricing, higher S&D and increased A&M. S&D grew significantly faster than sales, but at the same rate as volume for both the quarter and year-to-date. A&M grew faster than sales in the quarter but grew significantly slower than volume year-to-date. These unfavorable items were partially offset in the quarter and year-to-date by volume gains, lower packaging and commodity costs and reduced G&A expenses. The lower G&A expenses primarily reflected savings from centralizing certain accounting functions. The change in profit for both the quarter and year-to-date was hampered by lapping a 1996 gain on the sale of an investment in a bottling cooperative.

International

Sales increased $8 million in the quarter and declined $150 million year-to-date. Increased volume, led by concentrate, was substantially offset by unfavorable currency translation effects in the quarter. The year-to-date decline was due to unfavorable currency translation effects, primarily driven by Spain and Japan.

BCS increased 4% in the quarter but year-to-date was even with the prior year. Excluding the impact of the loss of our Venezuelan bottler in August 1996, BCS increased 5% in the quarter and 2% year-to-date. These increases reflected double-digit growth by our China and India Business Units and, solid single-digit growth by our Middle East Business Unit in the quarter and by our Asia Business Unit year-to-date. These advances were partially offset year-to-date by a decline in our Russia Business Unit. Our concentrate shipments to franchisees increased significantly faster than their BCS growth in the quarter because of low concentrate shipments last year. Year-to-date, both concentrate shipments to franchisees and their BCS remained about even with the prior year.

Reported operating results increased $543 million for the quarter and $312 million year-to-date. Ongoing operating results increased $153 million and $102 million in the quarter and year-to-date, respectively. The increase in ongoing operating results in the quarter reflected the higher volume, equity income from our investments in unconsolidated affiliates compared to equity losses a year ago, primarily due to the absence of losses from BAESA and lower G&A expenses. The increase year-to-date was driven by equity income compared to equity losses a year ago and lower G&A expenses, partially offset by lower effective net pricing for packaged products. The lower G&A expenses reflected our fourth quarter 1996 restructuring and is consistent with the $50 million of savings expected this year. See Cautionary Statements on page 25.

Snack Foods

($ in millions)

	12 Weeks Ended			36 Weeks Ended		
	9/6/97	9/7/96	% Change	9/6/97	9/7/96	% Change
Net Sales						
N.A.	$1,714	$1,622	6	$4,905	$4,652	5
Int'l	778	714	9	2,296	2,080	10
	$2,492	$2,336	7	$7,201	$6,732	7
Operating Profit						
Reported						
N.A.	$ 378	$ 333	14	$ 985	$ 881	12
Int'l	90	72	25	196	226	(13)
	$ 468	$ 405	16	$1,181	$1,107	7
Ongoing*						
N.A.	$ 378	$ 333	14	$ 995	$ 881	13
Int'l	90	72	25	258	226	14
	$ 468	$ 405	16	$1,253	$1,107	13

* Excluded unusual net charges of $72 (N.A.-$10, Int'l-$62) year-to-date for worldwide productivity initiatives and the disposal of assets. See Note 2.

North America
Sales grew $92 million for the quarter and $253 million year-to-date reflecting increased volume and higher pricing taken on most major brands in the fourth quarter of 1996.

Pound volume advanced 4% and 3% for the quarter and year-to-date, respectively. Excluding their low-fat and no-fat versions, core brand growth was led by strong double-digit growth in Doritos brand tortilla chips for the quarter, which drove its year-to-date high single-digit growth and, for both the quarter and year-to-date, high single-digit growth in Lay's brand potato chips and double-digit growth by Tostitos brand tortilla chips. Although low-fat and no-fat snacks depressed the growth rate slightly for the quarter and year-to-date, Baked Lay's brand potato chips and Tostitos brand salsa continued to enjoy double-digit growth for both periods.

Reported operating profit grew $45 million for the quarter and $104 million year-to-date. Ongoing operating profit rose $45 million and $114 million for the quarter and year-to-date, respectively. The ongoing profit increase reflected the higher pricing and volume growth partially offset by increased manufacturing costs and G&A expenses.

International

Sales increased $64 million for the quarter and $216 million year-to-date. The sales increase reflected volume gains and, year-to-date, higher effective net pricing.

Kilo growth is reported on a systemwide basis, which includes both consolidated businesses and unconsolidated affiliates operating for at least one year. Salty snack kilos rose 11% for the quarter and year-to-date, led by strong double-digit growth by Sabritas and Brazil, while sweet snack kilos declined 2% and 9%, respectively.

Reported operating profit increased $18 million for the quarter, while decreasing $30 million year-to-date. Ongoing operating profit for the same periods increased $18 million and $32 million, respectively. The increase in the quarter primarily reflected volume gains and lower manufacturing costs partially offset by increased S&D expenses. Year-to-date, inflation-driven higher effective net pricing and volume gains were partially offset by increased operating, manufacturing and G&A costs, primarily in Mexico. Ongoing operating profit also benefited from a gain on a sale of a flour mill.

Cash Flows and Financial Condition

Please refer to our 1996 Annual Report on Form 10-K for information regarding our liquidity.

Net cash provided by operating activities increased $378 million or 23% to $2.1 billion. The increase reflected a $181 million increase in income before all noncash charges and credits, driven by a $301 million increase in income from continuing operations, and a decrease in operating working capital cash outflows of $197 million. The reduced cash use for operating working capital primarily reflected a small reduction in inventories compared to an increase last year and no change in accounts payable and accrued liabilities compared to a decline in the prior year. The change in inventories primarily reflected lapping unusually high inventory balances last year and lower purchases this year. The change in accounts payable and accrued liabilities was primarily due to timing of payments.

Net cash used for investing activities more than doubled to $2.6 billion. The increase primarily reflected a $1.7 billion increase in our investment portfolio partially offset by a $134 million or 12% decline in capital spending by Snack Foods. As discussed in Consolidated Financial Condition on page 24, the increase in the investment portfolio reflected our decision to use a portion of the cash distribution we anticipated receiving from our restaurant businesses prior to their spin-off in the fourth quarter to repay short-term debt. Accordingly, excess cash was invested.

Net cash used for financing activities increased $75 million or 8% to $1 billion. The increase was primarily due to increased share repurchases of $592 million offset by $520 million of increased net debt proceeds.

Our share repurchase activity was as follows:

	36 Weeks Ended	
($ and shares in millions)	9/6/97	9/7/96
Cost	$1,643	$1,051
Number of shares repurchased	46.6	33.9
% of shares outstanding at beginning of year	3.0%	2.2%

Net cash provided by discontinued operations almost tripled to $1.8 billion. The significant increase reflected the cash proceeds associated with the sale of PFS and the non-core businesses, the effects of refranchising restaurants (including the New Zealand IPO) and other operating increases. In addition, subsequent to the end of the quarter, but prior to the TRICON spin-off, we received a $4.5 billion cash payment from our restaurant companies.

Free cash flow is the primary measure we use internally to evaluate our cash flow performance.

($ in millions)	36 Weeks Ended 9/6/97	9/7/96
Net cash provided by operating activities	$2,052	$ 1,674
Cash dividends paid	(545)	(496)
Investing activities		
Capital spending	(957)	(1,091)
Sales of businesses	85	-
Sales of property, plant and equipment	-	27
Other, net	(5)	(170)
Free cash flow:		
Continuing operations	630	(56)
Discontinued operations	1,791	605
	$2,421	$ 549

Free cash flow increased $1.9 billion primarily reflecting $1.2 billion of increased cash provided by discontinued operations. The $686 million increase from continuing operations primarily reflected increased cash from operating activities and reduced capital spending.

Consolidated Financial Condition

Operating working capital, which excludes short-term investments and short-term borrowing, was $253 million at the end of the third quarter 1997, compared to a negative $130 million at year-end 1996. The $383 million swing in operating working capital was primarily the effects of reclassifying the reduced carrying amount of the International Beverages assets held for disposal to prepaid expenses, deferred income taxes and other current assets. Increased cash and cash equivalents and Notes and Accounts Receivable were partially offset by increased accounts payable and other current liabilities and income taxes payable.

Subsequent to the end of the quarter but prior to the spin-off, we received the $4.5 billion cash distribution from TRICON and used $3.7 billion to repay a portion of our short-term debt. Because it was not cost effective to prepay any of our other outstanding debt, the balance of the TRICON payment, along with the cash proceeds from the sale of PFS and the non-core businesses, the New Zealand IPO and other excess cash, were invested in a short-term investment portfolio and will be used to fund our future operating and other investment opportunities, including the repurchase of PepsiCo shares.

Cautionary Statements

From time to time, in written reports and oral statements, we discuss our expectations regarding future performance of the Company. 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 had expected. In addition, as disclosed on page 20, the forecasted annual savings of $50 million in 1997 related to the 1996 International Beverages restructuring charge assumes that the facilities are vacated and employees are terminated within the time frames used to develop the estimate.

Independent Accountants' Review Report

The Board of Directors
PepsiCo, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of PepsiCo, Inc. and Subsidiaries as of September 6, 1997 and the related condensed consolidated statement of income for the twelve and thirty-six weeks ended September 6, 1997 and September 7, 1996, and the condensed consolidated statement of cash flows for the thirty-six weeks ended September 6, 1997 and September 7, 1996. These financial statements are the responsibility of PepsiCo, Inc.'s management.

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

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

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of PepsiCo, Inc. and Subsidiaries as of December 28, 1996, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended not presented herein; and in our report dated February 4, 1997, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 28, 1996, is fairly presented, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Our report, referred to above, contains an explanatory paragraph that states that 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," and in 1994 adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" and changed its method for calculating the market-related value of pension plan assets used in the determination of pension expense.

KPMG Peat Marwick LLP

New York, New York
October 21, 1997

PART II - OTHER INFORMATION AND SIGNATAURES

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

See Index to Exhibits on page 29.

(b) Reports on Form 8-K

None

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

PEPSICO, INC.
(Registrant)

Date: October 21, 1997 Sean F. Orr

Senior Vice President and
Controller

Date: October 21, 1997

Lawrence F. Dickie
Vice President, Associate General
Counsel and Assistant Secretary

INDEX TO EXHIBITS
ITEM 6 (a)

EXHIBITS

Exhibit 11	Computation of Net Income Per Share of Capital Stock - Primary and Fully Diluted
Exhibit 12	Computation of Ratio of Earnings to Fixed Charges
Exhibit 15	Letter from KPMG Peat Marwick LLP regarding Unaudited Interim Financial Information (Accountants' Acknowledgment)
Exhibit 27	Financial Data Schedule

EXHIBIT 11

PEPSICO, INC. AND SUBSIDIARIES
Computation of Net Income Per Share of Capital Stock - Primary
(page 1 of 2)
(in millions except per share amounts, unaudited)

	12 Weeks Ended		36 Weeks Ended	
	9/6/97	9/7/96	9/6/97	9/7/96
Shares outstanding at beginning of period	1,531	1,565	1,545	1,576
Weighted average of shares issued during the period for exercise of stock options, conversion of debentures and payment of compensation awards	3	3	9	10
Shares repurchased (weighted)	(10)	(4)	(20)	(17)
Dilutive shares contingently issuable upon exercise of stock options, conversion of debentures and payment of compensation awards, net of shares assumed to have been purchased for treasury (at the average price) with assumed proceeds from exercise of stock options and compensation awards	42	43	41	44
Total shares - primary	1,566	1,607	1,575	1,613
Income from Continuing Operations	$ 551	$ 10	$1,045	$ 744
Income from Discontinued Operations	107	134	696	377
Net Income	$ 658	$ 144	$1,741	$1,121
Income per share - primary				
Continuing Operations	$ 0.35	$ 0.01	$ 0.66	$ 0.46
Discontinued Operations	0.07	0.08	0.45	0.23
Net Income Per Share	$ 0.42	$ 0.09	$ 1.11	$ 0.69

PEPSICO, INC. AND SUBSIDIARIES
Computation of Net Income Per Share of Capital Stock - Fully Diluted
(page 2 of 2)
(in millions except per share amounts, unaudited)

	12 Weeks Ended		36 Weeks Ended	
	9/6/97	9/7/96	9/6/97	9/7/96
Shares outstanding at beginning of period	1,531	1,565	1,545	1,576
Shares issued during the period for exercise of stock options, conversion of debentures and payment of compensation awards	6	5	19	17
Shares repurchased (weighted)	(10)	(4)	(20)	(17)
Dilutive shares contingently issuable upon exercise of stock options, conversion of debentures and payment of compensation awards, net of shares				

assumed to have been purchased for treasury (at the higher of average or quarter-end price) with assumed proceeds from exercise of stock options and compensation awards	41	43	39	42
Total shares - fully diluted	1,568	1,609	1,583	1,618
Income from Continuing Operations	$ 551	$ 10	$1,045	$ 744
Income from Discontinued Operations	107	134	696	377
Net Income	$ 658	$ 144	$1,741	$1,121
Income per share - fully diluted				
Continuing Operations	$ 0.35	$ 0.01	$ 0.66	$ 0.46
Discontinued Operations	0.07	0.08	0.44	0.23
Net Income Per Share	$ 0.42	$ 0.09	$ 1.10	$ 0.69

EXHIBIT 12

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

	36 Weeks Ended 9/6/97	9/7/96 (b)
Earnings:		
Income from continuing operations before income taxes.......	$1,642	$1,307
Joint ventures and minority interests, net..................	(34)	214
Amortization of capitalized interest........................	3	3
Interest expense.................	358	399
Interest portion of rent expense (a).....................	35	30
Earnings available for fixed charges.........................	$2,004	$1,953
Fixed Charges:		
Interest expense.................	$ 358	399
Capitalized interest.............	8	9
Interest portion of rent expense (a)....................	35	30
Total fixed charges............	$ 401	$ 438
Ratio of Earnings to Fixed Charges	5.00	4.46

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

(b) Included unusual charges of $304 and $390 in the 36 weeks ended September 6, 1997 and September 7, 1996, respectively, (see Note 2). Excluding these items, the ratio of earnings to fixed charges for the 36 weeks ended September 6, 1997 and September 7, 1996 would have been 5.76 and 5.35, respectively.

EXHIBIT 15

Accountants' Acknowledgment

The Board of Directors
PepsiCo, Inc.

We hereby acknowledge our awareness of the use of our report dated October 21, 1997 included within the Quarterly Report on Form 10-Q of PepsiCo, Inc. for the twelve and thirty-six weeks ended September 6, 1997, and incorporated by reference in the following Registration Statements and in the related Prospectuses:

Description	Registration Statement Number
Form S-3	
PepsiCo SharePower Stock Option Plan for PCDC Employees	33-42121
$500,000,000 Euro-Medium-Term Notes	33-8677
$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
Restaurant Deferred Compensation Plan	333-01377

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

KPMG Peat Marwick LLP
New York, New York
October 21, 1997

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION
EXTRACTED FROM PEPSICO, INC. AND SUBSIDIARIES CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS FOR THE 36 WEEKS
ENDED SEPTEMBER 6, 1997 AND IS QUALIFIED IN ITS
ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
0000077476
PepsiCo, Inc.
1,000,000

Dec-28-1996
Sep-6-1997
9-MOS
502
1,975
2,469
138
775
6,221
10,892
4,885
23,041
9,343
3,584
29
0
0
6,316
23,041
14,661
14,661
5,969
5,969
0
39
358
1,642
597
1,045
696
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0
1,741
1.11
1.10