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

(Mark One)
X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 22, 1997 (12 Weeks)

OR

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

Commission file number 1-1183

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

North Carolina	13-1584302
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer 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 April 18, 1997: 1,532,358,684

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	
	3/22/97	3/23/96
Net Sales	$6,702	$6,554
Costs and Expenses, net		
Cost of sales	3,257	3,206
Selling, general and administrative expenses	2,617	2,549
Amortization of intangible assets	62	67
Unusual disposal charge	-	26
Operating Profit	766	706
Interest expense	(123)	(141)
Interest income	13	23
Income Before Income Taxes	656	588
Provision for Income Taxes	229	194
Net Income	$ 427	$ 394
Net Income Per Share	$ 0.27	$ 0.24
Cash Dividends Declared Per Share	$0.115	$ 0.10
Average Shares Outstanding Used To Calculate Net Income Per Share	1,583	1,619

See accompanying notes.

PEPSICO, INC. AND SUBSIDIARIES

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

	12 Weeks Ended	
	3/22/97	3/23/96
Cash Flows - Operating Activities		
Net income	$ 427	$ 394
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	362	374
Unusual disposal charge	-	26
Deferred income taxes	7	6
Other noncash charges and credits, net	30	84
Changes in operating working capital, excluding effects of acquisitions		
Accounts and notes receivable	66	15
Inventories	22	(6)
Prepaid expenses, deferred income taxes and other current assets	(201)	(73)
Accounts payable and other current liabilities	(668)	(414)
Income taxes payable	155	62
Net change in operating working capital	(626)	(416)
Net Cash Provided by Operating Activities	200	468
Cash Flows - Investing Activities		
Capital spending	(360)	(370)
Acquisitions and investments in unconsolidated affiliates	-	(14)
Refranchising of restaurants	40	101
Sales of property, plant and equipment	31	13
Sales of businesses	72	3
Short-term investments, by original maturity		
More than three months - purchases	(25)	(24)
More than three months - maturities	114	45
Three months or less, net	(6)	33
Other, net	27	(43)
Net Cash Used for Investing Activities	(107)	(256)
Cash Flows - Financing Activities		
Proceeds from issuances of long-term debt	-	606
Payments of long-term debt	(928)	(156)
Short-term borrowings, by original maturity		
More than three months - proceeds	37	248
More than three months - payments	(137)	(956)
Three months or less, net	1,117	482
Proceeds from formation of a REIT	296	-
Cash dividends paid	(172)	(158)
Share repurchases	(378)	(331)
Proceeds from exercises of stock options	72	110
Other, net	(6)	(11)
Net Cash Used for Financing Activities	(99)	(166)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1)	(1)
Net (Decrease) Increase in Cash and Cash Equivalents	(7)	45
Cash and Cash Equivalents - Beginning of year	447	382
Cash and Cash Equivalents - End of period	$ 440	$ 427

See accompanying notes.

PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET
(in millions)

ASSETS

	Unaudited 3/22/97	12/28/96
Current Assets		
Cash and cash equivalents	$ 440	$ 447
Short-term investments, at cost	272	339
	712	786
Accounts and notes receivable, less allowance: 3/97 - $173, 12/96 - $183	2,344	2,516
Inventories		
Raw materials and supplies	487	571
Finished goods	522	467
	1,009	1,038
Prepaid expenses, deferred income taxes and other current assets	987	799
Total Current Assets	5,052	5,139
Property, Plant and Equipment	17,869	17,840
Accumulated Depreciation	(7,747)	(7,649)
	10,122	10,191
Intangible Assets, net	6,996	7,136
Investments in Unconsolidated Affiliates	1,364	1,375
Other Assets	626	671
Total Assets	$24,160	$24,512

Continued on next page.

PEPSICO, INC. AND SUBSIDIARIES

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

LIABILITIES AND SHAREHOLDERS' EQUITY

	Unaudited 3/22/97	12/28/96
Current Liabilities		
Accounts payable and other current liabilities	$ 4,279	$ 4,626
Income taxes payable	606	487
Short-term borrowings	486	26
Total Current Liabilities	5,371	5,139
Long-term Debt	7,951	8,439
Other Liabilities	2,568	2,533
Deferred Income Taxes	1,778	1,778
Shareholders' Equity		
Capital stock, par value 1 2/3 cents per share:		
authorized 3,600 shares, issued 3/97		

and 12/96 - 1,726 shares	29	29
Capital in excess of par value	1,220	1,201
Retained earnings	9,434	9,184
Currency translation adjustment	(882)	(768)
	9,801	9,646
Less: Treasury Stock, at Cost:		
3/97 - 187 shares, 12/96 - 181 shares	(3,309)	(3,023)
Total Shareholders' Equity	6,492	6,623
Total Liabilities and Shareholders' Equity	$24,160	$24,512

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) The Condensed Consolidated Balance Sheet at March 22, 1997 and the Condensed Consolidated Statements of Income and Cash Flows for the 12 weeks ended March 22, 1997 and March 23, 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 weeks are not necessarily indicative of the results expected for the year. Certain reclassifications were made to prior year's first quarter amounts to conform with the Annual Report presentation.

(2) The non-core U.S. restaurant businesses held for disposal contributed $103 million and $67 million to net sales in 1997 and 1996, respectively. Excluding the unusual disposal charge in 1996, operating results for the non-core U.S. restaurant businesses were $5 million of profit in 1997 compared to a $6 million loss in 1996.

(3) In the first quarter of 1997 we sold East Side Mario's (ESM), one of our non-core U.S. restaurant businesses, and our investment in a non-core International snack food joint venture with Gerber for $72 million. The proceeds from the sale of ESM approximated its carrying amount. The sale of the non-core investment resulted in a gain of $22 million ($2 million loss after-tax).

(4) Statement of Financial Accounting Standards No. 128 (SFAS 128), "Earnings per Share," which supersedes APB Opinion No. 15, "Earnings per Share," was issued in February, 1997. SFAS 128 requires dual presentation of basic and diluted earnings per share (EPS) for complex capital structures on the face of the income statement. Basic EPS is computed by dividing income by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution from the exercise or conversion of securities into common stock, such as stock options. SFAS 128 is required to be adopted for year-end 1997; earlier application is not permitted. We do not expect the basic or diluted EPS measured under SFAS 128 to be materially different than our primary or fully-diluted EPS measured under APB No. 15. We will present both EPS measures on the face of the income statement.

Statement of Financial Accounting Standards No. 129, "Disclosure of Information about Capital Structure," was issued in February, 1997. We do not expect it to result in any substantive change in our disclosure.

(5) Significant debt repayments (exclusive of commercial paper), including the related effects of any interest rate and/or foreign currency swaps entered into concurrently with the debt, are listed below. As disclosed in our Annual Report, we enter into the swaps to effectively change the interest rate and currency of specific debt issuances with the objective of reducing borrowing costs.

	Principal	Interest Rate
12 weeks ended March 22, 1997:		
	$678	*
	250	5.0%
	$928	
Subsequent to March 22, 1997:		
	$263	*
	15	14.0%
	$278	

* Variable rate debt indexed to either LIBOR or commercial paper rates.

(6) At March 22, 1997, $3.5 billion of short-term borrowings were included in the Condensed Consolidated Balance Sheet under the caption "Long-term Debt", reflecting our intent and ability, through the existence of unused revolving credit facilities, to refinance these borrowings on a long-term basis. At March 22, 1997, we had unused revolving credit facilities covering potential borrowings aggregating $3.5 billion of which $0.2 billion expire in January 2001 and $3.3 billion in 2002.

(7) Through the first quarter ended March 22, 1997, we repurchased 11.7 million shares of our capital stock at a cost of $378 million. For the period March 23, 1997 through May 1, 1997, we repurchased 9.0 million shares of our capital stock at a cost of $294 million.

(8) Supplemental Cash Flow Information
(in millions)

	12 Weeks Ended 3/22/97	3/23/96
Cash Flow Data		
Interest paid	$127	$162
Income taxes paid	70	61

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

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, pound or kilo sales of salty and sweet snacks in snack foods and customer transaction counts (i.e., same store sales excluding the impact of effective pricing) in restaurants. Effective net pricing includes price increases/decreases and the effect of product, package and country mix.

Our beverages and snack foods segments are reported on a North American basis (U.S. and Canada combined) and an International basis (all other international) while the restaurants segment is reported on a U.S. and international basis.

Analysis of Consolidated Operations

Net Sales

($ in millions)	12 Weeks Ended 3/22/97	3/23/96	% Change
Net Sales	$6,702	6,554	2

Worldwide net sales rose $148 million reflecting higher effective net pricing and net volume gains of $72 million. The higher effective net pricing was driven by worldwide snack foods and restaurants, partially offset by North American beverages. The volume gains were driven by worldwide snack foods and North American beverages, partially offset by declines in U.S. restaurants and International beverages. In addition, the increase in sales benefited from the consolidation of California Pizza Kitchen at the end of the second quarter of 1996. The sales growth rate was reduced by one point as a result of our strategy to reduce our ownership of the restaurant system through selling company-operated restaurants to franchisees (refranchising) and closing underperforming restaurants.

Cost of Sales

($ in millions)	12 Weeks Ended 3/22/97	3/23/96
Cost of sales	$3,257	$3,206
As a percent of net sales	48.6%	48.9%

Cost of sales as a percent of net sales decreased primarily due to the impact of higher pricing in North American snack foods and higher effective net pricing in international restaurants, coupled with the lower packaging costs in North American beverages.

Selling, General and Administrative Expenses (S,G&A)

($ in millions)	12 Weeks Ended 3/22/97	3/23/96
SG&A	$2,617	$2,549
As a percent of net sales	39.0%	38.9%

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. S&D grew faster than net sales, led by worldwide beverages. A&M declined due to reduced spending at International beverages. G&A grew significantly faster than sales driven by U.S. restaurants. Other income and expense included refranchising gains in excess of the costs of closing other restaurants (net refranchising gains) of $12 million ($7 million after-tax), compared to $46 million ($28 million after-tax or 0.02 per share) in 1996, and a 1997 gain of $22 million ($2 million loss after-tax) on a sale by International snack foods of a non-core joint venture investment. Equity income from our unconsolidated affiliates, compared to losses a year ago, primarily reflected the absence of losses from Buenos Aires Embotelladora S.A. (BAESA).

Amortization of intangible assets declined 7% to $62 million because we stopped amortizing intangible assets associated with our non-core U.S. restaurants in 1997 because they are being held for disposal. The impact of restaurant refranchisings, restaurant closures and recurring restaurant impairment charges taken in 1996 also reduced 1997 amortization expense. Amortization expense reduced net income per share by $0.03 in 1997 and 1996.

Unusual disposal charge of $26 million ($17 million after-tax or $0.01 per share) was associated with the 1996 decision to dispose of Hot'n Now.

Operating Profit

	12 Weeks Ended		
($ in millions)	3/22/97	3/23/96	% Change
Reported	$766	$706	8
Ongoing*	$766	$732	5

* Excluded the unusual disposal charge.

Reported operating profit increased $60 million. Ongoing operating profit increased $34 million, primarily due to a combined ongoing segment operating profit increase of $40 million or 5%. The increase reflected volume gains of $24 million and higher franchise royalty revenues. The higher effective net pricing was substantially offset by increased costs. Ongoing segment operating profit growth was hampered by the lower net refranchising gains, partially offset by the gain on the sale of the non-core investment and the improved results from our unconsolidated

affiliates. Ongoing operating profit growth was moderated by increased net corporate costs, incurred primarily in connection with the pending spin-off of our core restaurant businesses.

Interest Expense, net

	12 Weeks Ended		
($ in millions)	3/22/97	3/23/96	% Change
Interest expense	$(123)	$(141)	(13)
Interest income	13	23	(43)
Interest expense, net	$(110)	$(118)	(7)

The decline in interest expense, net, primarily reflected the net impact of lower average debt levels and interest rates partially offset by lower investment levels. The lower investment and debt levels are due to 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

	12 Weeks Ended	
($ in millions)	3/22/97	3/23/96
Provision for Income Taxes	$229	$194
Effective tax rate	34.9%	33.0%

The 1997 effective tax rate of 34.9% is composed of a full-year forecasted tax rate of about 36%, partially offset in the quarter by a one-time benefit from the reversal of a prior year valuation allowance related to a foreign deferred tax asset. The increase in the full-year effective tax rate is due to a reduction in lower-taxed foreign earnings coupled with a significantly higher effective tax rate on those foreign earnings.

Net Income and Net Income Per Share

	12 Weeks Ended		
($ in millions except per share amounts)	3/22/97	3/23/96	% Change
Reported			
Net Income	$ 427	$ 394	8
Net Income Per Share	$ .27	$ .24	13
Ongoing*			
Net Income	$ 427	$ 411	4
Net Income Per Share	$ .27	$ .25	8

Average Shares Outstanding Used to Calculate Net Income Per Share	1,583	1,619	(2)

* Excluded the unusual disposal charge.

PEPSICO, INC. AND SUBSIDIARIES

SUPPLEMENTAL SCHEDULE OF NET SALES AND OPERATING PROFIT (a)
Management Basis
($ in millions except per share amount, unaudited)

	Net Sales			Operating Profit		
	12 Weeks Ended		%	12 Weeks Ended		%
	3/22/97	3/23/96	Change	3/22/97	3/23/96	Change
Beverages (b)						
- - -N.A. (c)	$1,591	$1,537	4	$264	$257	3
- - -Int'l	367	426	(14)	(27)	(10)	NM
	1,958	1,963	-	237	247	(4)
Snack Foods						
- - -N.A. (c)	1,521	1,428	7	289	252	15
- - -Int'l (d)	709	628	13	99	73	36
	2,230	2,056	8	388	325	19
Restaurants (e)						
- - -U.S. (f)	1,997	2,034	(2)	149	144	3
- - -Int'l	517	501	3	44	36	22
	2,514	2,535	(1)	193	180	7
Combined segments	$6,702	$6,554	2	818	752	9
Corporate (g)				(52)	(46)	13
Operating Profit				$766	$706	8

NM - Not Meaningful

NOTES:

(a) This schedule should be read in conjunction with Management's Analysis beginning on page 12.
(b) Prior year's results have been restated to conform with the current year presentation.
(c) North America is composed of operations in the U.S. and Canada.
(d) Included a gain in 1997 of $22 ($2 loss after-tax) from a sale of a non-core investment in a joint venture with Gerber.
(e) Restaurant operating profit included the following:

	1997	1996
Refranchising gains	$ 16	$ 46
Store closure costs	(4)	-
Net refranchising gains	$ 12	$ 46
U.S.	$ 13	$ 42
International	(1)	4
	$ 12	$ 46

(f) Included an unusual charge of $26 ($17 after-tax or $0.01 per share) in 1996 as a result of the decision to dispose of Hot'n Now.
(g) Includes corporate headquarters expenses, minority interests, foreign exchange translation and transaction gains and losses and other items reported in Corporate.

Segments Of The Business

Beverages

	12 Weeks Ended		%
($ in millions)	3/22/97	3/23/96	Change
Net Sales			
N.A.	$1,591	$1,537	4

Int'l	367	426	(14)
	$1,958	$1,963	-
Operating Profit			
N.A.	$ 264	$ 257	3
Int'l	(27)	(10)	NM
	$ 237	$ 247	(4)

NM - Not Meaningful

System bottler case sales (BCS) of Pepsi Corporate brands is our standard volume measure. It represents company-owned brands as well as brands we have the right to produce, distribute and market nationally, and includes sales of packaged products and fountain syrup by company-owned and franchised bottlers.

North America

Sales for the quarter rose $54 million. The increase reflected volume growth of $94 million, led by packaged products. This gain was partially offset by lower effective net pricing, primarily the result of price decreases in take-home packaged products.

BCS increased 6% reflecting double-digit growth by Mountain Dew and a solid increase in Brand Pepsi. Alternative beverages (non-carbonated soft drink products), led by Aquafina bottled water and Lipton Brisk, grew at a strong double-digit rate. Our concentrate shipments to franchisees grew significantly slower than their BCS growth rate.

Profit grew $7 million or 3% on top of 18% growth last year. The profit growth reflected volume gains of $53 million and lower packaging costs, partially offset by the lower effective net pricing and increased S&D. S&D grew faster than sales and volume due to wage increases. Increased A&M were fully offset by lower administrative expenses, primarily reflecting the benefit of lapping the 1996 costs incurred in connection with national initiatives to upgrade information systems. A&M grew faster than sales but increased in line with volume.

International

Sales declined $59 million due to lower volume of $37 million and unfavorable currency translation. The volume decline primarily reflected lower concentrate shipments to franchisees.

BCS decreased 3%. Excluding the impact of the loss of our Venezuelan bottler in August 1996, BCS declined about a half of a point. A double-digit decline in South America was partially offset by strong double-digit growth in China. Our concentrate shipments to franchisees declined at a significantly greater rate than the decline in their BCS.

Operating losses increased $17 million. The increase reflected the volume decline of $29 million and lapping a 1996 favorable settlement of a take-or-pay sales contract. These decreases were partially offset by reduced net equity losses from our unconsolidated affiliates, primarily the absence of losses from BAESA. Last year we recognized $8 million of equity losses from BAESA. In the current quarter, our fourth quarter 1996 restructuring generated about $4 million of the $50 million of savings expected in 1997.

Beginning in 1997, we categorized Mexico as highly inflationary and, therefore, the U.S. dollar became the functional currency. Although difficult to measure, we believe the reported results of our operations in Mexico were not materially affected.

Snack Foods

($ in millions)	12 Weeks Ended 3/22/97	3/23/96	% Change
Net Sales			
N.A.	$1,521	$1,428	7
Int'l	709	628	13
	$2,230	$2,056	8
Operating Profit			
N.A.	$ 289	$ 252	15
Int'l	99	73	36
	$ 388	$ 325	19

North America

Sales grew $93 million. The sales increase reflected volume growth of $50 million and higher pricing taken across all core brands in late 1996. Sales increased in most core brands with low-fat and no-fat snacks accounting for about 30% of the sales growth.

Pound volume advanced 4%. Low-fat and no-fat snacks contributed over 35% of the growth. Core brand growth, excluding their low-fat and no-fat versions, was led by strong double-digit growth in Lay's brand potato chips and Tostitos brand tortilla chips.

Profit grew $37 million. The profit increase reflected the higher pricing, lower promotional price allowances and merchandising support and volume growth of $24 million. These gains were partially offset by increased manufacturing costs, S&D and administrative expenses. The increased manufacturing costs reflected higher capacity costs partially offset by lower packaging and commodity prices. An increased number of delivery routes over the prior year drove S&D, although S&D declined as a percentage of sales compared to 1996 as we improved system efficiency. Administrative expenses increased as a percentage of sales, reflecting a significant increase in investment spending to improve manufacturing and delivery systems. Advertising and marketing expenses were unchanged for the quarter.

International

Sales increased $81 million. The sales increase reflected higher effective net pricing, volume growth of $22 million and a favorable translation of the British Pound.

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 10%, while sweet snack kilos declined 12%.

Operating profit increased $26 million or 36% reflecting the $22 million gain on the sale of an investment in a non-core Mexican joint venture with Gerber. The impact of the higher effective net pricing and volume gains of $5 million slightly exceeded inflation-driven cost increases, primarily in Mexico.

Beginning in 1997, we categorized Mexico as highly inflationary and, therefore, the U.S. dollar became the functional currency. Although difficult to measure, we believe the reported results of our Mexican operations were not materially affected.

Restaurants

The unit activity and operating results presented below include both the U.S. and international operations of Pizza Hut, Taco Bell and KFC. In addition, the U.S. information includes our non-core restaurant businesses consisting of California Pizza Kitchen (CPK), Chevys, D'Angelo Sandwich Shops (D'Angelo), East Side Mario's (ESM) (through February 19, 1997, see Note 3) and Hot'n Now (HNN) units. PepsiCo Food Systems is included in our U.S. operating results.

1997 Restaurant Unit Activity
Company-Operated and Joint Venture

	U.S.	International	Worldwide
December 28, 1996	9,662*	3,520	13,182
New Builds & Acquisitions	32	40	72
Refranchising & Licensing	(82)	(7)	(89)
Closures	(244)	(24)	(268)
Divestiture of ESM	(14)	-	(14)
March 22, 1997	9,354*	3,529	12,883
Units as a percent of the total system			
December 28, 1996	46%	41%	45%
March 22, 1997	45%	41%	44%

* Non-core restaurant units were 296 and 284 at December 28, 1996 and March 22, 1997, respectively.

As a result of the above unit activity, coupled with net new points of distribution by our franchisees and licensees, our overall ownership percentage of total system units declined to 44% at the end of the quarter, driven by declines in the U.S. Total system units declined less than half a point from the end of 1996.

Operating Results

	12 Weeks Ended		
($ in millions)	3/22/97	3/23/96	% Change
Net Sales			
U.S.	$1,997	$2,034	(2)
Int'l	517	501	3
	$2,514	$2,535	(1)
Operating Profit			
Reported			
U.S.	$ 149	$ 144	3
Int'l	44	36	22
	$ 193	$ 180	7
Ongoing*			
U.S.	$ 149	$ 170	(12)
Int'l	44	36	22
	$ 193	$ 206	(6)

* Excluded a $26 charge in 1996 related to the decision to dispose of HNN.

U.S.

Sales decreased $37 million. The decrease was driven by fewer company-operated units and reduced sales of $78 million as a result of our strategic initiative to refranchise units and close underperforming units. This decrease was partially offset by a $37 million increase in our non-core restaurant businesses, primarily as a result of the consolidation of CPK at the end of the second quarter of 1996. Combined same store sales were not a factor in the total sales decline as transaction declines of $54 million, primarily due to lapping the first quarter 1996 introduction of Triple Decker Pizza, were offset by higher effective net pricing.

Same store sales at Pizza Hut decreased 8% reflecting fewer customer transactions. Same store sales increased 4% at Taco Bell reflecting the very successful Star Wars promotion, mix shifts into higher-priced products such as Border Select Combos and Fajita Wraps and higher pricing taken in late 1996. Same store sales at KFC also increased 4% due to the favorable impact of core products.

Reported operating profit increased $5 million. Ongoing operating profit decreased $21 million due to lower net refranchising gains of $29 million, as summarized below, and increased labor costs. The increased labor costs were due to national customer service improvement initiatives and increased wages and benefits. The above effects were partially offset by the effect of combined same store sales, reflecting higher effective net pricing partially offset by transaction declines of $28 million, and income in our U.S. non-core restaurant businesses in 1997 compared to losses in 1996. About half of the improvement in our U.S. non-core restaurant businesses was due to stopping depreciation and amortization expense in 1997 because these businesses are being held for sale.

Net Refranchising Gains/(Losses)

	12 Weeks Ended		
($ in millions)	3/22/97	3/23/96	Change
Refranchising gains	$ 16	$ 44	$ (28)
Store closure costs	(3)	(2)	(1)
	$ 13	$ 42	$ (29)

International

Sales increased $16 million due to higher effective net pricing, net additional company-operated units of $16 million and increased franchise royalty revenues. Sales growth was hampered by the effect of one less accounting period for Canada and Korea in 1997 to facilitate the quarterly closing process.

Operating profit increased $8 million, reflecting the increased franchise royalty revenues. The positive impact of higher effective net pricing and net increases in company units of $4 million were offset by higher store operating costs, led by labor, and lower net refranchising gains of $5 million, as summarized below:

Net Refranchising Gains/(Losses)

	12 Weeks Ended		
($ in millions)	3/22/97	3/23/96	Change
Refranchising gains	$ -	$ 2	$ (2)
Store closure costs	(1)	2	(3)
	$ (1)	$ 4	$ (5)

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 decreased $268 million or 57% to $200 million. The decrease reflected an increase in operating working capital cash outflows of $210 million and a $58 million decline in income before noncash charges and credits. The increased cash used for operating working capital primarily reflected a greater reduction in Accounts payable and other current liabilities and a larger increase in Prepaid expenses, deferred income taxes and other current assets. The change in Accounts payable and other current liabilities was driven primarily by timing of payments. The increase in Prepaid expenses, deferred income taxes and other current assets reflected a 1997 premium prepayment for U.S. casualty insurance. A comparable premium prepayment was not made in 1996 because we were largely self-insured. These cash outflows were partially offset by faster growth in Income taxes payable.

Net cash used for investing activities decreased $149 million or 58% to $107 million. The decline primarily reflected increased proceeds of $69 million in 1997 from the sale of businesses and a $70 million favorable swing in Other, net, composed of many small individual items. Lower proceeds from refranchising of restaurants of $61 million were offset by increased proceeds from other investing activities.

Net cash used for financing activities declined $67 million or 40% to $99 million. We received cash proceeds of $296 million from the sale of preferred stock in a real estate investment trust (REIT) we established in 1997. These proceeds were partially offset by reduced proceeds from net debt activities of $135 million and from other financing activities.

Our share repurchase activity was as follows:

($ and shares in millions)	12 Weeks Ended 3/22/97	3/23/96
Cost	$ 378	$ 331
Number of shares repurchased	11.7	10.8
% of shares outstanding at beginning of year	.8%	.7%

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

($ in millions)	12 Weeks Ended 3/22/97	3/23/96
Net cash provided by operating activities	$ 200	$ 468
Cash dividends paid	(172)	(158)
Investing activities		
Capital spending	(360)	(370)
Sales of businesses	72	3
Refranchising of restaurants	40	101
Sales of property, plant and equipment	31	13
Other, net	27	(43)
Free cash flow	$(162)	14

Free cash flow decreased $176 million, primarily reflecting the decline in net cash provided by operating activities partially offset by the favorable swing in Other, net.

Our negative operating working capital position, which reflects the cash sales nature of our restaurant operations partially offset by our more working capital intensive packaged goods businesses, effectively provides additional capital for investment. Operating working capital, which excludes short-term investments and short-term borrowings, was a negative $105 million and $313 million at the end of the first quarter of 1997 and year-end 1996, respectively. The $208 million decline was primarily due to increased investments in working capital by North American beverages, worldwide restaurants and worldwide snack foods. The increase was primarily due to the U.S. prepaid casualty insurance premium coupled with a reduction in other current liabilities, primarily reflecting reduced promotions by North American beverages. These investments in working capital were partially offset by the minority interest associated with the REIT (see Cash Flow - Financing Activities on page 17) and increased Income taxes payable.

Cautionary Statement

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.

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 March 22, 1997 and the related condensed consolidated statements of income and cash flows for the twelve weeks ended March 22, 1997 and March 23, 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
April 29, 1997

PART II - OTHER INFORMATION AND SIGNATURES

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit Index

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

(b) Reports on Form 8-K

We filed a Current Report on Form 8-K dated January 24, 1997 which among other items announced a plan to spin off our restaurant businesses to our shareholders as an independent publicly-traded company.

We filed a Current Report on Form 8-K dated February 4, 1997 attaching our 1996 earnings release of February 4, 1997.

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 May 5, 1997 Robert L. Carleton
Senior Vice President and
Controller

Date May 5, 1997 Lawrence F. Dickie
Vice President, Associate General
Counsel and Assistant Secretary

EXHIBIT 11

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

	12 Weeks Ended	
	3/22/97	3/23/96
Shares outstanding at beginning of period	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	4
Shares repurchased (weighted)	(4)	(5)
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	39	44
Total shares - primary	1,583	1,619
Net income	$ 427	$ 394
Net income per share - primary	$ 0.27	$ 0.24

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

	12 Weeks Ended	
	3/22/97	3/23/96
Shares outstanding at beginning of period	1,545	1,576
Shares issued during the period for exercise of stock options, conversion of debentures and payment of compensation awards	5	9
Shares repurchased (weighted)	(4)	(5)
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	39	44
Total shares - fully diluted	1,585	1,624
Net income	$ 427	$ 394
Net income per share - fully diluted	$ 0.27	$ 0.24

EXHIBIT 12

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

	12 Weeks Ended	
	3/22/97	3/23/96
Earnings:		
Income before income taxes	$656	$588
Unconsolidated affiliates and minority interests, net	5	10
Amortization of capitalized interest	1	1
Interest expense	123	141
Interest portion of net rent expense (a)	13	39
Earnings available for fixed charges	$798	$779
Fixed Charges:		
Interest expense	$123	$141
Capitalized interest	2	3
Interest portion of net rent expense (a)	13	39
Total fixed charges	$138	$183
Ratio of Earnings to Fixed Charges	5.78	4.26

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

EXHIBIT 15

Accountants' Acknowledgment

The Board of Directors
PepsiCo, Inc.

We hereby acknowledge our awareness of the use of our report dated April 29, 1997 included within the Quarterly Report on Form 10-Q of PepsiCo, Inc. for the twelve weeks ended March 22, 1997, and incorporated by reference in the following Registration Statements and in the related Prospectuses:

Description	Registration Statement Number
Form S-3	
Pizza Hut Cincinnati, Inc. and Tri-L Pizza Huts, Inc. acquisitions	33-37271
PepsiCo SharePower Stock Option Plan for Employees of Monsieur Henri Wines, Ltd.	33-35601, 33-42122,
33-56666 & 33-66146	
PepsiCo SharePower Stock Option Plan for Opco Employees	33-30658 & 33-38014
PepsiCo SharePower Stock Option Plan for PCDC Employees	33-42121
PepsiCo SharePower Stock Option Plan for Employees of Chevys, Inc.	33-66144
PepsiCo SharePower Stock Option Plan for Employees of Southern Tier Pizza Hut, Inc. and STPH Delco, Inc.	33-66148
Pepsi-Cola Bottling Company Annapolis acquisition	33-30372
$500,000,000 Euro-Medium-Term Notes	33-8677
$2,500,000,000 Debt Securities and Warrants	33-39283
Semoran Management Corporation acquisition	33-47527
$32,500,000 Puerto Rico Industrial, Medical and Environmental Pollution Control Facilities Financing Authority Adjustable Rate Industrial Revenue Bonds	33-53232
Extension of the PepsiCo SharePower Stock Option Plan to Employees of Snack Ventures Europe, a joint venture between PepsiCo Foods International and General Mills, Inc.	33-50685
$4,587,000,000 Debt Securities and Warrants	33-64243
Form S-4	
Erin Investment Corp. acquisition	33-31844
A&M Food Services, Inc. acquisition	33-4635
Pizza Hut Titusville, Inc. acquisition	33-21607
U.S. Kentucky Fried Chicken operations of Collins Foods International, Inc. acquisition	33-37978
Pizza Management, Inc. acquisition	33-47314

Form S-8	
PepsiCo SharePower Stock Option Plan	33-35602, 33-29037,
33-42058, 33-51496,	33-54731 & 33-66150
PepsiCo SharePower Stock Option Plan for Opco Employees	33-43189
1988 Director Stock Plan	33-22970
1979 Incentive Plan and the 1987 Incentive Plan	33-19539
1994 Long-Term Incentive Plan	33-54733
1995 Stock Option Incentive Plan	33-61731 & 333-09363
1979 Incentive Plan	2-65410
PepsiCo, Inc. Long Term Savings Program	2-82645, 33-51514 &
33-60965	
Long Term Savings Programs of Taco Bell Corp., Pizza Hut, Inc. and Kentucky Fried Chicken Corporation, respectively	2-93163, 2-99532 & 33-10488
Restaurant Deferred Compensation Plan	333-01377

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
May 5, 1997

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION
EXTRACTED FROM PEPSICO, INC. AND SUBSIDIARIES CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS FOR THE 12 WEEKS
ENDED MARCH 22, 1997 AND IS QUALIFIED IN ITS ENTIRETY
BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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PepsiCo, Inc.
1,000,000

Dec-27-1997
Mar-22-1997
3-MOS
440
272
2,344
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1,009
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