

COCA COLA BOTTLING CO CONSOLIDATED /DE/

Form 10-Q

August 12, 2011

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

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

For the quarterly period ended July 3, 2011

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 No

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 No

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

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 29, 2011
Common Stock, \$1.00 Par Value	7,141,447
Class B Common Stock, \$1.00 Par Value	2,066,522

**COCA-COLA BOTTLING CO. CONSOLIDATED
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JULY 3, 2011
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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	
	2011	2010	2011	2010
Net sales	\$ 422,893	\$ 417,361	\$ 782,522	\$ 764,859
Cost of sales	257,320	249,353	467,788	450,148
Gross margin	165,573	168,008	314,734	314,711
Selling, delivery and administrative expenses	137,153	138,190	267,135	267,234
Income from operations	28,420	29,818	47,599	47,477
Interest expense, net	9,042	8,802	17,811	17,612
Income before income taxes	19,378	21,016	29,788	29,865
Income tax expense	7,394	7,612	11,335	11,326
Net income	11,984	13,404	18,453	18,539
Less: Net income attributable to the noncontrolling interest	883	1,361	1,439	1,836
Net income attributable to Coca-Cola Bottling Co. Consolidated	\$ 11,101	\$ 12,043	\$ 17,014	\$ 16,703
Basic net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:				
Common Stock	\$ 1.21	\$ 1.31	\$ 1.85	\$ 1.82
Weighted average number of Common Stock shares outstanding	7,141	7,141	7,141	7,141
Class B Common Stock	\$ 1.21	\$ 1.31	\$ 1.85	\$ 1.82
Weighted average number of Class B Common Stock shares outstanding	2,067	2,044	2,059	2,036
Diluted net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:				
Common Stock	\$ 1.20	\$ 1.31	\$ 1.84	\$ 1.81
Weighted average number of Common Stock shares outstanding assuming dilution	9,248	9,225	9,240	9,217

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Class B Common Stock	\$ 1.20	\$ 1.30	\$ 1.83	\$ 1.80
Weighted average number of Class B Common Stock shares outstanding assuming dilution	2,107	2,084	2,099	2,076
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.

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

	July 3, 2011	Jan. 2, 2011	July 4, 2010
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 26,169	\$ 45,872	\$ 14,301
Restricted cash	3,000	3,500	3,500
Accounts receivable, trade, less allowance for doubtful accounts of \$1,576, \$1,300 and \$2,051, respectively	126,228	96,787	133,034
Accounts receivable from The Coca-Cola Company	26,153	12,081	20,897
Accounts receivable, other	9,390	15,829	18,855
Inventories	75,157	64,870	72,105
Prepaid expenses and other current assets	24,822	25,760	30,583
Total current assets	290,919	264,699	293,275
Property, plant and equipment, net	319,121	322,143	317,140
Leased property under capital leases, net	62,796	46,856	49,202
Other assets	52,316	46,332	41,034
Franchise rights	520,672	520,672	520,672
Goodwill	102,049	102,049	102,049
Other identifiable intangible assets, net	4,645	4,871	5,105
Total	\$ 1,352,518	\$ 1,307,622	\$ 1,328,477

See Accompanying Notes to Consolidated Financial Statements.

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

	July 3, 2011	Jan. 2, 2011	July 4, 2010
<u>LIABILITIES AND EQUITY</u>			
<u>Current Liabilities:</u>			
Current portion of debt	\$	\$	\$ 5,000
Current portion of obligations under capital leases	4,174	3,866	3,856
Accounts payable, trade	46,546	41,878	46,944
Accounts payable to The Coca-Cola Company	48,990	25,058	52,573
Other accrued liabilities	65,488	69,471	66,606
Accrued compensation	20,955	30,944	18,001
Accrued interest payable	5,529	5,523	5,522
Total current liabilities	191,682	176,740	198,502
Deferred income taxes	141,253	143,962	149,622
Pension and postretirement benefit obligations	111,737	114,163	88,465
Other liabilities	112,537	109,882	110,004
Obligations under capital leases	71,828	55,395	57,361
Long-term debt	523,139	523,063	537,988
Total liabilities	1,152,176	1,123,205	1,141,942
Commitments and Contingencies (Note 14)			
<u>Equity:</u>			
Common Stock, \$1.00 par value:			
Authorized 30,000,000 shares;			
Issued 10,203,821 shares	10,204	10,204	10,204
Class B Common Stock, \$1.00 par value:			
Authorized 10,000,000 shares;			
Issued 2,694,636, 2,672,316 and 2,672,316 shares, respectively	2,693	2,671	2,671
Capital in excess of par value	106,140	104,835	104,758
Retained earnings	147,287	134,872	120,111
Accumulated other comprehensive loss	(62,689)	(63,433)	(44,595)
	203,635	189,149	193,149
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	142,381	127,895	131,895
Noncontrolling interest	57,961	56,522	54,640

Total equity	200,342	184,417	186,535
Total	\$ 1,352,518	\$ 1,307,622	\$ 1,328,477

See Accompanying Notes to Consolidated Financial Statements.

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

	Class		Capital	Accumulated			Total	Noncontrolling	Total
	Common	Class B	in	Retained	Other	Treasury	Equity	Interest	Equity
	Stock	Common	Excess of	Earnings	Comprehensive	Stock	of		
		Stock	Par		Loss		CCBCC		
			Value						
Balance on Jan. 3, 2010	\$ 10,204	\$ 2,649	\$ 103,464	\$ 107,995	\$ (46,767)	\$ (61,254)	\$ 116,291	\$ 52,804	\$ 169,095
Comprehensive income:									
Net income				16,703			16,703	1,836	18,539
Ownership share of Southeastern OCI					30		30		30
Foreign currency translation adjustments, net of tax					(8)		(8)		(8)
Pension and postretirement benefit adjustments, net of tax					2,150		2,150		2,150
Total comprehensive income							18,875	1,836	20,711
Cash dividends paid									
Common (\$.50 per share)				(3,571)			(3,571)		(3,571)
Class B Common (\$.50 per share)				(1,016)			(1,016)		(1,016)
Issuance of 22,320 shares of Class B Common Stock		22	1,294				1,316		1,316
Balance on July 4, 2010	\$ 10,204	\$ 2,671	\$ 104,758	\$ 120,111	\$ (44,595)	\$ (61,254)	\$ 131,895	\$ 54,640	\$ 186,535
	\$ 10,204	\$ 2,671	\$ 104,835	\$ 134,872	\$ (63,433)	\$ (61,254)	\$ 127,895	\$ 56,522	\$ 184,417

Balance on Jan. 2, 2011									
Comprehensive income:									
Net income			17,014			17,014	1,439	18,453	
Foreign currency translation adjustments, net of tax			(5)			(5)		(5)	
Pension and postretirement benefit adjustments, net of tax			749			749		749	
Total comprehensive income						17,758	1,439	19,197	
Cash dividends paid									
Common (\$.50 per share)			(3,571)			(3,571)		(3,571)	
Class B Common (\$.50 per share)			(1,028)			(1,028)		(1,028)	
Issuance of 22,320 shares of Class B Common Stock	22	1,305				1,327		1,327	
Balance on July 3, 2011	\$ 10,204	\$ 2,693	\$ 106,140	\$ 147,287	\$ (62,689)	\$ (61,254)	\$ 142,381	\$ 57,961	\$ 200,342

See Accompanying Notes to Consolidated Financial Statements.

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

	First Half	
	2011	2010
<u>Cash Flows from Operating Activities</u>		
Net income	\$ 18,453	\$ 18,539
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	30,096	29,286
Amortization of intangibles	226	245
Deferred income taxes	160	2,303
Loss on sale of property, plant and equipment	451	992
Net gain on property, plant and equipment damaged in flood		(612)
Amortization of debt costs	1,141	1,170
Amortization of deferred gain related to terminated interest rate agreements	(609)	(604)
Stock compensation expense	1,347	925
Insurance proceeds received for flood damage		1,450
Increase in current assets less current liabilities	(24,493)	(18,994)
(Increase) decrease in other noncurrent assets	(6,925)	4,538
Decrease in other noncurrent liabilities	(1,279)	(15,316)
Other	(8)	(13)
Total adjustments	107	5,370
Net cash provided by operating activities	18,560	23,909
<u>Cash Flows from Investing Activities</u>		
Additions to property, plant and equipment	(32,187)	(28,125)
Proceeds from the sale of property, plant and equipment	53	1,312
Decrease in restricted cash	500	1,000
Net cash used in investing activities	(31,634)	(25,813)
<u>Cash Flows from Financing Activities</u>		
Proceeds from lines of credit, net		5,000
Cash dividends paid	(4,599)	(4,587)
Principal payments on capital lease obligations	(1,904)	(1,890)
Other	(126)	(88)
Net cash used in financing activities	(6,629)	(1,565)
Net decrease in cash	(19,703)	(3,469)
Cash at beginning of period	45,872	17,770
Cash at end of period	\$ 26,169	\$ 14,301

Significant non-cash investing and financing activities:

Issuance of Class B Common Stock in connection with stock award	\$ 1,327	\$ 1,316
Capital lease obligations incurred	18,644	

See Accompanying Notes to Consolidated Financial Statements.

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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 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 consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (GAAP) for interim financial reporting and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by GAAP. The preparation of consolidated financial statements 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.

Certain prior year amounts have been reclassified to conform to current classifications.

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 January 2, 2011 filed with the United States Securities and Exchange Commission.

Revision of Prior Period Financial Statements

In connection with the preparation of the consolidated financial statements for the second quarter of 2011, the Company identified an error in the treatment of accrued additions for property, plant and equipment in the Consolidated Statements of Cash Flows. This error affected the year-to-date Consolidated Statements of Cash Flows presented in each of the quarters of 2010, including the year-end consolidated financial statements for 2010, as well as the first quarter of 2011 and resulted in an understatement of net cash provided by operating activities and net cash used in investing activities for each of the impacted periods. In accordance with accounting guidance presented in ASC 250-10 (SEC Staff Accounting Bulletin No. 99, Materiality), the Company assessed the materiality of the error and concluded that the error was not material to any of the Company's previously issued financial statements taken as a whole. The Company will revise previously issued financial statements to correct the effect of this error. This revision did not impact the Company's Consolidated Statements of Operations or Consolidated Balance Sheets for any of these periods.

The following tables present the effect of this correction on the Company's Consolidated Statements of Cash Flows for all periods affected:

	First Quarter Ended April 3, 2011			Year Ended January 2, 2011		
	(In Thousands)					
	As Previously Reported	Adjustment	As Revised	As Previously Reported	Adjustment	As Revised
<u>Cash Flows from Operating Activities</u>						
(Increase) decrease in current assets less current liabilities	\$(23,356)	\$ 10,433	\$(12,923)	\$ (9,709)	\$ 11,629	\$ 1,920
Total adjustments	(9,549)	10,433	884	58,585	11,629	70,214
Net cash provided by (used in) operating activities	(3,080)	10,433	7,353	98,127	11,629	109,756

Cash Flows from Investing Activities

Additions to property, plant and equipment	(9,069)	(10,433)	(19,502)	(46,169)	(11,629)	(57,798)
Net cash used in investing activities	(9,047)	(10,433)	(19,480)	(41,988)	(11,629)	(53,617)

First 9 Months Ended Oct. 3, 2010

First Half Ended July 4, 2010

(In Thousands)

	First 9 Months Ended Oct. 3, 2010			First Half Ended July 4, 2010		
	As Previously Reported	Adjustment	As Revised	As Previously Reported	Adjustment	As Revised
<u>Cash Flows from Operating Activities</u>						
Increase in current assets less current liabilities	\$(22,043)	\$ 11,629	\$(10,414)	\$(30,623)	\$ 11,629	\$(18,994)
Total adjustments	28,374	11,629	40,003	(6,259)	11,629	5,370
Net cash provided by operating activities	64,124	11,629	75,753	12,280	11,629	23,909

Cash Flows from Investing Activities

Additions to property, plant and equipment	(29,011)	(11,629)	(40,640)	(16,496)	(11,629)	(28,125)
Net cash used in investing activities	(26,638)	(11,629)	(38,267)	(14,184)	(11,629)	(25,813)

First Quarter Ended Apr. 4, 2010

(In Thousands)

	As Previously Reported	Adjustment	As Revised
<u>Cash Flows from Operating Activities</u>			
Increase in current assets less current liabilities	\$(19,321)	\$ 11,629	\$(7,692)
Total adjustments	583	11,629	12,212
Net cash provided by operating activities	5,718	11,629	17,347

Cash Flows from Investing Activities

Additions to property, plant and equipment	(7,977)	(11,629)	(19,606)
Net cash used in investing activities	(6,915)	(11,629)	(18,544)

2. Seasonality of Business

Historically, operating results for the second quarter and the 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 Coca-Cola Bottling Partnership (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 July 3, 2011, January 2, 2011 and July 4, 2010 primarily 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.

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Notes to Consolidated Financial Statements (Unaudited)

4. Inventories

Inventories were summarized as follows:

In Thousands	July 3, 2011	Jan. 2, 2011	July 4, 2010
Finished products	\$46,398	\$36,484	\$41,384
Manufacturing materials	10,777	10,619	10,898
Plastic shells, plastic pallets and other inventories	17,982	17,767	19,823
Total inventories	\$75,157	\$64,870	\$72,105

5. Property, Plant and Equipment

The principal categories and estimated useful lives of property, plant and equipment were as follows:

In Thousands	July 3, 2011	Jan. 2, 2011	July 4, 2010	Estimated Useful Lives
Land	\$ 12,751	\$ 12,965	\$ 12,671	10-50 years
Buildings	120,473	119,471	113,740	5-20 years
Machinery and equipment	138,057	136,821	132,525	4-17 years
Transportation equipment	152,139	147,960	151,175	4-10 years
Furniture and fixtures	39,271	37,120	35,749	6-15 years
Cold drink dispensing equipment	315,607	312,176	314,282	5-20 years
Leasehold and land improvements	72,901	69,996	67,007	3-10 years
Software for internal use	70,212	70,891	68,057	
Construction in progress	5,662	8,733	3,541	
Total property, plant and equipment, at cost	927,073	916,133	898,747	
Less: Accumulated depreciation and amortization	607,952	593,990	581,607	
Property, plant and equipment, net	\$319,121	\$322,143	\$317,140	

Depreciation and amortization expense was \$15.3 million and \$14.8 million in the second quarter of 2011 (Q2 2011) and the second quarter of 2010 (Q2 2010), respectively. Depreciation and amortization expense was \$30.1 million and \$29.3 million in the first half of 2011 (YTD 2011) and the first half of 2010 (YTD 2010), respectively. These amounts included amortization expense for leased property under capital leases.

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Notes to Consolidated Financial Statements (Unaudited)

6. Leased Property Under Capital Leases

Leased property under capital leases was summarized as follows:

	July 3,	Jan. 2,	July 4,	Estimated
In Thousands	2011	2011	2010	Useful Lives
Leased property under capital leases	\$95,521	\$76,877	\$76,877	3-20 years
Less: Accumulated amortization	32,725	30,021	27,675	
Leased property under capital leases, net	\$62,796	\$46,856	\$49,202	

As of July 3, 2011, real estate represented \$62.5 million of the leased property under capital leases and \$43.0 million of this real estate is leased from related parties as described in Note 19 to the consolidated financial statements.

In the first quarter of 2011, the Company entered into leases for two sales distribution centers. Each lease has a term of fifteen years with various monthly rental payments. The two leases added \$18.6 million, at inception, to the leased property under capital leases balance.

The Company's outstanding obligations for capital leases were \$76.0 million, \$59.2 million and \$61.2 million as of July 3, 2011, January 2, 2011 and July 4, 2010, respectively.

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 2011, the Company did not experience any triggering events or changes in circumstances that indicated the carrying amounts of the Company's franchise rights or goodwill exceeded fair values. As such, the Company has not recognized any impairments of franchise rights or goodwill.

8. Other Identifiable Intangible Assets

Other identifiable intangible assets were summarized as follows:

	July 3,	Jan. 2,	July 4,	Estimated
In Thousands	2011	2011	2010	Useful Lives
Other identifiable intangible assets	\$8,675	\$8,675	\$8,665	1-20 years
Less: Accumulated amortization	4,030	3,804	3,560	
Other identifiable intangible assets, net	\$4,645	\$4,871	\$5,105	

Other identifiable intangible assets primarily represent customer relationships and distribution rights.

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Notes to Consolidated Financial Statements (Unaudited)

9. Other Accrued Liabilities

Other accrued liabilities were summarized as follows:

In Thousands	July 3, 2011	Jan. 2, 2011	July 4, 2010
Accrued marketing costs	\$ 14,069	\$ 15,894	\$ 13,152
Accrued insurance costs	18,465	18,005	19,052
Accrued taxes (other than income taxes)	2,928	2,023	2,927
Accrued income taxes	9,922	4,839	5,766
Employee benefit plan accruals	11,246	9,790	9,842
Checks and transfers yet to be presented for payment from zero balance cash accounts		8,532	9,364
All other accrued liabilities	8,858	10,388	6,503
Total other accrued liabilities	\$ 65,488	\$ 69,471	\$ 66,606

10. Debt

Debt was summarized as follows:

In Thousands	Maturity	Interest Rate	Interest Paid	July 3, 2011	Jan. 2, 2011	July 4, 2010
Revolving Credit Facility	2012		Varies	\$	\$	\$ 15,000
Line of Credit			Varies			5,000
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	110,000	110,000
Unamortized discount on Senior Notes	2019			(1,618)	(1,694)	(1,769)
				523,139	523,063	542,988
Less: Current portion of debt						5,000
Long-term debt				\$ 523,139	\$ 523,063	\$ 537,988

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

10. Debt

On March 8, 2007, the Company entered into a \$200 million revolving credit facility (\$200 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 interest period. 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 cash flow ratio of 6.0 to 1 or lower. The Company is currently in compliance with these covenants. These covenants do not currently, and the Company does not anticipate they will, restrict its liquidity or capital resources. On July 3, 2011 and January 2, 2011, the Company had no outstanding borrowings on the \$200 million facility. On July 4, 2010, the Company had \$15.0 million of outstanding borrowings on the \$200 million facility. The Company intends to refinance the revolving credit facility on a long-term basis in 2011.

On February 10, 2010, the Company entered into an agreement for an uncommitted line of credit. Under this agreement, the Company may borrow up to a total of \$20 million for periods of 7 days, 30 days, 60 days or 90 days at the discretion of the participating bank. On July 3, 2011 and January 2, 2011, the Company had no outstanding borrowings under the uncommitted line of credit. On July 4, 2010, the Company had \$5.0 million of outstanding borrowings on the uncommitted line of credit.

The Company had a weighted average interest rate of 5.9%, 5.8% and 5.7% for its debt and capital lease obligations as of July 3, 2011, January 2, 2011 and July 4, 2010, respectively. The Company's overall weighted average interest rate on its debt and capital lease obligations was 6.0% for YTD 2011 compared to 5.8% for YTD 2010. As of July 3, 2011, none of the Company's debt and capital lease obligations of \$599.1 million were 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.

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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 the previously accrued interest receivable, the Company began amortizing a gain of \$5.1 million over the remaining term of the underlying debt. As of July 3, 2011, the remaining amount to be amortized was \$2.0 million. All of the Company's interest rate swap agreements were LIBOR-based.

During both YTD 2011 and YTD 2010, the Company amortized deferred gains related to terminated interest rate swap agreements and forward interest rate agreements by \$.6 million, which was recorded as a reduction to interest expense. The Company had no interest rate swap agreements outstanding at July 3, 2011, January 2, 2011 and July 4, 2010.

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 GAAP and are used as economic hedges to manage commodity price risk. Currently the Company has derivative instruments to hedge some or all of its projected diesel fuel, unleaded gasoline and aluminum purchase requirements. These derivative instruments are marked to market on a monthly basis and recognized in earnings consistent with the expense classification of the underlying hedged item. Settlements of derivative agreements are included in cash flows from operating activities on the Company's consolidated statements of cash flows.

The Company uses several different financial institutions for commodity derivative instruments 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 provide for net settlement of derivative transactions.

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11. Derivative Financial Instruments

The Company used derivative instruments to hedge substantially all of the diesel fuel purchases for 2010 and is using derivative instruments to hedge all of the Company's projected diesel fuel and unleaded gasoline purchases for the second, third and fourth quarters of 2011. These derivative instruments relate to diesel fuel and unleaded gasoline used by the Company's delivery fleet and other vehicles. The Company used derivative instruments to hedge approximately 75% of its aluminum purchase requirements in 2010 and is using derivative instruments to hedge approximately 75% of the Company's projected aluminum purchase requirements for 2011.

The following table summarizes Q2 2011 and Q2 2010 net gains and losses on the Company's fuel and aluminum derivative financial instruments and the classification, either as cost of sales or selling, delivery and administrative (S,D&A) expenses, of such net gains and losses in the consolidated statements of operations:

In Thousands	Classification of Gain (Loss)	Second Quarter	
		2011	2010
Fuel hedges – contract premium and contract settlement	S,D&A expenses	\$ (105)	\$ 79
Fuel hedges – mark-to-market adjustment	S,D&A expenses	(25)	(1,064)
Aluminum hedges – contract premium and contract settlement	Cost of sales	783	534
Aluminum hedges – mark-to-market adjustment	Cost of sales	(1,708)	(6,749)
Total Net Loss		\$(1,055)	\$(7,200)

The following table summarizes YTD 2011 and YTD 2010 net gains and losses on the Company's fuel and aluminum derivative financial instruments and the classification, either as cost of sales or S,D&A expenses, of such net gains and losses in the consolidated statements of operations:

In Thousands	Classification of Gain (Loss)	First Half	
		2011	2010
Fuel hedges – contract premium and contract settlement	S,D&A expenses	\$ 66	\$ (30)
Fuel hedges – mark-to-market adjustment	S,D&A expenses	(171)	(1,356)
Aluminum hedges – contract premium and contract settlement	Cost of sales	1,304	511
Aluminum hedges – mark-to-market adjustment	Cost of sales	(2,216)	(6,213)
Total Net Loss		\$(1,017)	\$(7,088)

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11. Derivative Financial Instruments

The following table summarizes the fair values and classification in the consolidated balance sheets of derivative instruments held by the Company as of July 3, 2011, January 2, 2011 and July 4, 2010:

In Thousands	Balance Sheet Classification	July 3, 2011	Jan. 2, 2011	July 4, 2010
Fuel hedges at fair market value	Prepaid expenses and other current assets	\$	\$ 171	\$ 261
Unamortized cost of fuel hedging agreements	Prepaid expenses and other current assets	526		473
Aluminum hedges at fair market value	Prepaid expenses and other current assets	4,450	6,666	2,936
Unamortized cost of aluminum hedging agreements	Prepaid expenses and other current assets	1,316	2,453	1,842
Total		\$6,292	\$9,290	\$5,512
Aluminum hedges at fair market value	Other assets	\$	\$	\$1,303
Unamortized cost of aluminum hedging agreements	Other assets			1,316
Total		\$	\$	\$2,619

The following table summarizes the Company's outstanding derivative agreements as of July 3, 2011:

In Millions	Notional Amount	Latest Maturity
Fuel hedging agreements	\$13.9	December 2011
Aluminum hedging agreements	14.7	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:

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.

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12. Fair Value of Financial Instruments

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 fuel hedging and aluminum hedging agreements are based on current settlement values. The fair values of the fuel hedging and aluminum hedging agreements at each balance sheet date represent the estimated amounts the Company would have received or paid upon termination of these agreements. 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.

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

In Thousands	July 3, 2011		Jan. 2, 2011		July 4, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Public debt securities	\$(523,139)	\$(569,324)	\$(523,063)	\$(564,671)	\$(522,988)	\$(576,897)
Non-public variable rate debt					(20,000)	(20,000)
Deferred compensation plan assets	11,133	11,133	9,780	9,780	8,335	8,335
Deferred compensation plan liabilities	(11,133)	(11,133)	(9,780)	(9,780)	(8,335)	(8,335)
Fuel hedging agreements			171	171	261	261
Aluminum hedging agreements	4,450	4,450	6,666	6,666	4,239	4,239

The fair values of the fuel hedging and aluminum hedging agreements at July 3, 2011, January 2, 2011 and July 4, 2010 represented the estimated amount the Company would have received upon termination of these agreements.

GAAP 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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12. Fair Value of Financial Instruments

The following table summarizes, by assets and liabilities, the valuation of the Company's deferred compensation plan, fuel hedging agreements and aluminum hedging agreements:

In Thousands	July 3, 2011		Jan. 2, 2011		July 4, 2010	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
Assets						
Deferred compensation plan assets	\$ 11,133		\$ 9,780		\$ 8,335	
Fuel hedging agreements		\$		\$ 171		\$ 261
Aluminum hedging agreements		4,450		6,666		4,239
Liabilities						
Deferred compensation plan liabilities	11,133		9,780		8,335	

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 agreement 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 agreement and are considered Level 2 items.

The Company does not have Level 3 assets or liabilities. Also, there were no transfers of assets or liabilities between Level 1 and Level 2 for any of the periods presented.

13. Other Liabilities

Other liabilities were summarized as follows:

In Thousands	July 3, 2011	Jan. 2, 2011	July 4, 2010
Accruals for executive benefit plans	\$ 93,423	\$ 90,906	\$ 89,042
Other	19,114	18,976	20,962
Total other liabilities	\$ 112,537	\$ 109,882	\$ 110,004

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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 \$41.1 million, \$29.0 million and \$40.5 million as of July 3, 2011, January 2, 2011 and July 4, 2010, 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 its 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 to 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 July 3, 2011 would have been \$25.2 million for SAC and \$25.2 million for Southeastern and the Company s maximum total exposure, including its equity investment, would have been \$32.0 million for SAC and \$43.1 million for Southeastern.

The Company has been purchasing plastic bottles from Southeastern and finished products from SAC for more than ten years and has never had to pay against these guarantees.

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 July 3, 2011, SAC had total assets of approximately \$47.7 million and total debt of approximately \$24.4 million. SAC had total revenues for YTD 2011 of approximately \$90.9 million. As of July 3, 2011, Southeastern had total assets of approximately \$373.2 million and total debt of approximately \$198.4 million. Southeastern had total revenue for YTD 2011 of approximately \$345.3 million.

The Company has standby letters of credit, primarily related to its property and casualty insurance programs. On July 3, 2011, these letters of credit totaled \$21.0 million. The Company was required to maintain \$4.5 million of restricted cash for letters of credit beginning in the second quarter of 2009 which was reduced to \$3.5 million in Q2 2010 and to \$3.0 million in Q2 2011. As of July 3, 2011, the Company maintained \$3.0 million of restricted cash for these letters of credit.

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 July 3, 2011 amounted to \$22.1 million and expire at various dates through 2020.

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14. Commitments and Contingencies

During May 2010, Nashville, Tennessee experienced a severe rain storm which caused extensive flood damage in the area. The Company has a production/sales distribution facility located in the flooded area. Due to damage incurred during this flood, the Company recorded a loss of approximately \$.2 million on uninsured cold drink equipment. This loss was offset by gains of approximately \$.8 million for the excess of insurance proceeds received as compared to the net book value of production equipment damaged as a result of the flood. In Q2 2010, the Company recorded a receivable of \$6.2 million for insured losses of which \$1.5 million had already been paid by the end of Q2 2010. All receivables were recorded for insured losses during fiscal year 2010 and were collected in 2010.

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 tax rate, as calculated by dividing income tax expense by income before income taxes, for YTD 2011 and YTD 2010 was 38.1% and 37.9%, respectively. The Company's effective tax rate, as calculated by dividing income tax expense by the difference of income before income taxes minus net income attributable to the noncontrolling interest, for YTD 2011 and YTD 2010 was 40.0% and 40.4%, respectively.

The following table provides a reconciliation of the income tax expense at the statutory federal rate to actual income tax expense.

In Thousands	2011	First Half 2010
Statutory expense	\$ 9,922	\$ 9,810
State income taxes, net of federal effect	1,236	1,186
Manufacturing deduction benefit	(867)	(1,200)
Meals and entertainment	442	435
Adjustment for uncertain tax positions	363	365
Tax law change related to Medicare Part D subsidy		464
Other, net	239	266
Income tax expense	\$11,335	\$11,326

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Notes to Consolidated Financial Statements (Unaudited)

15. Income Taxes

As of July 3, 2011, the Company had \$5.2 million of uncertain tax positions, including accrued interest, of which \$2.8 million would affect the Company's effective tax rate if recognized. The Company had \$4.8 million of uncertain tax positions as of January 2, 2011, including accrued interest, of which \$2.5 million would affect the Company's effective tax rate if recognized. The Company had \$5.9 million of uncertain tax positions as of July 4, 2010, including accrued interest, of which \$3.8 million would affect the Company's effective tax rate if recognized. While it is expected that the amount of uncertain tax positions may change in the next 12 months, the Company does not expect any change to have a significant impact on the consolidated financial statements.

The Company recognizes potential interest and penalties related to uncertain tax positions in income tax expense. As of July 3, 2011, the Company had approximately \$.5 million of accrued interest related to uncertain tax positions. As of January 2, 2011, the Company had approximately \$.4 million of accrued interest related to uncertain tax positions. As of July 4, 2010, the Company had approximately \$1.0 million of accrued interest related to uncertain tax positions. Income tax expense included interest expense of approximately \$.1 million in both YTD 2011 and YTD 2010.

The Patient Protection and Affordable Care Act enacted on March 23, 2010 and the Health Care and Education Reconciliation Act of 2010 enacted on March 30, 2010 include provisions that will reduce the tax benefits available to employers that receive Medicare Part D subsidies. As a result, during the first quarter of 2010, the Company recorded tax expense totaling \$.5 million related to changes made to the tax deductibility of Medicare Part D subsidies.

Various tax years from 1992 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.

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16. Accumulated Other Comprehensive Loss

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

A summary of accumulated other comprehensive loss for Q2 2011 and Q2 2010 is as follows:

In Thousands	April 3, 2011	Pre-tax Activity	Tax Effect	July 3, 2011
Net pension activity:				
Actuarial loss	\$(51,508)	\$ 518	\$(204)	\$(51,194)
Prior service costs	(41)	4	(1)	(38)
Net postretirement benefits activity:				
Actuarial loss	(17,554)	530	(209)	(17,233)
Prior service costs	6,032	(429)	169	5,772
Transition asset	8	(5)	2	5
Foreign currency translation adjustment		(2)	1	(1)
Total	\$(63,063)	\$ 616	\$(242)	\$(62,689)

In Thousands	April 4, 2010	Pre-tax Activity	Tax Effect	July 4, 2010
Net pension activity:				
Actuarial loss	\$(39,718)	\$1,495	\$(586)	\$(38,809)
Prior service costs	(34)	4	(2)	(32)
Net postretirement benefits activity:				
Actuarial loss	(12,799)	341	(134)	(12,592)
Prior service costs	7,105	(446)	175	6,834
Transition asset	22	(7)	3	18
Ownership share of Southeastern OCI	(34)	25	(10)	(19)
Foreign currency translation adjustment	9	(6)	2	5
Total	\$(45,449)	\$1,406	\$(552)	\$(44,595)

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16. Accumulated Other Comprehensive Loss

A summary of accumulated other comprehensive loss for YTD 2011 and YTD 2010 follows:

In Thousands	Jan. 2, 2011	Pre-tax Activity	Tax Effect	July 3, 2011
Net pension activity:				
Actuarial loss	\$(51,822)	\$1,036	\$(408)	\$(51,194)
Prior service costs	(43)	8	(3)	(38)
Net postretirement benefits activity:				
Actuarial loss	(17,875)	1,060	(418)	(17,233)
Prior service costs	6,292	(858)	338	5,772
Transition asset	11	(10)	4	5
Foreign currency translation adjustment	4	(8)	3	(1)
Total	\$(63,433)	\$1,228	\$(484)	\$(62,689)

In Thousands	Jan. 3, 2010	Pre-tax Activity	Tax Effect	July 4, 2010
Net pension activity:				
Actuarial loss	\$(40,626)	\$2,990	\$(1,173)	\$(38,809)
Prior service costs	(37)	8	(3)	(32)
Net postretirement benefits activity:				
Actuarial loss	(13,470)	682	196	(12,592)
Prior service costs	7,376	(892)	350	6,834
Transition asset	26	(13)	5	18
Ownership share of Southeastern OCI	(49)	49	(19)	(19)
Foreign currency translation adjustment	13	(13)	5	5
Total	\$(46,767)	\$2,811	\$(639)	\$(44,595)

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 MarketSM 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 2011 and YTD 2010, dividends of \$.50 per share were declared and paid on both the Common Stock and Class B Common Stock.

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17. Capital Transactions

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 April 29, 2008, the stockholders of the Company approved a Performance Unit Award Agreement for J. Frank Harrison, III, the Company's Chairman of the Board of Directors and Chief Executive Officer, 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 vest in annual increments over a ten-year period starting in fiscal year 2009. The number of Units that vest each year equals the product of 40,000 multiplied by the overall goal achievement factor (not to exceed 100%) under the Company's Annual Bonus Plan.

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, grant-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.

On March 9, 2010, the Compensation Committee determined that 40,000 shares of the Company's Class B Common Stock, should be issued pursuant to the Performance Unit Award Agreement to J. Frank Harrison, III, in connection with his services in 2009 as Chairman of the Board of Directors and Chief Executive Officer of the Company. As permitted under the terms of the Performance Unit Award Agreement, 17,680 of such shares were settled in cash to satisfy tax withholding obligations in connection with the vesting of the performance units.

On March 8, 2011, the Compensation Committee determined that 40,000 shares of the Company's Class B Common Stock, should be issued pursuant to the Performance Unit Award Agreement to J. Frank Harrison, III, in connection with his services in 2010 as Chairman of the Board of Directors and Chief Executive Officer of the Company. As permitted under the terms of the Performance Unit Award Agreement, 17,680 of such shares were settled in cash to satisfy tax withholding obligations in connection with the vesting of the performance units.

Compensation expense for the Performance Unit Award Agreement recognized in YTD 2011 was \$1.3 million, which was based upon a share price of \$67.33 on July 1, 2011. Compensation expense recognized in YTD 2010 was \$.9 million, which was based upon a share price of \$46.24 on July 2, 2010.

The increase in the total number of shares outstanding in YTD 2011 was due to the issuance of the 22,320 shares of Class B Common Stock related to the Performance Unit Award Agreement. The increase in the total number

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Notes to Consolidated Financial Statements (Unaudited)

17. Capital Transactions

of shares outstanding in YTD 2010 was due to the issuance of 22,320 shares of Class B Common Stock related to the Performance Unit Award Agreement.

18. Benefit Plans

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.

The components of net periodic pension cost were as follows:

In Thousands	Second Quarter		First Half	
	2011	2010	2011	2010
Service cost	\$ 25	\$ 19	\$ 50	\$ 38
Interest cost	3,085	2,857	6,170	5,714
Expected return on plan assets	(2,922)	(2,868)	(5,844)	(5,736)
Amortization of prior service cost	4	4	8	8
Recognized net actuarial loss	518	1,495	1,036	2,990
Net periodic pension cost	\$ 710	\$ 1,507	\$ 1,420	\$ 3,014

The Company contributed \$2.5 million to its Company-sponsored pension plans during YTD 2011. The Company has made additional payments of \$1.7 million subsequent to the end of Q2 2011.

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18. Benefit Plans*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:

In Thousands	Second Quarter		First Half	
	2011	2010	2011	2010
Service cost	\$ 242	\$ 195	\$ 484	\$ 390
Interest cost	708	626	1,416	1,252
Amortization of unrecognized transitional assets	(5)	(6)	(10)	(12)
Recognized net actuarial loss	530	341	1,060	682
Amortization of prior service cost	(429)	(446)	(858)	(892)
Net periodic postretirement benefit cost	\$1,046	\$ 710	\$2,092	\$1,420

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. The Company matched the first 3% of its employees' contributions for 2010 and 2011. The Company maintains the option to increase the matching contributions by an additional 2%, for a total of 5%, for the Company's employees based on the financial results. Based on the financial results of the first quarter of 2010, the Company decided to increase the matching contributions an additional 2% for that quarter, which was approved and paid in Q2 2010. Based on the financial results of Q2 2010, the Company decided to increase the matching contributions an additional 2% for that quarter, which was approved and paid in the third quarter of 2010. The 2% matching contributions have been accrued during YTD 2011. The total cost, including the estimate for the additional 2% matching contributions, for this benefit in YTD 2011 and YTD 2010 was \$4.3 million and \$4.5 million, respectively.

Multi-Employer Benefits

The Company entered into a new agreement in the third quarter of 2008 after one of its collective bargaining contracts expired in July 2008. The new agreement allowed the Company to freeze its liability to Central States Southeast and Southwest Areas Pension Plan (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 over the next 20 years and was recorded in other liabilities. Including the \$3.0 million paid to Southern States in 2008, the Company has paid

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

18. Benefit Plans

approximately \$5.5 million from the fourth quarter of 2008 through Q2 2011 and will pay approximately \$1 million annually over the next 17 1/4 years.

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 July 3, 2011, The Coca-Cola Company had a 34.8% interest in the Company's total outstanding Common Stock, representing 5.1% of the total voting power of the Company's Common Stock and Class B Common Stock voting together as a single class. The Coca-Cola Company does not own any shares of the Company's Class B Common Stock.

The following table summarizes the significant transactions between the Company and The Coca-Cola Company:

In Millions	First Half	
	2011	2010
Payments by the Company for concentrate, syrup, sweetener and other purchases	\$ 201.8	\$ 198.9
Marketing funding support payments to the Company	(23.0)	(22.1)
Payments by the Company net of marketing funding support	\$ 178.8	\$ 176.8
Payments by the Company for customer marketing programs	\$ 25.5	\$ 26.2
Payments by the Company for cold drink equipment parts	4.4	4.1
Fountain delivery and equipment repair fees paid to the Company	5.6	4.9
Presence marketing funding support provided by The Coca-Cola Company on the Company's behalf	2.0	2.2
Payments to the Company to facilitate the distribution of certain brands and packages to other Coca-Cola bottlers	1.0	1.5

The Company has a production arrangement with Coca-Cola Refreshments USA Inc. to buy and sell finished products at cost. The Coca-Cola Company acquired Coca-Cola Enterprises Inc. (CCE) on October 2, 2010. In connection with the transaction, CCE changed its name to Coca-Cola Refreshments USA Inc. (CCR), and transferred its beverage operations outside of North America to an independent third party. As a result of the transaction, the North American operations of CCE are now included in CCR. References to CCR, refer to CCR and CCE as it existed prior to the acquisition by The Coca-Cola Company. Sales to CCR under this arrangement were \$28.8 million and \$24.4 million in YTD 2011 and YTD 2010, respectively. Purchases from CCR under this arrangement were \$11.4 million and \$13.6 million in YTD 2011 and YTD 2010, respectively. In addition, CCR began distributing one of the Company's own brands (Tum-E Yummies) in the first quarter of 2010. Total sales to CCR for this brand were \$8.1 million and \$7.9 million in YTD 2011 and YTD 2010, respectively.

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

19. Related Party Transactions

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. Administrative fees to CCBSS for its services were \$.2 million and \$.4 million in YTD 2011 and YTD 2010, respectively. Amounts due from CCBSS for rebates on raw materials were \$4.6 million, \$3.6 million and \$4.9 million as of July 3, 2011, January 2, 2011 and July 4, 2010, respectively. CCR is also a member of CCBSS.

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 \$68.7 million and \$67.7 million in YTD 2011 and YTD 2010, respectively. The Company performs management services for SAC pursuant to a management agreement. Management fees earned from SAC were \$.8 million in both YTD 2011 and YTD 2010. The Company has also guaranteed a portion of debt for SAC. Such guarantee amounted to \$24.5 million as of July 3, 2011. The Company has not recorded any liability associated with this guarantee and holds no assets as collateral against this guarantee. The Company s equity investment in SAC was \$6.8 million, \$5.6 million and \$5.6 million as of July 3, 2011, January 2, 2011 and July 4, 2010, 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 \$41.2 million in YTD 2011 and \$36.0 million in YTD 2010. In connection with its participation in Southeastern, the Company has guaranteed a portion of the entity s debt. Such guarantee amounted to \$16.6 million as of July 3, 2011. The Company has not recorded any liability associated with this guarantee and holds no assets as collateral against this guarantee. The Company s equity investment in one of these entities, Southeastern, was \$17.9 million, \$15.7 million and \$15.7 million as of July 3, 2011, January 2, 2011 and July 4, 2010, 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 July 3, 2011 nor was there any impairment in 2010.

The Company leases from Harrison Limited Partnership One (HLP) the Snyder Production Center (SPC) and an adjacent sales facility, which are located in Charlotte, North Carolina. 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. The original lease was to expire on December 31, 2010. On March 23, 2009, the Company modified the lease agreement (new terms began on 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 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

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

19. Related Party Transactions

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 July 3, 2011 was \$26.6 million. Rental payments related to this lease were \$1.7 million and \$1.6 million in YTD 2011 and YTD 2010, 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 July 3, 2011 was \$28.1 million. Rental payments related to the lease were \$2.0 million and \$1.9 million in YTD 2011 and YTD 2010, respectively.

20. Net Sales by Product Category

Net sales by product category were as follows:

In Thousands	Second Quarter		First Half	
	2011	2010	2011	2010
Bottle/can sales:				
Sparkling beverages (including energy products)	\$281,058	\$281,001	\$524,086	\$523,707
Still beverages	64,068	64,936	112,341	106,808
Total bottle/can sales	345,126	345,937	636,427	630,515
Other sales:				
Sales to other Coca-Cola bottlers	41,998	37,023	78,098	70,684
Post-mix and other	35,769	34,401	67,997	63,660
Total other sales	77,767	71,424	146,095	134,344
Total net sales	\$422,893	\$417,361	\$782,522	\$764,859

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

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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:

In Thousands (Except Per Share Data)	Second Quarter		First Half	
	2011	2010	2011	2010
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				
	\$ 11,101	\$ 12,043	\$ 17,014	\$ 16,703
Less dividends:				
Common Stock	1,785	1,785	3,571	3,571
Class B Common Stock	517	511	1,028	1,016
Total undistributed earnings	\$ 8,799	\$ 9,747	\$ 12,415	\$ 12,116
Common Stock undistributed earnings basic	\$ 6,824	\$ 7,578	\$ 9,636	\$ 9,428
Class B Common Stock undistributed earnings basic	1,975	2,169	2,779	2,688
Total undistributed earnings basic	\$ 8,799	\$ 9,747	\$ 12,415	\$ 12,116
Common Stock undistributed earnings diluted	\$ 6,794	\$ 7,545	\$ 9,595	\$ 9,387
Class B Common Stock undistributed earnings diluted	2,005	2,202	2,820	2,729
Total undistributed earnings diluted	\$ 8,799	\$ 9,747	\$ 12,415	\$ 12,116
Numerator for basic net income per Common Stock share:				
Dividends on Common Stock	\$ 1,785	\$ 1,785	\$ 3,571	\$ 3,571
Common Stock undistributed earnings basic	6,824	7,578	9,636	9,428
Numerator for basic net income per Common Stock share	\$ 8,609	\$ 9,363	\$ 13,207	\$ 12,999
Numerator for basic net income per Class B Common Stock share:				
Dividends on Class B Common Stock	\$ 517	\$ 511	\$ 1,028	\$ 1,016
Class B Common Stock undistributed earnings basic	1,975	2,169	2,779	2,688
Numerator for basic net income per Class B Common Stock share	\$ 2,492	\$ 2,680	\$ 3,807	\$ 3,704

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

In Thousands (Except Per Share Data)	Second Quarter		First Half	
	2011	2010	2011	2010
Numerator for diluted net income per Common Stock share:				
Dividends on Common Stock	\$ 1,785	\$ 1,785	\$ 3,571	\$ 3,571
Dividends on Class B Common Stock assumed converted to Common Stock	517	511	1,028	1,016
Common Stock undistributed earnings diluted	8,799	9,747	12,415	12,116
Numerator for diluted net income per Common Stock share	\$ 11,101	\$ 12,043	\$ 17,014	\$ 16,703
Numerator for diluted net income per Class B Common Stock share:				
Dividends on Class B Common Stock	\$ 517	\$ 511	\$ 1,028	\$ 1,016
Class B Common Stock undistributed earnings diluted	2,005	2,202	2,820	2,729
Numerator for diluted net income per Class B Common Stock share	\$ 2,522	\$ 2,713	\$ 3,848	\$ 3,745

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

In Thousands (Except Per Share Data)	Second Quarter		First Half	
	2011	2010	2011	2010
Denominator for basic net income per Common Stock and Class B Common Stock share:				
Common Stock weighted average shares outstanding basic	7,141	7,141	7,141	7,141
Class B Common Stock weighted average shares outstanding basic	2,067	2,044	2,059	2,036
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)	9,248	9,225	9,240	9,217
Class B Common Stock weighted average shares outstanding diluted	2,107	2,084	2,099	2,076
Basic net income per share:				
Common Stock	\$ 1.21	\$ 1.31	\$ 1.85	\$ 1.82
Class B Common Stock	\$ 1.21	\$ 1.31	\$ 1.85	\$ 1.82
Diluted net income per share:				
Common Stock	\$ 1.20	\$ 1.31	\$ 1.84	\$ 1.81
Class B Common Stock	\$ 1.20	\$ 1.30	\$ 1.83	\$ 1.80

NOTES TO TABLE

- (1) For purposes of the diluted net income per share computation for Common Stock, all 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 Performance Unit Award.

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

22. Risks and Uncertainties

Approximately 88% of the Company's YTD 2011 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 2011 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 Coca-Cola Company acquired the North American operations of CCE in October of 2010, and the Company's primary competitors were acquired by their franchisor in the first quarter of 2010. These transactions may cause uncertainty within the Coca-Cola bottler system or adversely impact the Company and its business. At this time, however, it is unknown whether the transactions will have a material impact on the Company's business and financial results.

The Company's products are sold and distributed directly by its employees to retail stores and other outlets. During YTD 2011, approximately 69% of the Company's bottle/can volume to retail customers was sold for future consumption, while the remaining bottle/can volume to retail customers of approximately 31% was sold for immediate consumption. During YTD 2010, approximately 70% of the Company's bottle/can volume to retail customers was sold for future consumption, while the remaining bottle/can volume to retail customers of approximately 30% was sold for immediate consumption. The Company's largest customers, Wal-Mart Stores, Inc. and Food Lion, LLC, accounted for approximately 21% and 9%, respectively, of the Company's total bottle/can volume to retail customers in YTD 2011; and accounted for approximately 26% and 10%, respectively, of the Company's total bottle/can volume to retail customers in YTD 2010. Wal-Mart Stores, Inc. accounted for 15% and 18% of the Company's total net sales during YTD 2011 and YTD 2010, respectively.

The Company obtains all of its aluminum cans from two domestic suppliers. 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 crude 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, retirement benefit obligations and the Company's pension liability.

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

22. Risks and Uncertainties

Approximately 7% of the Company's labor force is covered by collective bargaining agreements. One of these collective bargaining agreements covering approximately 2% of the Company's employees expired in April 2011 and the Company entered into a new agreement during Q2 2011. One collective bargaining agreement covering approximately 4% of the Company's employees expired in July 2011 and the Company entered into a new agreement during the third quarter of 2011. No more collective bargaining agreements will expire during the remainder of 2011.