

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934

April 21, 1999 (April 6, 1999)

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Date of Report (Date of earliest event reported)

PepsiCo, Inc.

-----  
(Exact name of registrant as specified in its charter)

North Carolina

-----  
(State or other jurisdiction of incorporation)

1-1183  
(Commission File Number)

13-1584302  
(IRS Employer Identification No.)

700 Anderson Hill Road, Purchase, New York 10577

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(Address of Principal Executive Offices)

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

Item 2. Acquisition or Disposition of Assets.

On April 6, 1999, The Pepsi Bottling Group, Inc. ("PBG") completed the sale to the public of 100,000,000 shares, or 64.6% of its outstanding Common Stock. The proceeds to PBG, before expenses, were \$2,208,230,000. Prior to completion of the sale, PBG, which is the world's largest manufacturer, seller and distributor of carbonated and non-carbonated Pepsi-Cola beverages, was a wholly-owned subsidiary of PepsiCo, Inc. ("PepsiCo").

Item 7. Financial Statements, PRO FORMA Financial Information and Exhibits.

(b) PRO FORMA FINANCIAL INFORMATION OF PEPSICO.

PepsiCo, Inc. and Subsidiaries  
Unaudited Pro Forma Consolidated Statement of Income  
Fiscal Year Ended December 26, 1998  
(\$ in millions except per share amounts)

	Historical	PBG Pro Forma Adjustments		As Adjusted	Other Transactions Pro Forma Adjustments		As Further Adjusted
Net Sales	\$22,348	(7,041) 1,686	(a) (c)	\$16,993	(867) 174	(e) (c)	\$16,300
Cost and Expenses, net							
Cost of sales	9,330	(4,181) 1,677	(a) (c)	6,826	(517) 174	(e) (c)	6,483
Selling, general and administrative expenses	9,924	(2,488)	(a)	7,552	(312)	(e)	7,236

		48	(b)		(31)	(f)
		68	(c)		27	(g)
Amortization of intangible assets	222	(121)	(a)	101		101
Unusual impairment and other items	288	(222)	(a)	66		66
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Operating Profit	2,584	(136)		2,448	(34)	2,414
Interest expense	(395)	123	(d)	(272)		(272)
Interest income	74			74		74
	-----	-----		-----	-----	-----
Income Before Income Taxes	2,263	(13)		2,250	(34)	2,216
Provision for Income Taxes	270	(48)	(a)(b)	222	(5)	(e)(f) 217
	-----	-----	(c)(d)	-----	-----	(g) -----
Net Income	\$ 1,993	35		\$ 2,028	(29)	\$ 1,999
	=====	=====		=====	=====	=====
Net Income Per Share Basic	\$ 1.35					\$ 1.35
	=====					=====
Average Shares Outstanding	1,480					1,480
Net Income Per Share -						
Assuming Dilution	\$ 1.31					\$ 1.32
	=====					=====
Average Shares Outstanding	1,519					1,519

See accompanying Notes to Unaudited Pro Forma Financial Statements

PepsiCo, Inc. and Subsidiaries  
 Unaudited Pro Forma Condensed Consolidated Balance Sheet  
 December 26, 1998  
 (in millions)

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	Historical	PBG Pro Forma Adjustments	As Adjusted	Other Transactions Pro Forma Adjustments	As Further Adjusted	
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$311	\$ (36) 3,400	(a) (c)	\$ 3,675	\$ (6) 300 (d) (c)	\$ 3,969
Short-term investments, at cost	83			83		83
Accounts and notes receivable, less allowance: \$127	2,453	(808) 16	(a) (b)	1,661	(90) (d)	1,571
Inventories	1,016	(296) 92	(a) (b)	812	(33) 9 (d) (e)	788
Prepaid expenses, deferred income taxes and other current assets	499	(178) 125	(a) (b)	446	(7) (d)	439
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Total Current Assets	4,362	2,315		6,677	173	6,850
Property, plant and equipment, net	7,318	(2,055)	(a)	5,263	(303) (d)	4,960
Intangible assets, net	8,996	(3,806)	(a)	5,190	(505) (d)	4,685
Other assets	1,984	(143) (37) 607	(a) (b) (b)	2,411	(43) 836 (3) (d) (e) (e)	3,201
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Total Assets	\$22,660 =====	\$(3,119) =====		\$19,541 =====	\$ 155 =====	\$19,696 =====

Continued on next page.

PepsiCo, Inc. and Subsidiaries  
 Unaudited Pro Forma Condensed Consolidated Balance Sheet  
 December 26, 1998  
 (in millions)

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	Historical	PBG Pro Forma Adjustments		As Adjusted	Other Transactions Pro Forma Adjustments		As Further Adjusted
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>							
<b>Current Liabilities</b>							
Short-term borrowings	\$ 3,921	\$ (112) (2,100)	(a) (c)	\$ 1,709	\$ (23)	(d)	\$ 1,686
Accounts Payable and other current liabilities	3,870	(881) 44	(a) (b)	3,033	(103)	(d)	2,930
Income Taxes Payable	123	9	(a)	132			132
Total Current liabilities	7,914	(3,040)		4,874	(126)		4,748
Long-Term Debt	4,028	(61)	(a)	3,967			3,967
Other Liabilities	2,314	(367) 125	(a) (b)	2,072	(16)	(d)	2,056
Deferred Income Taxes	2,003	(1,202) 20	(a) (b)	821	(41) 2	(d) (e)	782
Shareholders' Equity	6,401	1,406		7,807	336		8,143
Total Liabilities and Shareholders' Equity	22,660	\$ (3,119)		\$19,541	\$ 155		19,696

See accompanying Notes to Unaudited Pro Forma Financial Statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

In April of 1999, The Pepsi Bottling Group completed an initial public offering of 100,000,000 shares of its common stock. Prior to the offering, PBG was a subsidiary of PepsiCo, Inc. operating wholly-owned bottling businesses located in the United States, Canada, Spain, Greece and Russia. Subsequent to the offering, PepsiCo retained a 35.4% equity interest in PBG and a 7% direct equity interest in Bottling LLC, the operating subsidiary of PBG. The following unaudited Pro Forma Condensed Consolidated Financial Information gives effect to the initial public offering of PBG as if it occurred on December 28, 1997 for the Unaudited Pro Forma Condensed Consolidated Income Statement and at December 26, 1998 for the Unaudited Pro Forma Condensed Consolidated Balance Sheet.

Additionally, the following Unaudited Pro Forma Condensed Consolidated Financial Information also gives effect to two other transactions which are expected to be consummated in the second quarter involving the contribution of certain other wholly-owned bottling businesses of PepsiCo to other Pepsi franchise bottlers in exchange for equity interests in those franchise bottlers. The following unaudited Pro Forma Condensed Consolidated Financial Information gives effect to these transactions as if they occurred on December 28, 1997 for the Unaudited Pro Forma Condensed Consolidated Income Statement and at December 26, 1998 for the Unaudited Pro Forma Condensed Consolidated Balance Sheet.

The unaudited Pro Forma Condensed Consolidated Financial Information does not purport to represent what PepsiCo's results of operations or financial position would have been had such transactions been completed as of the dates indicated nor does it give effect to any events other than those discussed above.

The proforma adjustments to the accompanying historical consolidated statement of income for the 52 weeks ended December 26, 1998 were:

- (a) Represents adjustments to eliminate the results of operations of PBG from PepsiCo's consolidated statement of income. PepsiCo will account for its investment in PBG using the equity method of accounting.
- (b) Represents PepsiCo's interest in the income (loss) of PBG based upon the proforma results of PBG.
- (c) Reflects adjustments to reverse elimination of concentrate sales to PBG and the other franchise bottlers, related profit in inventory, allocation of overhead and other adjustments, net of the related tax effects.
- (d) Reflects reduction of interest expense on \$2.1 billion debt repayment resulting from the application of the \$5.5 billion cash proceeds to PepsiCo. Interest income at 4.8% on the remaining \$3.4 billion of cash proceeds has been excluded from this presentation.
- (e) Represents adjustments to eliminate the results of operations to be contributed in other transactions from PepsiCo's consolidated statement of income. PepsiCo will account for its investment in such franchise bottlers using the equity method of accounting.
- (f) Represents equity in income of other franchise bottlers.
- (g) Reflects reversal of 20% equity income from existing investment in franchise bottler eliminated due to an expected transaction and the related recognition of concentrate sales and related profit in inventory adjustment.
- (h) Interest income at 4.8% on the estimated \$300MM cash proceeds from the expected other franchise bottler transaction has been excluded from this presentation.
- (i) Does not include Tropicana's results from December 28, 1997 to August 24, 1998 as follows:

(\$ in millions)	
Revenues	\$1,326
Operating Profit	\$ 70
Interest	\$ 125
Net Loss	\$ 55

The pro forma adjustments to the accompanying historical condensed consolidated balance sheet at December 26, 1998 were:

- (a) Reflects adjustments to eliminate the assets and liabilities of PBG from PepsiCo's consolidated balance sheet and to record PepsiCo's investment in PBG using the equity method of accounting.
- (b) Reflects PepsiCo's pro forma equity interest in PBG, the reversal of the profit related in inventory elimination and various reclasses.
- (c) Reflects the reduction of debt and the increase in cash equivalents resulting from the application of cash proceeds from the PBG and other

franchise bottling transaction.

(d) Reflects adjustments to eliminate the assets and liabilities of other franchise bottlers from PepsiCo's consolidated balance sheet and to record PepsiCo's investments in other franchise bottlers using the equity method of accounting.

(e) Reflects PepsiCo's pro forma equity interest in other franchise bottlers and the related reversal of proportional profit in intercompany elimination.

#### SIGNATURES

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

Date: April 21, 1999

PepsiCo, Inc.

By: LAWRENCE F. DICKIE

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