COCA COLA BOTTLING CO CONSOLIDATED /DE/
Form 10-Q
August 07, 2009

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

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 28, 2009**
**Commission File Number 0-9286**
**COCA-COLA BOTTLING CO. CONSOLIDATED**

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **56-0950585** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**4100 Coca-Cola Plaza, Charlotte, North Carolina 28211**

(Address of principal executive offices) (Zip Code)
**(704) 557-4400**

(Registrant s telephone number, including area code)

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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer o | Accelerated filer þ | Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

| Class | Outstanding at July 31, 2009 |
|---|---|

| | |
|---|---|
| Common Stock, $1.00 Par Value | 7,141,447 |
| Class B Common Stock, $1.00 Par Value | 2,021,882 |

**COCA-COLA BOTTLING CO. CONSOLIDATED**
**QUARTERLY REPORT ON FORM 10-Q**
**FOR THE QUARTERLY PERIOD ENDED JUNE 28, 2009**
**INDEX**

PART I FINANCIAL INFORMATION

**Item 1. Financial Statements.**

Coca-Cola Bottling Co. Consolidated

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

In Thousands (Except Per Share Data)

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Net sales | $ 377,749 | $ 396,003 | $ 714,010 | $ 733,677 |
| Cost of sales | 217,622 | 224,123 | 406,754 | 421,879 |
| Gross margin | 160,127 | 171,880 | 307,256 | 311,798 |
| Selling, delivery and administrative expenses | 129,449 | 135,673 | 255,437 | 271,916 |
| Income from operations | 30,678 | 36,207 | 51,819 | 39,882 |
| Interest expense | 9,935 | 9,949 | 19,193 | 20,383 |
| Income before income taxes | 20,743 | 26,258 | 32,626 | 19,499 |
| Income tax provision | 7,825 | 9,743 | 10,885 | 7,658 |
| Net income | 12,918 | 16,515 | 21,741 | 11,841 |
| Less: Net income attributable to the noncontrolling interest | 731 | 1,360 | 1,023 | 1,021 |
| Net income attributable to Coca-Cola Bottling Co. Consolidated | $ 12,187 | $ 15,155 | $ 20,718 | $ 10,820 |
| **Basic net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated**: | | | | |
| Common Stock | $ 1.33 | $ 1.66 | $ 2.26 | $ 1.18 |
| Weighted average number of Common Stock shares outstanding | 7,141 | 6,644 | 6,999 | 6,644 |
| Class B Common Stock | $ 1.33 | $ 1.66 | $ 2.26 | $ 1.18 |
| Weighted average number of Class B Common Stock shares outstanding | 2,022 | 2,500 | 2,164 | 2,500 |
| **Diluted net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated**: | | | | |
| Common Stock | $ 1.32 | $ 1.65 | $ 2.25 | $ 1.18 |
| Weighted average number of Common Stock shares outstanding assuming dilution | 9,203 | 9,164 | 9,189 | 9,157 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Class B Common Stock | $ | 1.32 | $ | 1.65 | $ | 2.25 | $ | 1.18 |
| Weighted average number of Class B Common Stock shares outstanding assuming dilution | | 2,062 | | 2,520 | | 2,190 | | 2,513 |
| **Cash dividends per share**: | | | | | | | | |
| Common Stock | $ | .25 | $ | .25 | $ | .50 | $ | .50 |
| Class B Common Stock | $ | .25 | $ | .25 | $ | .50 | $ | .50 |

See Accompanying Notes to Consolidated Financial Statements

Coca-Cola Bottling Co. Consolidated
CONSOLIDATED BALANCE SHEETS
In Thousands (Except Share Data)

| | Unaudited June 28, 2009 | Dec. 28, 2008 | Unaudited June 29, 2008 |
|---|---|---|---|
| ASSETS | | | |
| **Current Assets:** | | | |
| Cash and cash equivalents | $ 33,453 | $ 45,407 | $ 9,323 |
| Restricted cash | 4,500 | | |
| Accounts receivable, trade, less allowance for doubtful accounts of $2,101, $1,188 and $916, respectively | 103,971 | 99,849 | 118,292 |
| Accounts receivable from The Coca-Cola Company | 22,721 | 3,454 | 17,243 |
| Accounts receivable, other | 15,576 | 12,990 | 11,381 |
| Inventories | 77,385 | 65,497 | 69,467 |
| Prepaid expenses and other current assets | 32,753 | 21,121 | 22,645 |
| Total current assets | 290,359 | 248,318 | 248,351 |
| **Property, plant and equipment**, net | 325,820 | 338,156 | 358,799 |
| **Leased property under capital leases**, net | 53,906 | 66,730 | 68,797 |
| **Other assets** | 41,454 | 33,937 | 38,058 |
| **Franchise rights**, net | 520,672 | 520,672 | 520,672 |
| **Goodwill**, net | 102,049 | 102,049 | 102,049 |
| **Other identifiable intangible assets**, net | 5,630 | 5,910 | 4,082 |
| Total | $ 1,339,890 | $ 1,315,772 | $ 1,340,808 |

See Accompanying Notes to Consolidated Financial Statements

Coca-Cola Bottling Co. Consolidated
CONSOLIDATED BALANCE SHEETS
In Thousands (Except Share Data)

| | Unaudited June 28, 2009 | Dec. 28, 2008 | Unaudited June 29, 2008 |
|---|---|---|---|
| LIABIILITIES AND EQUITY | | | |
| **Current Liabilities**: | | | |
| Current portion of debt | $ 2,440 | $ 176,693 | $ 119,253 |
| Current portion of obligations under capital leases | 3,674 | 2,781 | 2,690 |
| Accounts payable, trade | 42,843 | 42,383 | 45,457 |
| Accounts payable to The Coca-Cola Company | 50,054 | 35,311 | 40,882 |
| Other accrued liabilities | 77,762 | 57,504 | 56,321 |
| Accrued compensation | 19,965 | 23,285 | 14,446 |
| Accrued interest payable | 7,451 | 8,139 | 7,504 |
| Total current liabilities | 204,189 | 346,096 | 286,553 |
| **Deferred income taxes** | 139,328 | 139,338 | 169,664 |
| **Pension and postretirement benefit obligations** | 102,790 | 107,005 | 34,452 |
| **Other liabilities** | 108,098 | 107,037 | 96,311 |
| **Obligations under capital leases** | 61,217 | 74,833 | 76,246 |
| **Long-term debt** | 577,848 | 414,757 | 502,197 |
| Total liabilities | 1,193,470 | 1,189,066 | 1,165,423 |
| **Commitments and Contingencies** (Note 14) | | | |
| **Equity**: | | | |
| Common Stock, $1.00 par value: | | | |
| Authorized 30,000,000 shares; | | | |
| Issued 10,203,821, 9,706,051 and 9,706,051 shares, respectively | 10,204 | 9,706 | 9,706 |
| Class B Common Stock, $1.00 par value: | | | |
| Authorized 10,000,000 shares; | | | |
| Issued 2,649,996, 3,127,766 and 3,127,766 shares, respectively | 2,649 | 3,127 | 3,127 |
| Capital in excess of par value | 103,562 | 103,582 | 102,449 |
| Retained earnings | 95,158 | 79,021 | 85,322 |
| Accumulated other comprehensive loss | (55,319) | (57,873) | (12,991) |
| | 156,254 | 137,563 | 187,613 |
| Less-Treasury stock, at cost: | | | |
| Common 3,062,374 shares | 60,845 | 60,845 | 60,845 |
| Class B Common 628,114 shares | 409 | 409 | 409 |
| Total equity of Coca-Cola Bottling Co. Consolidated | 95,000 | 76,309 | 126,359 |

| | | | |
|---|---|---|---|
| Noncontrolling interest | 51,420 | 50,397 | 49,026 |
| Total equity | 146,420 | 126,706 | 175,385 |
| Total | $ 1,339,890 | $ 1,315,772 | $ 1,340,808 |

See Accompanying Notes to Consolidated Financial Statements

Coca-Cola Bottling Co. Consolidated
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
In Thousands

| | Common Stock | Class B Common Stock | Capital in Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | Total Equity of CCBCC | Noncontrolling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance on December 30, 2007 | $ 9,706 | $ 3,107 | $ 102,469 | $ 79,227 | $ (12,751) | $ (61,254) | $ 120,504 | $ 48,005 | $ 168,509 |
| **Comprehensive income:** | | | | | | | | | |
| Net income | | | | 10,820 | | | 10,820 | 1,021 | 11,841 |
| Foreign currency translation adjustments, net of tax | | | | | 7 | | 7 | | 7 |
| Pension and postretirement benefit adjustments, net of tax | | | | | (133) | | (133) | | (133) |
| **Total comprehensive income** | | | | | | | 10,694 | 1,021 | 11,715 |
| Adjustment to change measurement date for SFAS No. 158, net of tax | | | | (153) | (114) | | (267) | | (267) |
| Cash dividends paid | | | | | | | | | |
| Common ($.50 per share) | | | | (3,322) | | | (3,322) | | (3,322) |
| Class B Common ($.50 per share) | | | | (1,250) | | | (1,250) | | (1,250) |
| Issuance of 20,000 shares of Class B Common Stock | | 20 | (20) | | | | | | |
| Balance on June 29, 2008 | $ 9,706 | $ 3,127 | $ 102,449 | $ 85,322 | $ (12,991) | $ (61,254) | $ 126,359 | $ 49,026 | $ 175,385 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Balance on December 28, 2008 | $ 9,706 | $ 3,127 | $ 103,582 | $ 79,021 | $ (57,873) | $ (61,254) | $ 76,309 | $ 50,397 | $ 126,706 |
| **Comprehensive income:** | | | | | | | | | |
| Net income | | | | 20,718 | | | 20,718 | 1,023 | 21,741 |
| Foreign currency translation adjustments, net of tax | | | | | (2) | | (2) | | (2) |
| Pension and postretirement benefit adjustments, net of tax | | | | | 2,556 | | 2,556 | | 2,556 |
| **Total comprehensive income** | | | | | | | 23,272 | 1,023 | 24,295 |
| Cash dividends paid | | | | | | | | | |
| Common ($.50 per share) | | | | (3,446) | | | (3,446) | | (3,446) |
| Class B Common ($.50 per share) | | | | (1,135) | | | (1,135) | | (1,135) |
| Issuance of 20,000 shares of Class B Common Stock | | 20 | (20) | | | | | | |
| Conversion of Class B Common Stock into Common Stock | 498 | (498) | | | | | | | |
| Balance on June 28, 2009 | $ 10,204 | $ 2,649 | $ 103,562 | $ 95,158 | $ (55,319) | $ (61,254) | $ 95,000 | $ 51,420 | $ 146,420 |

See Accompanying Notes to Consolidated Financial Statements

Coca-Cola Bottling Co. Consolidated
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
In Thousands

| | First Half | |
|---|---|---|
| | 2009 | 2008 |
| **Cash Flows from Operating Activities** | | |
| Net income | $ 21,741 | $ 11,841 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation expense | 30,415 | 33,649 |
| Amortization of intangibles | 280 | 220 |
| Deferred income taxes | 640 | 7,658 |
| Losses on sale of property, plant and equipment | 355 | 851 |
| Amortization of debt costs | 1,218 | 1,225 |
| Amortization of deferred gain related to terminated interest rate agreements | (1,468) | (853) |
| Stock compensation expense | 1,164 | |
| Increase in current assets less current liabilities | (8,987) | (34,324) |
| Increase in other noncurrent assets | (7,552) | (2,490) |
| Decrease in other noncurrent liabilities | (9,684) | (2,580) |
| Other | (3) | (152) |
| Total adjustments | 6,378 | 3,204 |
| Net cash provided by operating activities | 28,119 | 15,045 |
| **Cash Flows from Investing Activities** | | |
| Additions to property, plant and equipment | (17,224) | (31,570) |
| Proceeds from the sale of property, plant and equipment | 371 | 266 |
| Investment in a plastic bottle manufacturing cooperative | | (968) |
| Investment in restricted cash | (4,500) | |
| Net cash used in investing activities | (21,353) | (32,272) |
| **Cash Flows from Financing Activities** | | |
| Proceeds from the issuance of long-term debt, net | 108,062 | |
| Borrowing under revolving credit facility | | 30,000 |
| Repayment current portion of long-term debt | (119,253) | |
| Repayments of lines of credit | | (7,400) |
| Cash dividends paid | (4,581) | (4,572) |
| Principal payments on capital lease obligations | (1,480) | (1,279) |
| Payments for the termination of interest rate lock agreements | (340) | |
| Debt issuance costs paid | (1,042) | |
| Other | (86) | (70) |
| Net cash provided by (used in) financing activities | (18,720) | 16,679 |

| | | |
|---|---|---|
| Net decrease in cash | (11,954) | (548) |
| Cash at beginning of period | 45,407 | 9,871 |
| Cash at end of period | $ 33,453 | $ 9,323 |
| **Significant non-cash investing and financing activities**: | | |
| Issuance of Class B Common Stock in connection with stock award | $ 1,130 | $ 1,171 |
| Capital lease obligations incurred | 660 | |

See Accompanying Notes to Consolidated Financial Statements

Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

1. Significant Accounting Policies

The consolidated financial statements include the accounts of Coca-Cola Bottling Co. Consolidated and its majority owned subsidiaries (the Company ). All significant intercompany accounts and transactions have been eliminated.

The consolidated financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results for the interim periods presented. All such adjustments are of a normal, recurring nature.

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

The accounting policies followed in the presentation of interim financial results are consistent with those followed on an annual basis. These policies are presented in Note 1 to the consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 28, 2008 filed with the United States Securities and Exchange Commission.

Effective December 29, 2008, the beginning of the first quarter of 2009, the Company implemented Statement of Financial Accounting Standards ( SFAS ) No. 160, Noncontrolling Interest in Consolidated Financial Statements an amendment of ARB No. 51. This Statement changes the accounting and reporting standards for the noncontrolling interest in a subsidiary (commonly referred to previously as minority interest). Piedmont Coca-Cola Bottling Partnership ( Piedmont ) is the Company s only subsidiary that has a noncontrolling interest. Noncontrolling interest income of $.7 million in the second quarter of 2009 ( Q2 2009 ), $1.0 million in the first half of 2009 ( YTD 2009 ), $1.4 million in the second quarter of 2008 ( Q2 2008 ) and $1.0 million in the first half of 2008 ( YTD 2008 ) have been reclassified to be included in net income on the Company s consolidated statement of operations. In addition, the amount of consolidated net income attributable to both the Company and the noncontrolling interest are shown on the Company s consolidated statement of operations. Noncontrolling interest related to Piedmont totaled $51.4 million, $50.4 million and $49.0 million at June 28, 2009, December 28, 2008 and June 29, 2008, respectively. These amounts have been reclassified as noncontrolling interest in the equity section of the Company s consolidated balance sheets.

Management evaluated all activity of the Company through August 7, 2009 (the issue date of the Company s consolidated financial statements) and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements.

Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

1. Significant Accounting Policies

During Q2 2009, the Company s provider of property and casualty insurance requested the Company increase the face amount of the letters of credit the Company is required to provide for the property and casualty insurance programs. Simultaneously with the required increase in the letters of credit, the Company was required to maintain $4.5 million in a separate bank account as collateral for these letters of credit which was recorded as restricted cash.

2. Seasonality of Business

Historically, operating results for the second quarter and first half of the fiscal year have not been representative of results for the entire fiscal year. Business seasonality results primarily from higher unit sales of the Company s products in the second and third quarters versus the first and fourth quarters of the fiscal year. Fixed costs, such as depreciation expense, are not significantly impacted by business seasonality.

3. Piedmont Coca-Cola Bottling Partnership

On July 2, 1993, the Company and The Coca-Cola Company formed Piedmont to distribute and market nonalcoholic beverages primarily in portions of North Carolina and South Carolina. The Company provides a portion of the nonalcoholic beverage products to Piedmont at cost and receives a fee for managing the operations of Piedmont pursuant to a management agreement. These intercompany transactions are eliminated in the consolidated financial statements.

Noncontrolling interest as of June 28, 2009, December 28, 2008 and June 29, 2008 represents the portion of Piedmont owned by The Coca-Cola Company. The Coca-Cola Company s interest in Piedmont was 22.7% for all periods presented.

4. Inventories

Inventories were summarized as follows:

| In Thousands | June 28, 2009 | Dec. 28, 2008 | June 29, 2008 |
|---|---|---|---|
| Finished products | $48,608 | $36,418 | $43,652 |
| Manufacturing materials | 8,863 | 12,620 | 8,431 |
| Plastic shells, plastic pallets and other inventories | 19,914 | 16,459 | 17,384 |
| Total inventories | $77,385 | $65,497 | $69,467 |

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
5. Property, Plant and Equipment
The principal categories and estimated useful lives of property, plant and equipment were as follows:

| In Thousands | June 28, 2009 | Dec. 28, 2008 | June 29, 2008 | Estimated Useful Lives |
|---|---|---|---|---|
| Land | $ 12,167 | $ 12,167 | $ 12,278 | |
| Buildings | 109,886 | 109,384 | 111,104 | 10-50 years |
| Machinery and equipment | 121,862 | 118,934 | 117,176 | 5-20 years |
| Transportation equipment | 176,603 | 176,084 | 178,142 | 4-17 years |
| Furniture and fixtures | 37,615 | 38,254 | 38,691 | 4-10 years |
| Cold drink dispensing equipment | 309,564 | 319,188 | 328,683 | 6-15 years |
| Leasehold and land improvements | 60,818 | 60,142 | 60,877 | 5-20 years |
| Software for internal use | 63,693 | 59,786 | 54,156 | 3-10 years |
| Construction in progress | 4,411 | 4,891 | 5,101 | |
| Total property, plant and equipment, at cost | 896,619 | 898,830 | 906,208 | |
| Less: Accumulated depreciation and amortization | 570,799 | 560,674 | 547,409 | |
| Property, plant and equipment, net | $325,820 | $338,156 | $358,799 | |

Depreciation and amortization expense was $30.4 million and $33.6 million in YTD 2009 and YTD 2008, respectively. These amounts included amortization expense for leased property under capital leases.
The Company changed the useful lives of certain cold drink dispensing equipment from thirteen to fifteen years in the first quarter of 2009 ( Q1 2009 ) to better reflect actual useful lives. The change in useful lives reduced depreciation expense in Q2 2009 and YTD 2009 by $0.9 million and $2.1 million, respectively.
6. Leased Property Under Capital Leases
Leased property under capital leases was summarized as follows:

| In Thousands | June 28, 2009 | Dec. 28, 2008 | June 29, 2008 | Estimated Useful Lives |
|---|---|---|---|---|
| Leased property under capital leases | $76,877 | $88,619 | $88,619 | 3-20 years |
| Less: Accumulated amortization | 22,971 | 21,889 | 19,822 | |
| Leased property under capital leases, net | $53,906 | $66,730 | $68,797 | |

As of June 28, 2009, real estate represented $53.3 million of the leased property under capital leases and $51.6 million of this real estate is leased from related parties as described in Note 19 to the consolidated financial statements.
The Company modified a related party lease and terminated a second lease in Q1 2009. See Note 19 to the consolidated financial statements for additional information on the lease modification.

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
7. Franchise Rights and Goodwill
There was no change in the carrying amounts of franchise rights and goodwill in the periods presented. The Company performs its annual impairment test of franchise rights and goodwill as of the first day of the fourth quarter. During YTD 2009, the Company believes it has not experienced any events or changes in circumstances that indicate the carrying amounts of the Company s franchise rights or goodwill exceeded fair values. As such, the Company has not performed an interim impairment test during YTD 2009 and has not recognized any impairments of franchise rights or goodwill.
8. Other Identifiable Intangible Assets
Other identifiable intangible assets were summarized as follows:

| In Thousands | June 28, 2009 | Dec. 28, 2008 | June 29, 2008 | Estimated Useful Lives |
|---|---|---|---|---|
| Other identifiable intangible assets | $8,665 | $8,909 | $6,599 | 1-20 years |
| Less: Accumulated amortization | 3,035 | 2,999 | 2,517 | |
| Other identifiable intangible assets, net | $5,630 | $5,910 | $4,082 | |

Other identifiable intangible assets primarily represent customer relationships and distribution rights.
9. Other Accrued Liabilities
Other accrued liabilities were summarized as follows:

| In Thousands | June 28, 2009 | Dec. 28, 2008 | June 29, 2008 |
|---|---|---|---|
| Accrued marketing costs | $10,222 | $ 9,001 | $ 9,173 |
| Accrued insurance costs | 18,898 | 17,132 | 15,068 |
| Accrued taxes (other than income taxes) | 2,762 | 374 | 3,048 |
| Accrued income taxes | 4,610 | | 2,503 |
| Employee benefit plan accruals | 13,652 | 8,626 | 7,221 |
| Checks and transfers yet to be presented for payment from zero balance cash account | 16,214 | 11,074 | 10,840 |
| All other accrued liabilities | 11,404 | 11,297 | 8,468 |
| Total other accrued liabilities | $77,762 | $57,504 | $56,321 |

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
10. Debt
Debt was summarized as follows:

| In Thousands | Maturity | Interest Rate | Interest Paid | June 28, 2009 | Dec. 28, 2008 | June 29, 2008 |
|---|---|---|---|---|---|---|
| Revolving Credit Facility | 2012 | | Varies | $ | $ | $ 30,000 |
| Debentures | 2009 | 7.20% | Semi-annually | 57,440 | 57,440 | 57,440 |
| Debentures | 2009 | 6.375% | Semi-annually | | 119,253 | 119,253 |
| Senior Notes | 2012 | 5.00% | Semi-annually | 150,000 | 150,000 | 150,000 |
| Senior Notes | 2015 | 5.30% | Semi-annually | 100,000 | 100,000 | 100,000 |
| Senior Notes | 2016 | 5.00% | Semi-annually | 164,757 | 164,757 | 164,757 |
| Senior Notes | 2019 | 7.00% | Semi-annually | 110,000 | | |
| Unamortized discount on Senior Notes | 2019 | | | (1,909) | | |
| | | | | 580,288 | 591,450 | 621,450 |
| Less: Current portion of debt | | | | 2,440 | 176,693 | 119,253 |
| Long-term debt | | | | $577,848 | $414,757 | $502,197 |

On March 8, 2007, the Company entered into a $200 million revolving credit facility ( $200 million facility ), replacing its $100 million facility. The $200 million facility matures in March 2012 and includes an option to extend the term for an additional year at the discretion of the participating banks. The $200 million facility bears interest at a floating base rate or a floating rate of LIBOR plus an interest rate spread of .35%, dependent on the length of the term of the borrowing. In addition, the Company must pay an annual facility fee of .10% of the lenders aggregate commitments under the facility. Both the interest rate spread and the facility fee are determined from a commonly-used pricing grid based on the Company s long-term senior unsecured debt rating. The $200 million facility contains two financial covenants: a fixed charges coverage ratio and a debt to operating cash flow ratio, each as defined in the credit agreement. The fixed charges coverage ratio requires the Company to maintain a consolidated cash flow to fixed charges ratio of 1.5 to 1 or higher. The operating cash flow ratio requires the Company to maintain a debt to operating cash flow ratio of 6.0 to 1 or lower. On August 25, 2008, the Company entered into an amendment to the $200 million facility. The amendment clarified that charges incurred by the Company resulting from the Company s withdrawal from the Central States Pension Fund ( Central States ) would be excluded from the calculations of the financial covenants to the extent they were incurred on or before March 31, 2009 and did not exceed $15 million. See Note 18 to the consolidated financial statements for additional details on the withdrawal from Central States. The Company is currently in compliance with these covenants as amended by the amendment to the $200 million facility. These covenants do not currently, and the Company does not anticipate they will, restrict its liquidity or capital resources. On June 28, 2009 and December 28, 2008, the Company had no outstanding borrowings under the $200 million facility.

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
10. Debt
On June 29, 2008, the Company had $30.0 million outstanding under the $200 million facility. On July 1, 2009 the Company borrowed $55.0 million under the $200 million facility and used the proceeds, along with $2.4 million of cash on hand, to repay at maturity the Company s $57.4 million outstanding 7.20% Debentures due 2009. As the $200 million facility does not mature until March 2012, the portion of the 7.20% Debentures due 2009 refinanced prior to the release of the June 28, 2009 consolidated financial statements has been classified as long-term as of June 28, 2009. The $2.4 million of the 7.20% Debentures due 2009 paid with cash on hand has been classified as current as of June 28, 2009.
In April 2009, the Company issued $110 million of unsecured 7% Senior Notes due 2019. The proceeds plus cash on hand were used on May 1, 2009 to repay at maturity the $119.3 million outstanding 6.375% Debentures due 2009.
After taking into account all of its interest rate hedging activities, the Company had a weighted average interest rate of 5.7%, 5.9% and 5.4% for its debt and capital lease obligations as of June 28, 2009, December 28, 2008 and June 29, 2008, respectively. The Company s overall weighted average interest rate on its debt and capital lease obligations was 5.7% for YTD 2009 compared to 5.8% for YTD 2008. As of June 28, 2009, approximately 4.6% of the Company s debt and capital lease obligations of $645.2 million was subject to changes in short-term interest rates.
The Company s public debt is not subject to financial covenants but does limit the incurrence of certain liens and encumbrances as well as the incurrence of indebtedness by the Company s subsidiaries in excess of certain amounts.
All of the outstanding long-term debt has been issued by the Company with none being issued by any of the Company s subsidiaries. There are no guarantees of the Company s debt.
11. Derivative Financial Instruments
**Interest**
The Company periodically uses interest rate hedging products to modify risk from interest rate fluctuations. The Company has historically altered its fixed/floating rate mix based upon anticipated cash flows from operations relative to the Company s debt level and the potential impact of changes in interest rates on the Company s overall financial condition. Sensitivity analyses are performed to review the impact on the Company s financial position and coverage of various interest rate movements. The Company does not use derivative financial instruments for trading purposes nor does it use leveraged financial instruments.
On September 18, 2008, the Company terminated six outstanding interest rate swap agreements with a notional amount of $225 million receiving $6.2 million in cash proceeds including $1.1 million for previously accrued interest receivable. After accounting for previously accrued interest receivable, the Company is amortizing the gain of $5.1 million over the remaining term of the underlying debt. During YTD 2009, $.8 million of the gain was amortized. The remaining amount to be amortized is $3.9 million. All of the Company s interest rate swap agreements were LIBOR-based.

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Notes to Consolidated Financial Statements (Unaudited)
11. Derivative Financial Instruments
Interest rate swap agreements were summarized as follows:

| | | June 28, 2009 | | December 28, 2008 | | June 29, 2008 | |
|---|---|---|---|---|---|---|---|
| In Thousands | | Notional Amount | Remaining Term | Notional Amount | Remaining Term | Notional Amount | Remaining Term |
| Interest rate swap agreement | floating | | | | | $50,000 | 0.9 years |
| Interest rate swap agreement | floating | | | | | 50,000 | 1.0 years |
| Interest rate swap agreement | floating | | | | | 50,000 | 4.4 years |
| Interest rate swap agreement | floating | | | | | 25,000 | 0.8 years |
| Interest rate swap agreement | floating | | | | | 25,000 | 6.8 years |
| Interest rate swap agreement | floating | | | | | 25,000 | 4.4 years |

The counterparties to these contractual arrangements are major financial institutions with which the Company also has other financial relationships. The Company uses several different financial institutions for interest rate derivative agreements and commodity derivative instruments, described below, to minimize the concentration of credit risk. While the Company is exposed to credit loss in the event of nonperformance by these counterparties, the Company does not anticipate nonperformance by these parties. The Company has master agreements with the counterparties to its derivative financial agreements that provided for net settlement of the derivative transactions.

**Commodities**

The Company is subject to the risk of loss arising from adverse changes in commodity prices. In the normal course of business, the Company manages these risks through a variety of strategies, including the use of derivative instruments. The Company does not use derivative instruments for trading or speculative purposes. All derivative instruments are recorded at fair value as either assets or liabilities in the Company s consolidated balance sheets. These derivative instruments are not designated as hedging instruments under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and are used as economic hedges to manage certain commodity risk. Currently the Company has derivative instruments to hedge its projected diesel fuel and aluminum purchase requirements. These derivative instruments are marked to market on a periodic basis and recognized in earnings consistent with the expense classification of the underlying hedged item. Settlement of derivative agreements are included in cash flows from operating activities on the Company s consolidated statements of cash flows.

The Company uses derivative instruments to hedge essentially all of its projected diesel fuel purchases for 2009 and 2010. These derivative instruments relate to diesel fuel used by the Company s delivery fleet. At the end of Q1 2009, the Company began using derivative instruments to hedge approximately 75% of the Company s projected 2010 aluminum purchase requirements. During Q2 2009, the Company entered into derivative agreements to hedge approximately 75% of the Company s projected 2011 aluminum purchase requirements.

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Notes to Consolidated Financial Statements (Unaudited)

11. Derivative Financial Instruments

The following summarizes Q2 2009 and Q2 2008 net gains on the Company s fuel and aluminum derivative financial instruments and the classification of such net gain in the consolidated statement of operations:

| | | Second Quarter | |
|---|---|---|---|
| In Thousands | Classification of Gain | 2009 | 2008 |
| Fuel Hedges | Selling, delivery and administrative expenses | $1,158 | $1,549 |
| Aluminum Hedges | Cost of sales | 3,223 | |
| Total Gain | | $4,381 | $1,549 |

The following summarizes YTD 2009 and YTD 2008 net gains on the Company s fuel and aluminum derivative financial instruments and the classification of such net gain in the consolidated statement of operations:

| | | First Half | |
|---|---|---|---|
| In Thousands | Classification of Gain | 2009 | 2008 |
| Fuel Hedges | Selling, delivery and administrative expenses | $2,609 | $1,789 |
| Aluminum Hedges | Cost of sales | 3,886 | |
| Total Gain | | $6,495 | $1,789 |

The following summarizes the fair values and classification in the consolidated balance sheets of derivative instruments held by the Company as of June 28, 2009:

| In Thousands | Balance Sheet Classification | June 28, 2009 |
|---|---|---|
| Assets | | |
| Fuel hedges at fair market value | Prepaid and other assets | $1,434 |
| Aluminum hedges at fair market value | Prepaid and other assets | 3,886 |
| Unamortized cost of fuel hedging agreements | Prepaid and other assets | 1,241 |
| Unamortized cost of aluminum hedging agreements | Prepaid and other assets | 3,651 |

The following table summarizes the Company s outstanding derivative agreements as of June 28, 2009:

| In Thousands | Notional Amount | Latest Maturity |
|---|---|---|
| Fuel hedging agreements | $23,348 | December 2010 |
| Aluminum hedging agreements | 53,253 | December 2011 |

12. Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating the fair values of its financial instruments:

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
12. Fair Value of Financial Instruments

**Cash and Cash Equivalents, Restricted Cash, Accounts Receivable and Accounts Payable**

The fair values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate carrying values due to the short maturity of these items.

**Public Debt Securities**

The fair values of the Company s public debt securities are based on estimated current market prices.

**Non-Public Variable Rate Debt**

The carrying amounts of the Company s variable rate borrowings approximate their fair values.

**Deferred Compensation Plan Assets/Liabilities**

The fair values of deferred compensation plan assets and liabilities, which are held in mutual funds, are based upon the quoted market value of the securities held within the mutual funds.

**Derivative Financial Instruments**

The fair values for the Company s interest rate swap, fuel hedging and aluminum hedging agreements are based on current settlement values. Credit risk related to the derivative financial instruments is managed by requiring high standards for its counterparties and periodic settlements. The Company considers nonperformance risk in determining the fair value of derivative financial instruments.

**Letters of Credit**

The fair values of the Company s letters of credit obtained from financial institutions are based on the notional amounts of the instruments. These letters of credit primarily relate to the Company s property and casualty insurance programs.

The carrying amounts and fair values of the Company s debt, deferred compensation plan, derivative financial instruments and letters of credit were as follows:

| | June 28, 2009 | | December 28, 2008 | | June 29, 2008 | |
|---|---|---|---|---|---|---|
| In Thousands | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Public debt securities | $580,288 | $590,931 | $591,450 | $559,963 | $591,450 | $563,915 |
| Non-public variable rate debt | | | | | 30,000 | 30,000 |
| Deferred compensation plan assets/liabilities | 6,810 | 6,810 | 5,446 | 5,446 | 7,120 | 7,120 |
| Interest rate swap agreements | | | | | (3,242) | (3,242) |
| Fuel hedging agreements | (1,434) | (1,434) | 1,985 | 1,985 | (1,143) | (1,143) |
| Aluminum hedging agreements | (3,886) | (3,886) | | | | |
| Letters of credit | | 22,429 | | 19,274 | | 19,450 |

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Notes to Consolidated Financial Statements (Unaudited)
12. Fair Value of Financial Instruments

On September 18, 2008, the Company terminated all of its outstanding interest rate swap agreements. The fair value of interest rate swap agreements at June 29, 2008 represented the estimated amount the Company would have received upon termination of these agreements.

The fair values of the fuel hedging agreements at December 28, 2008 represented the estimated amount the Company would have paid upon termination of these agreements. The fair value of the fuel hedging agreements at June 28, 2009 and June 29, 2008 represented the estimated amount the Company would have received upon termination of these agreements.

The fair value of the aluminum hedging agreements at June 28, 2009 represented the estimated amount the Company would have received upon termination of these agreements.

The Company adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurement ( SFAS No. 157 ) as of December 31, 2007, the beginning of the first quarter of 2008, and there was no material impact to the consolidated financial statements. SFAS No. 157 currently applies to all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value on a recurring basis. In February 2008, the Financial Accounting Standards Board ( FASB ) issued FASB Staff Position SFAS No. 157-2, Effective Date of FASB Statement No. 157, which deferred the application date of the provisions of SFAS No. 157 for all nonfinancial assets and liabilities until Q1 2009 except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. There was no material impact of the adoption of SFAS No. 157 for nonfinancial assets and liabilities in Q1 2009, but such adoption could have a material effect in the future. SFAS No. 157 requires disclosure that establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS No. 157 is intended to enable the readers of financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. SFAS No. 157 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

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Notes to Consolidated Financial Statements (Unaudited)
12. Fair Value of Financial Instruments
The following table summarizes, by assets and liabilities, the valuation of the Company s deferred compensation plan, aluminum hedging agreements, fuel hedging agreements and interest rate swap agreements for the categories above:

| | June 28, 2009 | | December 28, 2008 | | June 29, 2008 | |
|---|---|---|---|---|---|---|
| In Thousands | Level 1 | Level 2 | Level 1 | Level 2 | Level 1 | Level 2 |
| **Assets** | | | | | | |
| Deferred compensation plan assets | $6,810 | | $5,446 | | $7,120 | |
| Aluminum hedging agreements | | $3,886 | | | | |
| Fuel hedging agreements | | 1,434 | | | | $1,143 |
| Interest rate swap agreements | | | | | | 3,242 |
| **Liabilities** | | | | | | |
| Deferred compensation plan liabilities | 6,810 | | 5,446 | | 7,120 | |
| Fuel hedging agreements | | | | $1,985 | | |

The Company maintains a non-qualified deferred compensation plan for certain executives and other highly compensated employees. The investment assets are held in mutual funds. The fair value of the mutual funds is based on the quoted market value of the securities held within the funds (Level 1). The related deferred compensation liability represents the fair value of the investment assets.
The Company s fuel hedging agreements are based upon NYMEX rates that are observable and quoted periodically over the full term of the agreements and are considered Level 2 items.
The Company s aluminum hedging agreements are based upon LME rates that are observable and quoted periodically over the full term of the agreements and are considered Level 2 items.
The Company s interest rate swap agreements were fair value hedges, as a result the Company received fixed and paid variable rates based on LIBOR swap rates. LIBOR swap rates were observable and quoted periodically over the full term of the agreements and were considered Level 2 items.
The Company does not have Level 3 assets or liabilities.
13. Other Liabilities
Other liabilities were summarized as follows:

| In Thousands | June 28, 2009 | Dec. 28, 2008 | June 29, 2008 |
|---|---|---|---|
| Accruals for executive benefit plans | $ 81,236 | $ 77,299 | $78,084 |
| Other | 26,862 | 29,738 | 18,227 |
| Total other liabilities | $108,098 | $107,037 | $96,311 |

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
14. Commitments and Contingencies

The Company is a member of South Atlantic Canners, Inc. ( SAC ), a manufacturing cooperative from which it is obligated to purchase 17.5 million cases of finished product on an annual basis through May 2014. The Company is also a member of Southeastern Container ( Southeastern ), a plastic bottle manufacturing cooperative from which it is obligated to purchase at least 80% of its requirements of plastic bottles for certain designated territories. See Note 19 to the consolidated financial statements for additional information concerning SAC and Southeastern.

The Company guarantees a portion of SAC s and Southeastern s debt and lease obligations. The amounts guaranteed were $39.2 million, $39.9 million and $43.2 million as of June 28, 2009, December 28, 2008 and June 29, 2008, respectively. The Company has not recorded any liability associated with these guarantees and holds no assets as collateral against these guarantees. The guarantees relate to the debt and lease obligations of SAC and Southeastern, which resulted primarily from the purchase of production equipment and facilities. These guarantees expire at various dates through 2021. The members of both cooperatives consist solely of Coca-Cola bottlers. The Company does not anticipate either of these cooperatives will fail to fulfill their commitments. The Company further believes each of these cooperatives has sufficient assets, including production equipment, facilities and working capital, and the ability to adjust selling prices of their products which adequately mitigate the risk of material loss from the Company s guarantees.

In the event either of these cooperatives fails to fulfill its commitments under the related debt and lease obligations, the Company would be responsible for payments to the lenders up to the level of the guarantees. If these cooperatives had borrowed up to their borrowing capacity, the Company s maximum exposure under these guarantees on June 28, 2009 would have been $25.2 million for SAC and $25.3 million for Southeastern and the Company s maximum total exposure, including its equity investment, would have been $30.8 million for SAC and $38.6 million for Southeastern. The Company has been purchasing plastic bottles from Southeastern and finished products from SAC for more than ten years.

The Company has an equity ownership in each of the entities in addition to the guarantees of certain indebtedness and records its investment in each under the equity method. As of June 28, 2009, SAC had total assets of approximately $42 million and total debt of approximately $20 million. SAC had total revenues for YTD 2009 of approximately $83 million. As of June 28, 2009, Southeastern had total assets of approximately $403 million and total debt of approximately $228 million. Southeastern had total revenue for YTD 2009 of approximately $289 million.

The Company has standby letters of credit, primarily related to its property and casualty insurance programs. On June 28, 2009, these letters of credit totaled $22.4 million. The Company was required to maintain $4.5 million of restricted cash for letters of credit beginning Q2 2009.

The Company participates in long-term marketing contractual arrangements with certain prestige properties, athletic venues and other locations. The future payments related to these contractual arrangements as of June 28, 2009 amounted to $24.2 million and expire at various dates through 2017.

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
14. Commitments and Contingencies
The Company is involved in various claims and legal proceedings which have arisen in the ordinary course of its business. Although it is difficult to predict the ultimate outcome of these claims and legal proceedings, management believes the ultimate disposition of these matters will not have a material adverse effect on the financial condition, cash flows or results of operations of the Company. No material amount of loss in excess of recorded amounts is believed to be reasonably possible as a result of these claims and legal proceedings.
The Company is subject to audit by tax authorities in jurisdictions where it conducts business. These audits may result in assessments that are subsequently resolved with the tax authorities or potentially through the courts. Management believes the Company has adequately provided for any assessments that are likely to result from these audits; however, final assessments, if any, could be different than the amounts recorded in the consolidated financial statements.
15. Income Taxes
The Company s effective income tax rate for YTD 2009 and YTD 2008 was 34.4% and 41.4%, respectively. The following table provides a reconciliation of the income tax expense at the statutory federal rate to actual income tax expense.

| | First Half | |
|---|---|---|
| In Thousands | 2009 | 2008 |
| Statutory expense | $11,061 | $6,467 |
| State income taxes, net of federal effect | 1,376 | 805 |
| Manufacturing deduction benefit | (845) | (333) |
| Meals and entertainment | 624 | 339 |
| Adjustment for uncertain tax positions | (1,686) | (83) |
| Other, net | 355 | 463 |
| Income tax expense | $10,885 | $7,658 |

The Company had $10.5 million of unrecognized tax benefits, including accrued interest as of December 28, 2008, of which $9.4 million would affect the Company s effective tax rate if recognized. As of June 28, 2009, the Company had $9.3 million of unrecognized tax benefits, including accrued interest, of which $8.3 million would affect the Company s effective rate if recognized. It is expected that the amount of unrecognized tax benefits may change in the next 12 months. During this period, it is reasonably possible that tax audits could reduce unrecognized tax benefits. The Company cannot reasonably estimate the change in the amount of unrecognized tax benefits until further information is made available during the progress of the audits.
The Company recognizes potential interest and penalties related to uncertain tax positions in income tax expense. As of December 28, 2008, the Company had approximately $2.5 million of accrued interest related to uncertain tax positions. As of June 28, 2009, the Company had approximately $1.9 million of accrued interest related to uncertain tax positions. Income tax expense included an interest credit of approximately $.6 million in YTD 2009 and interest expense of approximately $.2 million in YTD 2008.

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Notes to Consolidated Financial Statements (Unaudited)

15. Income Taxes

In Q1 2009, the Company reached an agreement with a state taxing authority to settle prior tax positions for which the Company had previously provided reserves due to uncertainty of resolution. As a result, the Company reduced the liability for uncertain tax positions by $1.7 million. The net effect of the adjustment was a decrease to income tax expense of approximately $1.7 million.

Various tax years from 1990 remain open to examination by taxing jurisdictions to which the Company is subject due to loss carryforwards.

The Company s income tax assets and liabilities are subject to adjustment in future periods based on the Company s ongoing evaluations of such assets and liabilities and new information that becomes available to the Company.

16. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss is comprised of adjustments relative to the Company s pension and postretirement medical benefit plans and foreign currency translation adjustments required for a subsidiary of the Company that performs data analysis and provides consulting services outside the United States.

A summary of accumulated other comprehensive loss for Q2 2009 and Q2 2008 follows:

| In Thousands | March 29, 2009 | Pre-tax Activity | Tax Effect | June 28, 2009 |
|---|---|---|---|---|
| Net pension activity: | | | | |
| Actuarial loss | $(55,299) | $2,339 | $(920) | $(53,880) |
| Prior service costs | (42) | 4 | (2) | (40) |
| Net postretirement benefits activity: | | | | |
| Actuarial loss | (9,494) | 218 | (85) | (9,361) |
| Prior service costs | 8,189 | (447) | 175 | 7,917 |
| Transition asset | 37 | (7) | 3 | 33 |
| Foreign currency translation adjustment | 8 | 7 | (3) | 12 |
| Total | $(56,601) | $2,114 | $(832) | $(55,319) |

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
16. Accumulated Other Comprehensive Loss

| In Thousands | March 30, 2008 | Pre-tax Activity | Tax Effect | June 29, 2008 |
|---|---|---|---|---|
| Net pension activity: | | | | |
| Actuarial loss | $(12,593) | $ 111 | $ (43) | $(12,525) |
| Prior service costs | (52) | 4 | (1) | (49) |
| Net postretirement benefits activity: | | | | |
| Actuarial loss | (9,646) | 229 | (88) | (9,505) |
| Prior service costs | 9,283 | (446) | 172 | 9,009 |
| Transition asset | 53 | (6) | 2 | 49 |
| Foreign currency translation adjustment | 30 | | | 30 |
| Total | $(12,925) | $(108) | $ 42 | $(12,991) |

A summary of accumulated other comprehensive loss for YTD 2009 and YTD 2008 follows:

| In Thousands | Dec. 28, 2008 | Pre-tax Activity | Tax Effect | June 28, 2009 |
|---|---|---|---|---|
| Net pension activity: | | | | |
| Actuarial loss | $(56,717) | $4,678 | $(1,841) | $(53,880) |
| Prior service costs | (45) | 8 | (3) | (40) |
| Net postretirement benefits activity: | | | | |
| Actuarial loss | (9,625) | 435 | (171) | (9,361) |
| Prior service costs | 8,459 | (893) | 351 | 7,917 |
| Transition asset | 41 | (13) | 5 | 33 |
| Foreign currency translation adjustment | 14 | (3) | 1 | 12 |
| Total | $(57,873) | $4,212 | $(1,658) | $(55,319) |

| In Thousands | Dec. 30, 2007 | Application of SFAS No. 158 After tax (1) | Pre-tax Activity | Tax Effect | June 29, 2008 |
|---|---|---|---|---|---|
| Net pension activity: | | | | | |
| Actuarial loss | $(12,684) | $ 23 | $ 222 | $ (86) | $(12,525) |
| Prior service costs | (55) | 1 | 8 | (3) | (49) |
| Net postretirement benefits activity: | | | | | |
| Actuarial loss | (9,928) | 141 | 458 | (176) | (9,505) |
| Prior service costs | 9,833 | (275) | (892) | 343 | 9,009 |
| Transition asset | 60 | (4) | (12) | 5 | 49 |
| | 23 | | 12 | (5) | 30 |

| | | | | | |
|---|---|---|---|---|---|
| Foreign currency translation adjustment | | | | | |
| Total | $(12,751) | $ (114) | $(204) | $ 78 | $(12,991) |

(1) See Note 18 of the consolidated financial statements for additional information.

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Notes to Consolidated Financial Statements (Unaudited)
17. Capital Transactions
The Company has two classes of common stock outstanding, Common Stock and Class B Common Stock. The Common Stock is traded on the NASDAQ Global Select Market$^{sm}$ under the symbol COKE. There is no established public trading market for the Class B Common Stock. Shares of the Class B Common Stock are convertible on a share-for-share basis into shares of Common Stock at any time at the option of the holders of Class B Common Stock. No cash dividend or dividend of property or stock other than stock of the Company, as specifically described in the Company s certificate of incorporation, may be declared and paid on the Class B Common Stock unless an equal or greater dividend is declared and paid on the Common Stock. During YTD 2009 and YTD 2008, dividends of $.50 per share were declared and paid on both Common Stock and Class B Common Stock.
Each share of Common Stock is entitled to one vote per share and each share of Class B Common Stock is entitled to 20 votes per share at all meetings of stockholders. Except as otherwise required by law, holders of the Common Stock and Class B Common Stock vote together as a single class on all matters brought before the Company s stockholders. In the event of liquidation, there is no preference between the two classes of common stock.
On May 12, 1999, the stockholders of the Company approved a restricted stock award for J. Frank Harrison, III, the Company s Chairman of the Board of Directors and Chief Executive Officer, consisting of 200,000 shares of the Company s Class B Common Stock. Under the award, shares of restricted stock were granted at a rate of 20,000 shares per year over a ten-year period. The vesting of each annual installment was contingent upon the Company achieving at least 80% of the overall goal achievement factor in the Company s Annual Bonus Plan. The restricted stock award did not entitle Mr. Harrison, III to participate in dividend or voting rights until each installment had vested and the shares were issued. The restricted stock award expired at the end of fiscal year 2008. Each annual 20,000 share tranche had an independent performance requirement as it was not established until the Company s Annual Bonus Plan targets were approved each year by the Company s Board of Directors. As a result, each 20,000 share tranche was considered to have its own service inception date, grant-date fair value and requisite service period. The Company s Annual Bonus Plan targets, which establish the performance requirement for the restricted stock awards, were approved by the Compensation Committee of the Board of Directors in the first quarter of each year.
On February 27, 2008, the Compensation Committee of the Board of Directors determined 20,000 shares of restricted Class B Common Stock vested and should be issued to Mr. Harrison, III for the fiscal year ended December 30, 2007. On March 4, 2009, the Compensation Committee determined an additional 20,000 shares of restricted Class B Common Stock vested and should be issued to Mr. Harrison, III for the fiscal year ended December 28, 2008.

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
17. Capital Transactions
A summary of the restricted stock award was as follows:

| Year | Shares Awarded | Grant-Date Price | Potential Annual Compensation Expense | First Half Compensation Expense |
|---|---|---|---|---|
| 2008 | 20,000 | $56.50 | $1,130,000 | |

As of the end of Q2 2008, the Company estimated it would not achieve at least 80% of the overall goal achievement factor in the Company s 2008 Annual Bonus Plan required for the restricted stock award to vest. Accordingly, the estimated expense recorded in the first quarter of 2008 was reversed in Q2 2008 based upon the Company s estimate. The Company reimbursed Mr. Harrison, III for income taxes to be paid on the shares if the performance requirement was met and the shares were issued. The Company accrued the estimated cost of the income tax reimbursement over the one-year service period.

On April 29, 2008, the stockholders of the Company approved a Performance Unit Award Agreement for Mr. Harrison, III consisting of 400,000 performance units ( Units ). Each Unit represents the right to receive one share of the Company s Class B Common Stock, subject to certain terms and conditions. The Units will vest in annual increments over a ten-year period starting in fiscal year 2009. The number of Units that vest each year will equal the product of 40,000 multiplied by the overall goal achievement factor (not to exceed 100%) under the Company s Annual Bonus Plan. The Performance Unit Award Agreement replaced the restricted stock award discussed above.

Each annual 40,000 unit tranche has an independent performance requirement as it is not established until the Company s Annual Bonus Plan targets are approved each year by the Company s Board of Directors. As a result, each 40,000 unit tranche is considered to have its own service inception date and requisite service period. The Company s Annual Bonus Plan targets, which establish the performance requirements for the Performance Unit Award Agreement, are approved by the Compensation Committee of the Board of Directors in the first quarter of each year. The Performance Unit Award Agreement does not entitle Mr. Harrison, III to participate in dividends or voting rights until each installment has vested and the shares are issued. Mr. Harrison, III may satisfy tax withholding requirements in whole or in part by requiring the Company to settle in cash such number of Units otherwise payable in Class B Common Stock to meet the maximum statutory tax withholding requirements.

Compensation expense recognized in YTD 2009 was $1.2 million, which was based upon a share price of $58.18 on June 26, 2009.

On February 19, 2009, The Coca-Cola Company converted all of its 497,670 shares of the Company s Class B Common Stock into an equivalent number of shares of the Company s Common Stock.

The increase in the total number of shares outstanding in YTD 2009 was due to the issuance of 20,000 shares of Class B Common Stock related to the restricted stock award. The increase in the number of shares of Common Stock outstanding in YTD 2009 was due to the conversion by The Coca-Cola Company of 497,670 shares of

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
17. Capital Transactions

Class B Common Stock into 497,670 shares of Common Stock plus the conversion of another 100 shares of Class B Common Stock into 100 shares of Common Stock. The decrease in the number of shares of Class B Common Stock outstanding in YTD 2009 was due to the conversion by The Coca-Cola Company of 497,670 shares of Class B Common Stock into 497,670 shares of Common Stock plus the conversion of another 100 shares of Class B Common Stock into 100 shares of Common Stock, offset by the issuance of 20,000 shares of Class B Common Stock related to the restricted stock award.

The increase in the total number of shares outstanding in YTD 2008 was due to the issuance of 20,000 shares of Class B Common Stock related to the restricted stock award.

18. Benefit Plans

*Recently Adopted Pronouncement*

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, Employers Accounting for Defined Pension and Other Postretirement Plans ( SFAS No. 158 ), which was effective for the year ending December 31, 2006 except for the requirement that the benefit plan assets and obligations be measured as of the date of the employer s statement of financial position, which was effective for the year ending December 28, 2008. The Company adopted the measurement date provisions of SFAS No. 158 on the first day of the first quarter of 2008 and used the one measurement approach. The incremental effect of applying the measurement date provisions on the balance sheet in the first quarter of 2008 was as follows:

| In Thousands | Before Application of SFAS No. 158 | Adjustment | After Application of SFAS No. 158 |
|---|---|---|---|
| Pension and postretirement benefit obligations | $ 32,758 | $ 434 | $ 33,192 |
| Deferred income taxes | 168,540 | (167) | 168,373 |
| Total liabilities | 1,123,290 | 267 | 1,123,557 |
| Retained earnings | 79,227 | (153) | 79,074 |
| Accumulated other comprehensive loss | (12,751) | (114) | (12,865) |
| Total stockholders equity | 120,504 | (267) | 120,237 |

*Pension Plans*

Retirement benefits under the two Company-sponsored pension plans are based on the employee s length of service, average compensation over the five consecutive years that give the highest average compensation and average Social Security taxable wage base during the 35-year period before reaching Social Security retirement age. Contributions to the plans are based on the projected unit credit actuarial funding method and are limited to the amounts currently deductible for income tax purposes. On February 22, 2006, the Board of Directors of the Company approved an amendment to the principal Company-sponsored pension plan to cease further benefit accruals under the plan effective June 30, 2006.

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
18. Benefit Plans
The components of net periodic pension cost (income) were as follows:

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| In Thousands | 2009 | 2008 | 2009 | 2008 |
| Service cost | $ 22 | $ 20 | $ 45 | $ 41 |
| Interest cost | 2,789 | 2,702 | 5,577 | 5,403 |
| Expected return on plan assets | (2,270) | (3,411) | (4,540) | (6,821) |
| Amortization of prior service cost | 4 | 4 | 8 | 8 |
| Recognized net actuarial loss | 2,339 | 111 | 4,678 | 222 |
| Net periodic pension cost (income) | $ 2,884 | $ (574) | $ 5,768 | $(1,147) |

The Company did not contribute to its Company-sponsored pension plans during YTD 2009. The Company expects contributions to its two Company-sponsored pension plans during the remainder of 2009 to range from $8 million to $12 million.

*Postretirement Benefits*

The Company provides postretirement benefits for a portion of its current employees. The Company recognizes the cost of postretirement benefits, which consist principally of medical benefits, during employees periods of active service. The Company does not pre-fund these benefits and has the right to modify or terminate certain of these benefits in the future.

The components of net periodic postretirement benefit cost were as follows:

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| In Thousands | 2009 | 2008 | 2009 | 2008 |
| Service cost | $ 157 | $ 128 | $ 315 | $ 212 |
| Interest cost | 558 | 536 | 1,115 | 1,105 |
| Amortization of unrecognized transitional assets | (7) | (6) | (13) | (12) |
| Recognized net actuarial loss | 218 | 229 | 435 | 610 |
| Amortization of prior service cost | (447) | (446) | (893) | (892) |
| Net periodic postretirement benefit cost | $ 479 | $ 441 | $ 959 | $1,023 |

*401(k) Savings Plan*

The Company provides a 401(k) Savings Plan for substantially all of its employees who are not part of collective bargaining agreements. Matching contributions under this plan were $2.3 million and $5.2 million in YTD 2009 and YTD 2008, respectively. The Company suspended matching contributions to the 401(k) Savings Plan effective April 1, 2009.

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
18. Benefit Plans
*Multi-Employer Benefits*
The Company entered into a new agreement in the third quarter of 2008 when one of its collective bargaining contracts expired in July 2008. The new agreement allows the Company to freeze its liability to Central States, a multi-employer defined benefit pension fund, while preserving the pension benefits previously earned by the employees. As a result of freezing the Company s liability to Central States, the Company recorded a charge of $13.6 million in the second half of 2008. The Company paid $3.0 million in the fourth quarter of 2008 to the Southern States Savings and Retirement Plan ( Southern States ) under the agreement to freeze the Central States liability. The remaining $10.6 million was the present value amount, using a discount rate of 7%, that will be paid to Central States and was recorded in other liabilities. The Company will pay approximately $1 million annually over the next 20 years. In addition, the Company will also make future contributions on behalf of these employees to Southern States.
19. Related Party Transactions
The Company s business consists primarily of the production, marketing and distribution of nonalcoholic beverages of The Coca-Cola Company, which is the sole owner of the secret formulas under which the primary components (either concentrate or syrup) of its beverage products are manufactured. As of June 28, 2009, The Coca-Cola Company had a 27.1% interest in the Company s total outstanding Common Stock and Class B Common Stock on a combined basis.
The following table summarizes the significant transactions between the Company and The Coca-Cola Company:

| | First Half | |
|---|---|---|
| In Millions | 2009 | 2008 |
| Payments by the Company for concentrate, syrup, sweetener and other purchases | $ 176.9 | $ 188.1 |
| Marketing funding support payments to the Company | 22.8 | 27.1 |
| Payments by the Company net of marketing funding support | $ 154.1 | $ 161.0 |
| Payments by the Company for customer marketing programs | $ 25.2 | $ 24.4 |
| Payments by the Company for cold drink equipment parts | 3.4 | 3.5 |
| Fountain delivery and equipment repair fees paid to the Company | 5.8 | 4.8 |
| Presence marketing funding support provided by The Coca-Cola Company on the Company s behalf | 2.0 | 2.0 |
| Sales of finished products to The Coca-Cola Company | 1.1 | 5.3 |

The Company has a production arrangement with Coca-Cola Enterprises Inc. ( CCE ) to buy and sell finished products at cost. Sales to CCE under this arrangement were $26.5 million and $20.2 million in YTD 2009 and YTD 2008, respectively. Purchases from CCE under this arrangement were $6.4 million and $10.7 million in YTD 2009 and YTD 2008, respectively. The Coca-Cola Company has significant equity interests in the

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
19. Related Party Transactions

Company and CCE. As of June 28, 2009, CCE held approximately 6% of the Company s outstanding Common Stock and held no shares of the Company s Class B Common Stock.

Along with all other Coca-Cola bottlers in the United States, the Company is a member in Coca-Cola Bottlers Sales and Services Company, LLC ( CCBSS ), which was formed in 2003 for the purposes of facilitating various procurement functions and distributing certain specified beverage products of The Coca-Cola Company with the intention of enhancing the efficiency and competitiveness of the Coca-Cola bottling system in the United States. CCBSS negotiates the procurement for the majority of the Company s raw materials (excluding concentrate). The Company pays an administrative fee to CCBSS for its services.

The Company is a member of SAC, a manufacturing cooperative. SAC sells finished products to the Company and Piedmont at cost. Purchases from SAC by the Company and Piedmont for finished products were $65.0 million and $76.6 million in YTD 2009 and YTD 2008, respectively. The Company also manages the operations of SAC pursuant to a management agreement. Management fees earned from SAC were $.6 million in YTD 2009 and $.7 million in YTD 2008. The Company has also guaranteed a portion of debt for SAC. Such guarantee amounted to $20.2 million as of June 28, 2009. The Company s equity investment in SAC was $5.6 million, $4.1 million and $4.1 million as of June 28, 2009, December 28, 2008 and June 29, 2008, respectively.

The Company is a shareholder in two entities from which it purchases substantially all its requirements for plastic bottles. Net purchases from these entities were $33.7 million and $35.1 million in YTD 2009 and YTD 2008, respectively. In connection with its participation in one of these entities, the Company has guaranteed a portion of the entity s debt. Such guarantee amounted to $19.0 million as of June 28, 2009. The Company s equity investment in one of these entities, Southeastern, was $13.3 million, $11.0 million and $11.0 million as of June 28, 2009, December 28, 2008 and June 29, 2008, respectively.

The Company monitors its investments in cooperatives and would be required to write down its investment if an impairment is identified and the Company determined it to be other than temporary. No impairment of the Company s investments in cooperatives has been identified as of June 28, 2009.

The Company recorded an adjustment to increase its equity investment in Southeastern in Q2 2008 which resulted in a nonrecurring pre-tax credit of $2.6 million. This adjustment was based on information received from Southeastern during that quarter and reflected a higher share of Southeastern s retained earnings compared to the amount previously recorded. The Company classifies its equity in earnings of Southeastern in cost of sales consistent with the classification of purchases from Southeastern.

The Company leases from Harrison Limited Partnership One ( HLP ) the Snyder Production Center and an adjacent sales facility, which are located in Charlotte, North Carolina. The current lease expires on December 31, 2010. HLP is directly and indirectly owned by trusts of which J. Frank Harrison, III, Chairman of the Board of Directors and Chief Executive Officer of the Company, and Deborah H. Everhart, a director of the Company, are trustees and beneficiaries. On March 23, 2009, the Company modified the lease agreement (new terms to begin January 1, 2011) with HLP related to the SPC lease. The modified lease would not have changed the classification of the existing lease had it been in effect in the first quarter of 2002, when the capital lease was

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
19. Related Party Transactions

recorded, as the Company received a renewal option to extend the term of the lease, which it expected to exercise. The modified lease did not extend the term of the existing lease (remaining lease term was reduced from approximately 22 years to approximately 12 years). Accordingly, the present value of the leased property under capital leases and capital lease obligations was adjusted by an amount equal to the difference between the future minimum lease payments under the modified lease agreement and the present value of the existing obligation on the modification date. The capital lease obligations and leased property under capital leases were both decreased by $7.5 million in March 2009. The annual base rent the Company is obligated to pay under the modified lease is subject to an adjustment for an inflation factor. The prior lease annual base rent was subject to adjustment for an inflation factor and for increases or decreases in interest rates, using LIBOR as the measurement device. The principal balance outstanding under this capital lease as of June 28, 2009 was $29.7 million. Rental payments related to this lease were $1.7 million and $1.9 million in YTD 2009 and YTD 2008, respectively.

The Company leases from Beacon Investment Corporation ( Beacon ) the Company s headquarters office facility and an adjacent office facility. The lease expires on December 31, 2021. Beacon s sole shareholder is J. Frank Harrison, III. The principal balance outstanding under this capital lease as of June 28, 2009 was $31.8 million. Rental payments related to the lease were $1.9 million in both YTD 2009 and YTD 2008.

20. Net Sales by Product Category

Net sales by product category were as follows:

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| In Thousands | 2009 | 2008 | 2009 | 2008 |
| Bottle/can sales: | | | | |
| Sparkling beverages (including energy products) | $256,744 | $269,989 | $492,199 | $504,541 |
| Still beverages | 60,185 | 66,404 | 106,935 | 119,860 |
| Total bottle/can sales | 316,929 | 336,393 | 599,134 | 624,401 |
| Other sales: | | | | |
| Sales to other Coca-Cola bottlers | 35,478 | 35,097 | 66,611 | 63,125 |
| Post-mix and other | 25,342 | 24,513 | 48,265 | 46,151 |
| Total other sales | 60,820 | 59,610 | 114,876 | 109,276 |
| Total net sales | $377,749 | $396,003 | $714,010 | $733,677 |

Sparkling beverages are carbonated beverages and energy products while still beverages are noncarbonated beverages.

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
21. Net Income Per Share
The following table sets forth the computation of basic net income per share and diluted net income per share under the two-class method:

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| In Thousands (Except Per Share Data) | 2009 | 2008 | 2009 | 2008 |
| **Numerator for basic and diluted net income per Common Stock and Class B Common Stock share:** | | | | |
| Net income attributable to Coca-Cola Bottling Co. Consolidated | $ 12,187 | $ 15,155 | $ 20,718 | $ 10,820 |
| Less dividends: | | | | |
| Common Stock | 1,785 | 1,661 | 3,499 | 3,322 |
| Class B Common Stock | 505 | 625 | 1,082 | 1,250 |
| Total undistributed earnings | $ 9,897 | $ 12,869 | $ 16,137 | $ 6,248 |
| Common Stock undistributed earnings basic | $ 7,713 | $ 9,351 | $ 12,326 | $ 4,540 |
| Class B Common Stock undistributed earnings basic | 2,184 | 3,518 | 3,811 | 1,708 |
| Total undistributed earnings basic | $ 9,897 | $ 12,869 | $ 16,137 | $ 6,248 |
| Common Stock undistributed earnings diluted | $ 7,680 | $ 9,330 | $ 12,291 | $ 4,533 |
| Class B Common Stock undistributed earnings diluted | 2,217 | 3,539 | 3,846 | 1,715 |
| Total undistributed earnings diluted | $ 9,897 | $ 12,869 | $ 16,137 | $ 6,248 |
| **Numerator for basic net income per Common Stock share:** | | | | |
| Dividends on Common Stock | $ 1,785 | $ 1,661 | $ 3,499 | $ 3,322 |
| Common Stock undistributed earnings basic | 7,713 | 9,351 | 12,326 | 4,540 |
| Numerator for basic net income per Common Stock share | $ 9,498 | $ 11,012 | $ 15,825 | $ 7,862 |
| **Numerator for basic net income per Class B Common Stock share:** | | | | |
| Dividends on Class B Common Stock | $ 505 | $ 625 | $ 1,082 | $ 1,250 |
| Class B Common Stock undistributed earnings basic | 2,184 | 3,518 | 3,811 | 1,708 |
| Numerator for basic net income per Class B Common Stock share | $ 2,689 | $ 4,143 | $ 4,893 | $ 2,958 |

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
21. Net Income Per Share

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| In Thousands (Except Per Share Data) | 2009 | 2008 | 2009 | 2008 |
| **Numerator for diluted net income per Common Stock share:** | | | | |
| Dividends on Common Stock | $ 1,785 | $ 1,661 | $ 3,499 | $ 3,322 |
| Dividends on Class B Common Stock assumed converted to Common Stock | 505 | 625 | 1,082 | 1,250 |
| Common Stock undistributed earnings diluted | 9,897 | 12,869 | 16,137 | 6,248 |
| Numerator for diluted net income per Common Stock share | $ 12,187 | $ 15,155 | $ 20,718 | $ 10,820 |
| **Numerator for diluted net income per Class B Common Stock share:** | | | | |
| Dividends on Class B Common Stock | $ 505 | $ 625 | $ 1,082 | $ 1,250 |
| Class B Common Stock undistributed earnings diluted | 2,217 | 3,539 | 3,846 | 1,715 |
| Numerator for diluted net income per Class B Common Stock share | $ 2,722 | $ 4,164 | $ 4,928 | $ 2,965 |

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
21. Net Income Per Share

| | Second Quarter | | First Half | |
|---|---|---|---|---|
| In Thousands (Except Per Share Data) | 2009 | 2008 | 2009 | 2008 |
| **Denominator for basic net income per Common Stock and Class B Common Stock share:** | | | | |
| Common Stock weighted average shares outstanding basic | 7,141 | 6,644 | 6,999 | 6,644 |
| Class B Common Stock weighted average shares outstanding basic | 2,022 | 2,500 | 2,164 | 2,500 |
| **Denominator for diluted net income per Common Stock and Class B Common Stock share:** | | | | |
| Common Stock weighted average shares outstanding diluted (assumes conversion of Class B Common Stock to Common Stock) | 9,203 | 9,164 | 9,189 | 9,157 |
| Class B Common Stock weighted average shares outstanding diluted | 2,062 | 2,520 | 2,190 | 2,513 |
| **Basic net income per share:** | | | | |
| Common Stock | $ 1.33 | $ 1.66 | $ 2.26 | $ 1.18 |
| Class B Common Stock | $ 1.33 | $ 1.66 | $ 2.26 | $ 1.18 |
| **Diluted net income per share:** | | | | |
| Common Stock | $ 1.32 | $ 1.65 | $ 2.25 | $ 1.18 |
| Class B Common Stock | $ 1.32 | $ 1.65 | $ 2.25 | $ 1.18 |

NOTES TO TABLE

(1) For purposes of the diluted net income per share computation for Common Stock, shares of Class B Common Stock are assumed to be converted; therefore, 100%

of undistributed earnings is allocated to Common Stock.

(2) For purposes of the diluted net income per share computation for Class B Common Stock, weighted average shares of Class B Common Stock are assumed to be outstanding for the entire period and not converted.

(3) Denominator for diluted net income per share for Common Stock and Class B Common Stock includes the dilutive effect of shares relative to the restricted stock awards.

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
22. Risks and Uncertainties

Approximately 88% of the Company s YTD 2009 bottle/can volume to retail customers are products of The Coca-Cola Company, which is the sole supplier of these products or of the concentrates or syrups required to manufacture these products. The remaining 12% of the Company s YTD 2009 bottle/can volume to retail customers are products of other beverage companies and the Company. The Company has beverage agreements under which it has various requirements to meet. Failure to meet the requirements of these beverage agreements could result in the loss of distribution rights for the respective product.

The Company s products are sold and distributed directly by its employees to retail stores and other outlets. During YTD 2009, approximately 68% of the Company s bottle/can volume to retail customers was sold for future consumption. The remaining bottle/can volume to retail customers of approximately 32% was sold for immediate consumption. The Company s largest customers, Wal-Mart Stores, Inc. and Food Lion, LLC, accounted for approximately 19% and 11%, respectively, of the Company s total bottle/can volume to retail customers during YTD 2009. Wal-Mart Stores, Inc. and Food Lion, LLC accounted for approximately 20% and 11%, respectively, of the Company s total bottle/can volume to retail customers during YTD 2008. Wal-Mart Stores, Inc. accounted for approximately 15% of the Company s total net sales during YTD 2009. Wal-Mart Stores, Inc. accounted for approximately 14% of the Company s total net sales during YTD 2008.

The Company obtains all of its aluminum cans from one domestic supplier. The Company currently obtains all of its plastic bottles from two domestic entities. See Note 14 and Note 19 to the consolidated financial statements for additional information.

The Company is exposed to price risk on such commodities as aluminum, corn and resin which affects the cost of raw materials used in the production of finished products. The Company both produces and procures these finished products. Examples of the raw materials affected are aluminum cans and plastic bottles used for packaging and high fructose corn syrup used as a product ingredient. Further, the Company is exposed to commodity price risk on oil which impacts the Company s cost of fuel used in the movement and delivery of the Company s products. The Company participates in commodity hedging and risk mitigation programs administered both by CCBSS and by the Company. In addition, there is no limit on the price The Coca-Cola Company and other beverage companies can charge for concentrate.

Certain liabilities of the Company are subject to risk due to changes in both long-term and short-term interest rates. These liabilities include floating rate debt, leases, retirement benefit obligations and the Company s pension liability.

Approximately 7% of the Company s labor force is covered by collective bargaining agreements. One collective bargaining contract covering approximately .5% of the Company s employees expires during the remainder of 2009.

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
23. Supplemental Disclosures of Cash Flow Information
Changes in current assets and current liabilities affecting cash were as follows:

| | First Half | |
|---|---|---|
| In Thousands | 2009 | 2008 |
| Accounts receivable, trade, net | $ (4,122) | $(25,793) |
| Accounts receivable from The Coca-Cola Company | (19,267) | (13,443) |
| Accounts receivable, other | (2,586) | (3,514) |
| Inventories | (11,888) | (5,933) |
| Prepaid expenses and other current assets | (11,658) | (1,987) |
| Accounts payable, trade | 460 | (5,866) |
| Accounts payable to The Coca-Cola Company | 14,743 | 29,285 |
| Other accrued liabilities &nb | | |