

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

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
[X] EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2002

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 X No

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

<u>Class</u>	<u>Outstanding at August 1, 2002</u>
Common Stock, \$1.00 Par Value	6,456,397
Class B Common Stock, \$1.00 Par Value	2,380,852

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	
	2002	2001	2002	2001
Net sales (includes sales to Piedmont of \$19,967 and \$33,954 in 2001)	\$ 341,119	\$ 262,338	\$ 624,317	\$ 486,038
Cost of sales, excluding depreciation shown below (includes \$14,768 and \$25,689 related to sales to Piedmont in 2001)	181,448	144,407	330,064	265,208
Gross margin	159,671	117,931	294,253	220,830
Selling, general and administrative expenses, excluding depreciation shown below	106,984	76,733	203,504	150,324
Depreciation expense	18,857	16,595	36,842	32,398
Amortization of goodwill and intangibles	686	3,720	1,373	7,440
Income from operations	33,144	20,883	52,534	30,668
Interest expense	11,877	11,329	24,017	23,481
Other income (expense), net	(650)	(1,274)	(1,549)	(1,853)
Minority interest	2,764		3,523	
Income before income taxes	17,853	8,280	23,445	5,334
Federal and state income taxes	7,070	3,271	9,284	2,107
Net income	\$ 10,783	\$ 5,009	\$ 14,161	\$ 3,227
Basic net income per share	\$ 1.23	\$.57	\$ 1.61	\$.37
Diluted net income per share	\$ 1.21	\$.57	\$ 1.60	\$.37
Weighted average number of common shares outstanding	8,784	8,753	8,779	8,753
Weighted average number of common shares outstanding-assuming dilution	8,880	8,825	8,869	8,824
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 (UNAUDITED)
In Thousands (Except Share Data)

	June 30, 2002	Dec. 30, 2001	July 1, 2001
	-----	-----	-----
ASSETS			

Current Assets:			

Cash	\$ 8,667	\$ 16,912	\$ 6,833
Accounts receivable, trade, less allowance for doubtful accounts of \$1,951, \$1,863 and \$904	93,548	63,974	68,149
Accounts receivable from The Coca-Cola Company	15,729	3,935	4,784
Accounts receivable, other	5,610	5,253	6,187
Inventories	42,020	39,916	36,014
Prepaid expenses and other current assets	17,715	13,379	15,201
	-----	-----	-----
Total current assets	183,289	143,369	137,168
	-----	-----	-----
Property, plant and equipment, net	472,790	457,306	473,666
Leased property under capital leases, net	48,532	5,383	6,290
Investment in Piedmont Coca-Cola Bottling Partnership		60,203	59,858
Other assets	63,065	52,140	60,280
Franchise rights and goodwill, net	607,007	335,662	341,435
Other identifiable intangible assets, net	7,340	10,396	12,478
	-----	-----	-----
Total	\$1,382,023	\$1,064,459	\$1,091,175
	=====	=====	=====

See Accompanying Notes to Consolidated Financial Statements

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

	June 30, 2002	Dec. 30, 2001	July 1, 2001
	-----	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY			

Current Liabilities:			

Portion of long-term debt payable within one year	\$ 215,631	\$ 56,708	\$ 57,132
Current portion of obligations under capital leases	4,777	1,489	1,967
Accounts payable, trade	42,257	28,370	29,624
Accounts payable to The Coca-Cola Company	6,646	7,925	5,794
Due to Piedmont Coca-Cola Bottling Partnership		24,682	23,121
Accrued compensation	11,570	17,350	10,041
Other accrued liabilities	82,261	49,169	55,349
Accrued interest payable	11,140	11,878	13,413
	-----	-----	-----
Total current liabilities	374,282	197,571	196,441
Deferred income taxes	164,485	133,743	149,240
Pension and retiree benefit obligations	30,893	37,203	24,950
Other liabilities	61,133	57,770	51,299
Obligations under capital leases	42,123	935	1,291
Long-term debt	620,125	620,156	641,456
	-----	-----	-----
Total liabilities	1,293,041	1,047,378	1,064,677
	-----	-----	-----
Commitments and Contingencies (Note 13)			
Minority interest in Piedmont Coca-Cola Bottling Partnership	59,356		
Stockholders' Equity:			

Common Stock, \$1.00 par value:			
Authorized - 30,000,000 shares;			
Issued - 9,497,916, 9,454,651 and 9,454,651 shares	9,498	9,454	9,454
Class B Common Stock, \$1.00 par value:			
Authorized - 10,000,000 shares;			
Issued - 3,008,966, 2,989,166 and 2,989,166 shares	3,009	2,989	2,989
Capital in excess of par value	88,843	91,004	95,380
Retained earnings (accumulated deficit)	1,854	(12,307)	(18,550)
Accumulated other comprehensive loss	(12,324)	(12,805)	(1,521)
	-----	-----	-----
Less-Treasury stock, at cost:	90,880	78,335	87,752
Common - 3,062,374 shares	60,845	60,845	60,845
Class B Common - 628,114 shares	409	409	409
	-----	-----	-----
Total stockholders' equity	29,626	17,081	26,498
	-----	-----	-----
Total	\$ 1,382,023	\$ 1,064,459	\$ 1,091,175
	=====	=====	=====

See Accompanying Notes to Consolidated Financial Statements

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

	Common Stock -----	Class B Common Stock -----	Capital in Excess of Par Value -----	Retained Earnings (Accum. Deficit) -----	Accumulated Other Comprehensive Loss -----	Treasury Stock -----	Total -----
Balance on December 31, 2000	\$ 9,454	\$ 2,969	\$ 99,020	\$ (21,777)	\$	\$(61,254)	\$ 28,412
Comprehensive income:							
Net income				3,227			3,227
Proportionate share of Piedmont's accum. other comprehensive loss at adoption of SFAS 133, net of tax					(924)		(924)
Change in proportionate share of Piedmont's accum. other compre- hensive loss, net of tax					(597)		(597)
Total comprehensive income							1,706
Cash dividends paid			(4,377)				(4,377)
Class B Common Stock issued related to stock award		20	737				757
Balance on July 1, 2001	<u>\$ 9,454</u>	<u>\$ 2,989</u>	<u>\$ 95,380</u>	<u>\$ (18,550)</u>	<u>\$ (1,521)</u>	<u>\$ (61,254)</u>	<u>\$ 26,498</u>
Balance on December 30, 2001	\$ 9,454	\$ 2,989	\$ 91,004	\$ (12,307)	\$(12,805)	\$ (61,254)	\$ 17,081
Comprehensive income:							
Net income				14,161			14,161
Change in fair market value of cash flow hedges, net of tax					(48)		(48)
Change in proportionate share of Piedmont's accum. other compre- hensive loss, net of tax					529		529
Total comprehensive income							14,642
Cash dividends paid			(4,388)				(4,388)
Class B Common Stock issued related to stock award		20	748				768
Exercise of stock options	44		1,191				1,235
Deferred tax adjustments related to exercise of stock options			288				288
Balance on June 30, 2002	<u>\$ 9,498</u>	<u>\$ 3,009</u>	<u>\$ 88,843</u>	<u>\$ 1,854</u>	<u>\$(12,324)</u>	<u>\$ (61,254)</u>	<u>\$ 29,626</u>

See Accompanying Notes to Consolidated Financial Statements

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

	First Half	
	2002	2001
Cash Flows from Operating Activities		
Net income	\$ 14,161	\$ 3,227
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	36,842	32,398
Amortization of goodwill and intangibles	1,373	7,440
Deferred income taxes	9,284	2,107
Losses on sale of property, plant and equipment	1,685	1,447
Amortization of debt costs	354	420
Amortization of deferred gains related to terminated interest rate swaps	(964)	(517)
Undistributed losses of Piedmont Coca-Cola Bottling Partnership		357
Minority interest	3,523	
Decrease in current assets less current liabilities	6,002	26,860
(Increase) decrease in other noncurrent assets	(5,663)	180
Increase (decrease) in other noncurrent liabilities	(7,058)	587
Other	(394)	52
Total adjustments	44,984	71,331
Net cash provided by operating activities	59,145	74,558
Cash Flows from Financing Activities		
Repayment of current portion of long-term debt	(154,208)	(1,961)
Proceeds from lines of credit and revolving credit facility, net	118,100	8,400
Cash dividends paid	(4,388)	(4,377)
Payments on capital lease obligations	(996)	(1,644)
Proceeds from exercise of stock options	1,235	
Other	133	(448)
Net cash used in financing activities	(40,124)	(30)
Cash Flows from Investing Activities		
Additions to property, plant and equipment	(21,482)	(78,063)
Proceeds from the sale of property, plant and equipment	2,895	1,943
Acquisition of additional interest in Piedmont Coca-Cola Bottling Partnership, net	(8,679)	
Net cash used in investing activities	(27,266)	(76,120)
Net decrease in cash	(8,245)	(1,592)
Cash at beginning of period	16,912	8,425
Cash at end of period	\$ 8,667	\$ 6,833
Significant non-cash investing and financing activities:		
Issuance of Class B Common Stock related to stock award	\$ 768	\$ 757
Capital lease obligations incurred	41,620	

See Accompanying Notes to Consolidated Financial Statements

1. 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 information contained in the financial statements is unaudited. The 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 financial statements in conformity with generally accepted accounting principles 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 the same as 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 30, 2001 filed with the Securities and Exchange Commission. See Note 14 for new accounting pronouncements.

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

2. 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 carbonated and noncarbonated beverages primarily in portions of North Carolina and South Carolina. Prior to January 2, 2002, the Company and The Coca-Cola Company, through their respective subsidiaries, each beneficially owned a 50% interest in Piedmont. The Company provides a portion of the soft drink products to Piedmont at cost and receives a fee for managing the business of Piedmont pursuant to a management agreement.

On January 2, 2002, the Company purchased an additional 4.651% interest in Piedmont from The Coca-Cola Company for \$10.0 million, increasing the Company's ownership in Piedmont to 54.651%. Due to the increase in ownership, the results of operations, financial position and cash flows of Piedmont have been consolidated with those of the Company beginning in the first quarter of 2002. The excess of the purchase price over the net book value of the interest of Piedmont acquired was \$4.4 million and has been recorded principally as an addition to franchise rights. The Company's investment in Piedmont has been accounted for using the equity method in 2001 and prior years.

The following financial information includes the 2002 unaudited consolidated financial position and results of operations of the Company and includes the 2001 unaudited pro forma financial position and results of operations. The 2001 unaudited pro forma financial information reflects the consolidation of Piedmont's financial position and results of operations with those of the Company as if the additional purchase had occurred at the beginning of 2001.

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

Note 2 continued

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

In Thousands (Except Per Share Data)	Second Quarter		First Half	
	2002	Pro forma 2001	2002	Pro forma 2001
Net sales	\$ 341,119	\$ 314,362	\$ 624,317	\$ 584,689
Cost of sales, excluding depreciation shown below	181,448	169,696	330,064	313,103
Gross margin	159,671	144,666	294,253	271,586
Selling, general and administrative expenses, excluding depreciation shown below	106,984	96,080	203,504	187,939
Depreciation expense	18,857	17,985	36,842	35,192
Amortization of goodwill and intangibles	686	5,848	1,373	11,697
Income from operations	33,144	24,753	52,534	36,758
Interest expense	11,877	14,844	24,017	30,608
Other income (expense), net	(650)	(1,238)	(1,549)	(1,550)
Minority interest	2,764	525	3,523	(323)
Income before income taxes	17,853	8,146	23,445	4,923
Federal and state income taxes	7,070	3,221	9,284	1,942
Net income	\$ 10,783	\$ 4,925	\$ 14,161	\$ 2,981
Basic net income per share	\$ 1.23	\$.56	\$ 1.61	\$.34
Diluted net income per share	\$ 1.21	\$.56	\$ 1.60	\$.34
Weighted average number of common shares outstanding	8,784	8,753	8,779	8,753
Weighted average number of common shares outstanding - assuming dilution	8,880	8,825	8,869	8,824

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

Note 2 continued

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

In Thousands	June 30, 2002	Pro forma Dec. 30, 2001	Pro forma July 1, 2001

ASSETS			
Current Assets:			
Cash	\$ 8,667	\$ 18,210	\$ 7,919
Accounts receivable, trade, net	93,548	84,384	89,156
Accounts receivable from The Coca-Cola Company	15,729	5,004	5,886
Accounts receivable, other	5,610	7,603	7,015
Inventories	42,020	45,812	42,399
Prepaid expenses and other current assets	17,715	13,522	15,654
	-----	-----	-----
Total current assets	183,289	174,535	168,029
	-----	-----	-----
Property, plant and equipment	827,979	822,095	829,336
Less-Accumulated depreciation and amortization	355,189	332,942	323,611
	-----	-----	-----
Property, plant and equipment, net	472,790	489,153	505,725
	-----	-----	-----
Leased property under capital leases	56,892	20,424	20,337
Less-Accumulated amortization	8,360	10,109	8,586
	-----	-----	-----
Leased property under capital leases, net	48,532	10,315	11,751
	-----	-----	-----
Other assets	63,065	57,756	65,663
Franchise rights and goodwill, less accumulated amortization of \$210,535, \$210,535 and \$200,300	607,007	604,651	614,680
Other identifiable intangible assets, net	7,340	10,396	12,478
	-----	-----	-----
Total	\$ 1,382,023	\$ 1,346,806	\$ 1,378,326
	=====	=====	=====

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

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

In Thousands	June 30, 2002	Pro forma Dec. 30, 2001	Pro forma July 1, 2001

LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Portion of long-term debt payable within one year	\$ 215,631	\$ 154,208	\$ 154,632
Current portion of obligations under capital leases	4,777	2,466	3,242
Accounts payable, trade	42,257	34,214	36,281
Accounts payable to The Coca-Cola Company	6,646	8,193	6,139
Accrued compensation	11,570	17,350	10,322
Other accrued liabilities	82,261	57,593	65,794
Accrued interest payable	11,140	13,647	15,149
	-----	-----	-----
Total current liabilities	374,282	287,671	291,559
	-----	-----	-----
Deferred income taxes	164,485	157,739	173,560
Pension and retiree benefit obligations	30,893	37,203	24,950
Other liabilities	61,133	61,425	54,386
Obligations under capital leases	42,123	4,033	4,606
Long-term debt	620,125	727,657	748,956
	-----	-----	-----
Total liabilities	1,293,041	1,275,728	1,298,017
	-----	-----	-----
Minority interest in Piedmont	59,356	54,603	54,057
Stockholders' Equity:			
Common Stock	9,498	9,454	9,454
Class B Common Stock	3,009	2,989	2,989
Capital in excess of par value	88,843	91,004	95,380
Retained earnings (accumulated deficit)	1,854	(12,743)	(18,796)
Accumulated other comprehensive loss	(12,324)	(12,975)	(1,521)
	-----	-----	-----
Total stockholders' equity	90,880	77,729	87,506
Less-Treasury stock, at cost:			
Common	60,845	60,845	60,845
Class B Common	409	409	409
	-----	-----	-----
Total stockholders' equity	29,626	16,475	26,252
	-----	-----	-----
Total	\$ 1,382,023	\$ 1,346,806	\$ 1,378,326
	=====	=====	=====

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

3. Inventories

Inventories were summarized as follows:

In Thousands	June 30, 2002	Dec. 30, 2001	July 1, 2001
Finished products	\$29,948	\$23,637	\$24,448
Manufacturing materials	7,103	11,893	7,834
Plastic pallets and other	4,969	4,386	3,732
Total inventories	\$42,020	\$39,916	\$36,014

4. Property, Plant and Equipment

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

In Thousands	June 30, 2002	Dec. 30, 2001	July 1, 2001	Estimated Useful Lives
Land	\$ 12,947	\$ 11,158	\$ 11,208	
Buildings	114,213	95,338	96,755	10-50 years
Machinery and equipment	93,840	93,658	93,190	5-20 years
Transportation equipment	138,885	130,016	135,302	4-13 years
Furniture and fixtures	38,720	36,350	35,509	4-10 years
Vending equipment	355,443	334,975	336,995	6-13 years
Leasehold and land improvements	47,277	40,969	39,320	5-20 years
Software for internal use	22,790	21,850	19,130	3-7 years
Construction in progress	3,864	1,908	3,288	
Total property, plant and equipment, at cost	827,979	766,222	770,697	
Less: Accumulated depreciation and amortization	355,189	308,916	297,031	
Property, plant and equipment, net	\$472,790	\$457,306	\$473,666	

5. Leased Property Under Capital Leases

In Thousands	June 30, 2002	Dec. 30, 2001	July 1, 2001	Estimated Useful Lives
Leased property under capital leases	\$56,892	\$12,265	\$12,146	1-29 years
Less: Accumulated amortization	8,360	6,882	5,856	
Leased property under capital leases, net	\$48,532	\$ 5,383	\$ 6,290	

The Company recorded a capital lease of \$41.6 million at the end of the first quarter of 2002 related to its production/distribution center located in Charlotte, North Carolina. As disclosed in the Company's 2001 Annual Report on Form 10-K, this facility is leased from a related party. The lease obligation was capitalized as a result of the Company's decision in the first quarter to enter into renewal options that extend the expected term of this lease.

6. Franchise Rights and Goodwill

In Thousands	June 30, 2002	Dec. 30, 2001	July 1, 2001
Franchise rights	\$662,350	\$353,388	\$353,388
Goodwill	155,192	112,097	112,097
Franchise rights and goodwill	817,542	465,485	465,485
Less: Accumulated amortization	210,535	129,823	124,050
Franchise rights and goodwill, net	\$607,007	\$335,662	\$341,435

The significant increase in franchise rights and goodwill in 2002 resulted primarily from the consolidation of Piedmont.

7. Other Identifiable Intangible Assets

The principal categories and estimated useful lives of identifiable intangible assets were as follows:

In Thousands	June 30, 2002	Dec. 30, 2001	July 1, 2001	Estimated Useful Lives
Customer lists	\$ 54,864	\$54,864	\$54,864	20 years
Other		16,316	16,316	
Other identifiable intangible assets	54,864	71,180	71,180	
Less: Accumulated amortization	47,524	60,784	58,702	
Other identifiable intangible assets, net	\$ 7,340	\$10,396	\$12,478	

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

8. Long-Term Debt

Long-term debt was summarized as follows:

In Thousands	Maturity	Interest Rate	Interest Paid	June 30, 2002	Dec. 30, 2001	July 1, 2001
Lines of Credit	2002	2.45%	Varies	\$ 18,100		\$ 21,300
Revolving Credit	2002	2.12%	Varies	100,000		
Term Loan Agreement	2004	2.58%	Varies	85,000	\$ 85,000	85,000
Term Loan Agreement	2005	2.58%	Varies	85,000	85,000	85,000
Term Loan Agreement	2003	2.44%	Varies	97,500		
Medium-Term Notes	2002				47,000	47,000
Debentures	2007	6.85%	Semi-annually	100,000	100,000	100,000
Debentures	2009	7.20%	Semi-annually	100,000	100,000	100,000
Debentures	2009	6.38%	Semi-annually	250,000	250,000	248,604
Other notes payable	2002 - 2006	5.75%	Varies	156	9,864	10,288
				835,756	676,864	697,192
Less: Portion of long-term debt payable within one year				215,631	56,708	57,132
				620,125	620,156	640,060
Fair market value of interest rate swaps						1,396
Long-term debt				\$620,125	\$620,156	\$641,456

Note 8 continued

The Company borrows periodically under its available lines of credit. These lines of credit, in the aggregate amount of \$65 million at June 30, 2002, are made available at the discretion of the two participating banks and may be withdrawn at any time by such banks. On June 30, 2002, \$18.1 million was outstanding under these lines of credit.

The Company has a revolving credit facility for borrowings of up to \$170 million that matures in December 2002. The Company intends to negotiate a new revolving credit facility to replace the current facility prior to its expiration. The agreement contains covenants which establish ratio requirements related to debt, interest expense and cash flow. A facility fee of 1/8% per year on the banks' commitment is payable quarterly. On June 30, 2002, \$100.0 million was outstanding under this facility.

After taking into account all of the interest rate hedging activities, the Company had a weighted average interest rate of 5.0%, 5.7% and 6.3% for the debt and capital lease portfolio as of June 30, 2002, December 30, 2001 and July 1, 2001, respectively. The Company's overall weighted average borrowing rate on its debt and capital lease portfolio was 5.6% for the first half of 2002 compared to 6.7% for the first half of 2001.

After considering the impact of interest rate hedging activities, approximately 48% of the debt and capital lease portfolio was subject to changes in short-term interest rates as of June 30, 2002.

If average interest rates for the floating rate component of the Company's debt and capital lease portfolio increased by 1%, annual interest expense for the first half of 2002 would have increased by approximately \$1.8 million and net income would have been reduced by approximately \$1.1 million.

With regards to the Company's \$170 million term loan agreement, the Company must maintain its public debt ratings at investment grade as determined by both Moody's and Standard & Poor's. If the Company's public debt ratings fall below investment grade within 90 days after the public announcement of certain designated events and such ratings stay below investment grade for an additional 40 days, a trigger event resulting in a default occurs. The Company does not anticipate a trigger event will occur.

Piedmont obtained a term loan with a group of banks on May 28, 1996 for \$195 million with interest payable at a floating rate of LIBOR plus 0.50%. One half or \$97.5 million of the loan matured on May 28, 2002 and the remaining half matures on May 28, 2003. The interest rate on Piedmont's outstanding \$97.5 million term loan is subject to increase in the event Piedmont's debt rating, as established by Standard & Poor's, declines. The loan is also subject to acceleration if Piedmont's debt rating falls below investment grade for more than 40 days. The loan agreement contains certain restrictions which include limitations on additional borrowings, new liens and dispositions of assets.

The Company refinanced the \$97.5 million of debt that matured at Piedmont in May 2002 through its available credit facilities. The Company loaned \$97.5 million to Piedmont to repay the maturing debt. Piedmont pays the Company interest on the Company's average cost of funds plus 0.50%. The Company

Note 8 continued

intends to provide Piedmont with additional loans in the future, including amounts necessary to refinance Piedmont's \$97.5 million of debt that matures in May 2003.

In January 1999, the Company filed a registration statement with the Securities and Exchange Commission pursuant to which it can issue up to \$800 million of debt and equity securities. The Company used this shelf registration to issue \$250 million of long-term debentures in 1999. The Company currently has \$550 million available for use under this shelf registration.

9. Derivative Financial Instruments

The Company uses interest rate hedging products to modify risk from interest rate fluctuations in its underlying debt. The Company has historically used derivative financial instruments from time to time to achieve a targeted fixed/floating rate mix. This target is based upon anticipated cash flows from operations relative to the Company's debt level and the potential impact of increases in interest rates on the Company's overall financial condition.

The Company does not use derivative financial instruments for trading or other speculative purposes nor does it use leveraged financial instruments. All of the Company's outstanding interest rate swap agreements are LIBOR-based.

Derivative financial instruments were summarized as follows:

In Thousands	June 30, 2002		December 30, 2001		July 1, 2001	
	Notional Amount	Remaining Term	Notional Amount	Remaining Term	Notional Amount	Remaining Term
Interest rate swaps - floating					\$100,000	7.75 years
Interest rate swap - fixed	\$27,000	.48 years	\$27,000	.95 years		
Interest rate swap - fixed	19,000	.48 years	19,000	.95 years		
Interest rate swap - fixed	90,000	.92 years				

10. Fair Values of Financial Instruments

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

Cash, Accounts Receivable and Accounts Payable

The fair values of cash, accounts receivable and accounts payable approximate carrying values due to the short maturity of these financial instruments.

Public Debt

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

Non-Public Variable Rate Long-Term Debt

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

Non-Public Fixed Rate Long-Term Debt

The fair values of the Company's fixed rate long-term borrowings are estimated using discounted cash flow analyses based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Derivative Financial Instruments

Fair values for the Company's interest rate swaps are based on current settlement values.

The carrying amounts and fair values of the Company's long-term debt and derivative financial instruments were as follows:

In Thousands	June 30, 2002		December 30, 2001		July 1, 2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Public debt	\$450,000	\$464,315	\$497,000	\$493,993	\$495,604	\$487,500
Non-public variable rate long-term debt	385,600	385,600	170,000	170,000	191,300	191,300
Non-public fixed rate long-term debt	156	156	9,864	9,868	10,288	10,433
Interest rate swaps	3,852	3,852	(7)	(7)	1,396	1,396

The fair values of the interest rate swaps at June 30, 2002 and July 1, 2001 represent the estimated amounts the Company would have paid upon termination of these agreements. The fair values of the interest rate swaps at December 30, 2001 represent the estimated amounts the Company would have received upon termination of these agreements.

11. Supplemental Disclosures of Cash Flow Information

Changes in current assets and current liabilities affecting cash, net of effect of consolidating Piedmont in 2002, were as follows:

In Thousands	First Half	
	2002	2001
Accounts receivable, trade, net	\$ (9,164)	\$ (5,488)
Accounts receivable, The Coca-Cola Company	(10,725)	596
Accounts receivable, other	1,993	2,060
Inventories	3,792	4,488
Prepaid expenses and other current assets	(4,193)	(1,175)
Accounts payable, trade	8,043	8,147
Accounts payable, The Coca-Cola Company	(1,547)	1,992
Other accrued liabilities	24,668	10,028
Accrued compensation	(5,012)	(3,403)
Accrued interest payable	(1,853)	2,930
Due to Piedmont		6,685
Decrease in current assets less current liabilities	\$ 6,002	\$ 26,860

12. Earnings Per Share

The following table sets forth the computation of basic net income per share and diluted net income per share:

In Thousands (Except Per Share Data)	Second Quarter		First Half	
	2002	2001	2002	2001

Numerator:				

Numerator for basic net income per share and diluted net income per share	\$ 10,783	\$ 5,009	\$ 14,161	\$ 3,227
Denominator:				

Denominator for basic net income per share - weighted average common shares	8,784	8,753	8,779	8,753
Effect of dilutive securities - stock options	96	72	90	71

Denominator for diluted net income per share - adjusted weighted average common shares	8,880	8,825	8,869	8,824
=====				
Basic net income per share	\$ 1.23	\$.57	\$ 1.61	\$.37
=====				
Diluted net income per share	\$ 1.21	\$.57	\$ 1.60	\$.37
=====				

13. Commitments and Contingencies

The Company has guaranteed a portion of the debt for two cooperatives in which the Company is a member. The amounts guaranteed were \$35.1 million, \$37.4 million and \$38.3 million as of June 30, 2002, December 30, 2001 and July 1, 2001, respectively.

The Company is involved in various claims and legal proceedings which have arisen in the ordinary course of business. Although it is difficult to predict the ultimate outcome of these cases, management believes, based on discussions with legal counsel, that the ultimate disposition of these claims will not have a material adverse effect on the financial condition, cash flows or results of operations of the Company.

14. New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141, "Business Combinations," ("SFAS No. 141") and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," ("SFAS No. 142"). These standards require that all business combinations be accounted for using the purchase method and that goodwill and intangible assets with indefinite useful lives not be amortized but instead be tested for impairment at least annually. These standards provide guidelines for new disclosure requirements and outline the criteria for initial recognition and measurement of intangibles, assignment of assets and liabilities including goodwill to reporting units and goodwill impairment testing. The provisions of SFAS No. 141 and SFAS No. 142 apply to all business combinations consummated after June 30, 2001. The provisions of SFAS No. 142 for existing goodwill and other intangible assets have been implemented effective the first day of fiscal year 2002. Net income for the second quarter and first half of 2002 was favorably impacted by the adoption of SFAS No. 142, which resulted in a reduction of amortization expense of \$3.1 million and \$6.2 million, net of tax effect, for the second quarter and first half of 2002, respectively. The Company has performed its analysis of its goodwill and intangible assets with indefinite useful lives and concluded that there is no impairment at this time.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144"). SFAS No. 144 supersedes Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," but it retains many of the fundamental provisions of that Statement. SFAS No. 144 also extends the reporting requirements to report separately as discontinued operations components of an entity that have either been disposed of or classified as held for sale. The provisions of SFAS No. 144 have been adopted as of the beginning of fiscal year 2002. The adoption of SFAS No. 144 did not have a material effect on the Company's operating results.

Emerging Issues Task Force No. 01-09 "Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products" was effective for the Company beginning January 1, 2002, requiring certain expenses previously classified as selling, general and administrative expenses to be reclassified as deductions from net sales. Prior year results have been adjusted to reclassify these expenses as a deduction to net sales for comparability with current year presentation. These expenses relate to payments to customers for certain marketing programs. The Company reclassified \$9.4 million for the second quarter of 2001 and \$14.6 million for the first six months of 2001 related to these expenses.

15. Capital Transactions

On May 13, 2002, the Company announced that two of its directors, J. Frank Harrison, Jr., Chairman Emeritus, and J. Frank Harrison, III, Chairman and Chief Executive Officer, had entered into plans providing for sales of up to an aggregate total of 250,000 shares of the Company's Common Stock in accordance with Securities and Exchange Commission Rule 10b5-1. Shares to be sold under the plans are issuable to Mr. Harrison, Jr. and Mr. Harrison, III under stock option agreements that were granted in 1989 as long-term incentives. These stock options are scheduled to expire on March 7, 2004 for Mr. Harrison, Jr. and August 8, 2004 for Mr. Harrison, III. Sales will be subject to certain price restrictions and other contingencies established under the plans. Under the plans, Mr. Harrison, Jr. may sell up to 100,000 shares of Common Stock over a period expiring March 7, 2004 and Mr. Harrison, III may sell up to 150,000 shares of Common Stock over a period expiring August 8, 2004. During the second quarter of 2002, 43,065 shares of Common Stock had been sold under the plans and the Company had received proceeds of approximately \$1.2 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

Coca-Cola Bottling Co. Consolidated (the "Company") produces, markets and distributes carbonated and noncarbonated beverages, primarily products of The Coca-Cola Company, which include some of the most recognized and popular beverage brands in the world. The Company is currently the second largest bottler of products of The Coca-Cola Company in the United States, operating in eleven states, primarily in the southeast. The Company also distributes several other beverage brands. The Company's product offerings include carbonated soft drinks, bottled water, teas, juices, isotonic and energy drinks. The Company is also a partner with The Coca-Cola Company in Piedmont Coca-Cola Bottling Partnership ("Piedmont"), a partnership that operates additional bottling territory in portions of North Carolina and South Carolina.

On January 2, 2002, the Company purchased an additional 4.651% interest in Piedmont for \$10.0 million from The Coca-Cola Company, increasing the Company's ownership in Piedmont to 54.651%. Due to the increase in ownership, the results of operations, financial position and cash flows of Piedmont have been consolidated with those of the Company beginning in the first quarter of 2002. The Company's investment in Piedmont has been accounted for using the equity method for 2001 and prior years.

Management's discussion and analysis should be read in conjunction with the Company's consolidated unaudited financial statements and the accompanying footnotes along with the cautionary statements at the end of this section.

Basis of Presentation

The statement of operations and statement of cash flows for the second quarter and six months ending June 30, 2002 and the consolidated balance sheet as of June 30, 2002 include the combined operations of the Company and Piedmont, reflecting the acquisition of an additional interest in Piedmont as discussed above. Generally accepted accounting principles require that results for the other periods presented, including results of operations and cash flows for the second quarter and six months ended July 1, 2001 and the consolidated balance sheets as of December 30, 2001 and July 1, 2001, be presented on a historical basis with Piedmont accounted for as an equity investment. The following management's discussion and analysis for the second quarter and first half of 2002 is based on the unaudited results for the respective periods compared to the pro forma consolidated results for the Company and Piedmont for the same period in the prior year. The 2001 pro forma consolidated results for the Company and Piedmont are included in Note 2 to the financial statements.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141, "Business Combinations," ("SFAS No. 141") and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," ("SFAS No. 142").

These standards require that all business combinations be accounted for using the purchase method and that goodwill and intangible assets with indefinite useful lives not be amortized but instead be tested for impairment at least annually. These standards provide guidelines for new disclosure requirements and outline the criteria for initial recognition and measurement of intangibles, assignment of assets and liabilities including goodwill to reporting units and goodwill impairment testing. The provisions of SFAS Nos. 141 and 142 apply to all business combinations consummated after June 30, 2001. The provisions of SFAS No. 142 for existing goodwill and other intangible assets have been implemented effective the beginning of fiscal year 2002. Net income for the second quarter and first half of 2002 was favorably impacted by the adoption of SFAS No. 142, which resulted in a reduction of amortization expense of \$3.1 million and \$6.2 million, net of tax effect, for the second quarter and first half of 2002, respectively. The Company has performed its analysis of its goodwill and intangible assets with indefinite useful lives and concluded that there is no impairment at this time.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144"). SFAS No. 144 supersedes Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," but it retains many of the fundamental provisions of that Statement. SFAS No. 144 also extends the reporting requirements to report separately as discontinued operations components of an entity that have either been disposed of or classified as held for sale. The provisions of SFAS No. 144 have been adopted as of the beginning of fiscal year 2002. The adoption of SFAS No. 144 did not have a material effect on the Company's operating results.

Emerging Issues Task Force No. 01-09 "Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products" was effective for the Company beginning January 1, 2002, requiring certain expenses previously classified as selling, general and administrative expenses to be reclassified as deductions from net sales. Prior year results have been adjusted to reclassify these expenses as a deduction to net sales for comparability with current year presentation. These expenses relate to payments to customers for certain marketing programs. The Company reclassified \$9.4 million for the second quarter of 2001 and \$14.6 million for the first six months of 2001 related to these expenses.

Discussion of Critical Accounting Policies and Critical Accounting Estimates

In the ordinary course of business, the Company has made a number of estimates and assumptions relating to the reporting of results of operations and financial position in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates under different assumptions and conditions. The Company has included in its Annual Report on Form 10-K for the year ended December 30, 2001 a discussion of the Company's most critical accounting policies, which are those that are most important to the portrayal of the Company's financial condition and results of operations and require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Except for the Company's adoption of SFAS No. 142 and SFAS No. 144, the Company has not made any changes in any of these critical accounting policies during the first half of 2002, nor has it made any material changes in any of the critical accounting estimates underlying these accounting policies during the first half of 2002.

Overview

The following discussion presents management's analysis of the results of operations for the second quarter and first half of 2002 compared to the pro forma consolidated results for the same periods of 2001 and changes in financial condition from July 1, 2001 and December 30, 2001 (on a pro forma consolidated basis) to June 30, 2002. The results for interim periods are not necessarily indicative of the results to be expected for the year due to seasonal factors.

The Company reported net income of \$10.8 million or \$1.23 per share for the second quarter of 2002 compared with net income of \$4.9 million or \$.56 per share for the same period in 2001. For the first half of 2002, net income was \$14.2 million or \$1.61 per share compared to net income of \$3.0 million or \$.34 per share for the first half of 2001. Operating results for the second quarter of 2002 included physical case volume growth of 5.4% as compared to the same period in the prior year. Operating results for the first six months of 2002 included physical case volume growth of approximately 4.2% and approximately 1% higher net revenue per case. Net income for the second quarter and first half of 2002 was favorably impacted by the adoption of SFAS No. 142 which resulted in a reduction of amortization expense of \$3.1 million and \$6.2 million, net of tax effect, or approximately \$.35 and \$.71 per share for the second quarter and first six months of 2002, respectively. Lower interest rates and reduced debt balances resulted in a decrease in interest expense from the second quarter and first half of 2001 of \$3.0 million and \$6.6 million, respectively. The Company continues to experience strong free cash flow as evidenced by outstanding debt which declined to \$835.8 million as of June 30, 2002 compared to \$903.6 million as of July 1, 2001.

Results of Operations

During the first half of 2002, the Company experienced solid volume growth with physical case sales increasing by 5.4% for the second quarter and 4.2% for the first six months compared to the corresponding periods in 2001. Net selling price per unit increased by approximately 1% for the first half of 2002 over the first half of 2001. The increased sales volume in conjunction with higher sales to other Coca-Cola bottlers led to an increase in net sales of 8.5% for the second quarter and 6.8% for the first half of the year over respective periods in the prior year.

Sales of carbonated beverages increased by 1% for the first half of 2002 over 2001. The Company continues to experience strong growth for its bottled water, Dasani. New packaging, including the Dasani Fridgepack(TM), and increased availability in retail outlets contributed to an increase in volume of 41% for Dasani over the first half of 2001. The Company introduced Vanilla Coke during the second quarter of 2002. While Vanilla Coke has been available in the marketplace for less than ninety days, initial sales results have been very positive. The Company's introduction of Fanta flavors and Minute Maid Lemonade in 2002 has also favorably impacted volume growth. POWERade continues to show strong growth with volume increasing by 26% over the first half of 2001. Noncarbonated beverages, which include bottled water, comprise approximately 10.5% of the Company's total sales volume through the first half of 2002 as compared to 8.2% in the first half of 2001.

Cost of sales on a per unit basis was relatively unchanged in the first half of 2002 compared to the same period in 2001. Packaging costs have been relatively flat compared to the prior year helping to hold down increases in cost of sales on a per unit basis. Increases in other raw material costs have been

primarily offset by a reduction in manufacturing labor and overhead costs. Cost of sales on a per unit basis in the second quarter of 2002 was approximately 4% lower than the same period in 2001 due to package mix changes. Gross margin increased by approximately 8.3% for the first half of 2002. Gross margin as a percentage of net sales was 47.1% in the first half of 2002 compared to 46.4% in the first half of 2001. The improvement in gross margin as a percentage of net sales primarily reflects slightly higher pricing and a favorable shift in channel mix.

Selling, general and administrative expenses for the second quarter and first half of 2002 increased 11% and 8%, respectively, from the same periods in 2001. The increase was primarily attributable to increases in employee compensation, cost of employee benefit plans (including costs related to the Company's pension plans), increased insurance costs, increased marketing expenses and certain expenses related to the closing of sales distribution facilities during the quarter. Based on the performance of the Company's pension plan investments prior to 2002 and lower interest rates, pension expense will increase from approximately \$2 million in 2001 to approximately \$6 million in 2002. The Company closed six sales distribution centers during the first half of 2002. The Company believes that these distribution center closings will reduce overall costs and improve asset productivity in the future. The Company will continue to evaluate its distribution system in an effort to optimize the process of distributing products to customers.

The Company relies extensively on advertising and sales promotion in the marketing of its products. The Coca-Cola Company and other beverage companies that supply concentrate, syrups and finished products to the Company make substantial advertising expenditures to promote sales in the local territories served by the Company. The Company also benefits from national advertising programs conducted by The Coca-Cola Company and other beverage companies. Certain of the marketing expenditures by The Coca-Cola Company and other beverage companies are made pursuant to annual arrangements. Although The Coca-Cola Company has advised the Company that it intends to provide marketing funding support in 2002, it is not obligated to do so under the Company's master bottle contract. Marketing funding support from The Coca-Cola Company and other beverage companies, which include direct payments to the Company as well as payments to customers for marketing programs or for advertising on our behalf, was \$37.7 million and \$35.2 million in the first half of 2002 and 2001, respectively.

Depreciation expense increased by approximately \$.9 million between the second quarter of 2002 and the second quarter of 2001. The increase in depreciation in the second quarter was primarily related to amortization of a capital lease for the Company's Charlotte, North Carolina production/distribution center. Prior to the second quarter of 2002, the lease was accounted for as an operating lease. The lease obligation was capitalized as a result of the Company's decision in the first quarter of 2002 to enter into renewal options that extend the expected term of the lease. Depreciation expense in the first half of 2002 increased by \$1.7 million from the comparable period in the prior year. The increase in depreciation in the first half of 2002 was related to the amortization of the capital lease described above and the purchase in May 2001 of approximately \$49 million of previously leased equipment.

Interest expense for the second quarter of 2002 of \$11.9 million decreased by \$3.0 million or 20% from the second quarter of 2001. Interest expense for the first half of 2002 decreased by \$6.6 million or 22% from the same period in the prior year. The decrease in interest expense is primarily attributable to lower average interest rates on the Company's outstanding debt and lower debt balances. The Company's outstanding

long-term debt declined to \$835.8 million at June 30, 2002 from \$903.6 million at July 1, 2001. The Company's overall weighted average interest rate decreased from an average of 6.7% during the first half of 2001 to an average of 5.6% during the first half of 2002.

The Company's effective income tax rates for the first half of 2002 and 2001 were 39.6% and 39.5%, respectively. The Company's effective tax rate for interim periods reflects expected fiscal year 2002 earnings. The Company's effective income tax rate for the remainder of 2002 is dependent upon operating results and may change if the results for the year are different from current expectations.

Changes in Financial Condition

Working capital decreased \$77.9 million from December 30, 2001 and \$67.5 million from July 1, 2001 to June 30, 2002. A working capital deficit at June 30, 2002 of \$191.0 million was partly due to the reclassification as a current liability of \$215.6 million of the Company's debt which matures in the next twelve months. The decrease in working capital from December 30, 2001 is attributable primarily to the reclassification of \$97.5 million of the Company's long-term debt during the second quarter to a current liability. Working capital decreased \$67.5 million from July 1, 2001 to June 30, 2002 due primarily to an increase in the current portion of long-term debt of \$61.4 million, as previously discussed. The increase in accounts receivable from The Coca-Cola Company from July 1, 2001 and December 30, 2001 to June 30, 2002 resulted from differences in the timing of marketing funding settlements.

The Company recorded a capital lease of \$41.6 million at the end of the first quarter of 2002 related to its production/distribution center located in Charlotte, North Carolina. As disclosed in the Company's 2001 Annual Report on Form 10-K, this facility is leased from a related party. The lease obligation was capitalized as a result of the Company's decision in the first quarter to enter into renewal options that extend the expected term of this lease.

Capital expenditures in the first half of 2002 were \$21.5 million compared to \$78.1 million in the first half of 2001. Expenditures in the first half of 2001 include the purchase of approximately \$49 million of previously leased equipment, which purchase was completed during the second quarter of 2001. The Company's current plans for additions to property, plant and equipment in 2002 are in the range of \$50 million to \$60 million and that such additions will be financed primarily through cash flow from operations.

The Company's income from operations for the first half of 2002 was more than two times interest expense. This interest coverage coupled with the stability of the Company's operating cash flows are two of the key reasons the Company has been rated investment grade by both Moody's and Standard & Poor's. It is the Company's intent to operate in a manner that will allow it to maintain its investment grade ratings.

Total debt, as of June 30, 2002, decreased by \$67.8 million from July 1, 2001 and \$46.1 million from December 30, 2001. As of June 30, 2002, the Company had \$100.0 million outstanding under its \$170 million revolving credit facility and \$18.1 million outstanding under its lines of credit. As of June 30, 2002, the Company's debt and capital lease portfolio had a weighted average interest rate of approximately 5.0% and approximately 48% of the total portfolio of \$882.7 million was subject to changes in short-term interest rates.

If average interest rates for the floating rate component of the Company's debt and capital lease portfolio increased by 1%, annual interest expense for the first half of 2002 would have increased by approximately \$1.8 million and net income would have been reduced by approximately \$1.1 million.

With regard to the Company's \$170 million term loan agreement, the Company must maintain its public debt ratings at investment grade as determined by both Moody's and Standard & Poor's. If the Company's public debt ratings fall below investment grade within 90 days after the public announcement of certain designated events and such ratings stay below investment grade for an additional 40 days, a trigger event resulting in a default occurs. The Company does not anticipate a trigger event will occur.

Piedmont obtained a term loan with a group of banks on May 28, 1996 for \$195 million with interest payable at a floating rate of LIBOR plus 0.50%. One half or \$97.5 million of the loan matured on May 28, 2002 and the remaining half matures on May 28, 2003. The interest rate on Piedmont's outstanding \$97.5 million term loan is subject to increase in the event Piedmont's debt rating, as established by Standard & Poor's, declines. The loan is also subject to acceleration if Piedmont's debt rating falls below investment grade for more than 40 days. The loan agreement contains certain restrictions which include limitations on additional borrowings, new liens and dispositions of assets.

The Company refinanced \$97.5 million of debt that matured at Piedmont in May 2002 through its available credit facilities. The Company loaned \$97.5 million to Piedmont to repay the maturing debt. Piedmont pays the Company interest on the Company's average cost of funds plus 0.50%. The Company intends to provide Piedmont with additional loans in the future including amounts necessary to refinance Piedmont's \$97.5 million of debt that matures in May 2003.

In January 1999, the Company filed a registration statement with the Securities and Exchange Commission pursuant to which it can issue up to \$800 million of debt and equity securities. The Company used this shelf registration to issue \$250 million of long-term debentures in 1999. The Company currently has \$550 million available for use under this shelf registration. The Company intends to refinance its short-term debt maturities with currently available lines of credit and with availability under its shelf registration. The Company also intends to negotiate a new revolving credit facility to replace the current facility that matures in December 2002.

On May 13, 2002, the Company announced that two of its directors, J. Frank Harrison, Jr., Chairman Emeritus, and J. Frank Harrison, III, Chairman and Chief Executive Officer, had entered into plans providing for sales of up to an aggregate total of 250,000 shares of the Company's Common Stock in accordance with Securities and Exchange Commission Rule 10b5-1. Shares to be sold under the plans are issuable to Mr. Harrison, Jr. and Mr. Harrison, III under stock option agreements that were granted in 1989 as long-term incentives. These stock options are scheduled to expire on March 7, 2004 for Mr. Harrison, Jr. and August 8, 2004 for Mr. Harrison, III. Sales will be subject to certain price restrictions and other contingencies established under the plans. Under the plans, Mr. Harrison, Jr. may sell up to 100,000 shares of Common Stock over a period expiring March 7, 2004 and Mr. Harrison, III may sell up to 150,000 shares of Common Stock over a period expiring August 8, 2004. During the second quarter of 2002, 43,065 shares of Common Stock had been sold under the plans and the Company had received proceeds of approximately \$1.2 million.

Sources of capital for the Company include operating cash flows, bank borrowings, issuance of public or private debt and the issuance of equity securities. Management believes that the Company, through these sources, has sufficient financial resources available to maintain its current operations and provide for its current capital expenditure and working capital requirements, scheduled debt payments, interest

and income tax liabilities and dividends for stockholders. The amount and frequency of future dividends will be determined by the Company's Board of Directors in light of the earnings and financial condition of the Company at such time, and no assurance can be given that dividends will be declared in the future.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, as well as information included in future filings by the Company with the Securities and Exchange Commission and information contained in written material, press releases and oral statements issued by or on behalf of the Company, contains, or may contain, several forward-looking management comments and other statements that reflect management's current outlook for future periods. These statements include, among others, statements relating to: cost savings and asset productivity improvements in the future related to sales distribution facility closings, the effects of the adoption of SFAS No. 142 and SFAS No. 144, anticipated increases in pension expense, potential marketing support from The Coca-Cola Company, the Company's effective tax rate for the remaining of 2002, sufficiency of financial resources, additions to property, plant and equipment of \$50 million to \$60 million in 2002, the Company's intent to operate in a manner that will allow it to maintain its investment grade ratings, the amount and frequency of future dividends, refinancing of short-term debt maturities, negotiation of a new revolving credit facility, refinancing of \$97.5 million of debt at Piedmont in May 2003 and management's belief that a trigger event will not occur under the Company's \$170 million term loan agreement. These statements and expectations are based on the current available competitive, financial and economic data along with the Company's operating plans, and are subject to future events and uncertainties. Among the events or uncertainties which could adversely affect future periods are: lower than expected net pricing resulting from increased marketplace competition, changes in how significant customers market our products, an inability to meet performance requirements for expected levels of marketing support payments from The Coca-Cola Company, reduced marketing and advertising spending by The Coca-Cola Company or other beverage companies, an inability to meet requirements under bottling contracts, the inability of our aluminum can or PET bottle suppliers to meet our demand, material changes from expectations in the cost of raw materials, higher than expected fuel prices, unfavorable interest rate fluctuations and changes in financial markets which could impact the Company's ability to refinance its short-term debt maturities.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

Not applicable.

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

- (a) The Annual Meeting of the Company's stockholders was held on May 8, 2002.
- (b) The meeting was held to consider and vote upon electing three directors, each for a term of three years or until his/her successor shall be elected and shall qualify.

The votes cast with respect to each director are summarized as follows:

Director Name	For	Withheld	Abstentions	Total Votes
Sharon A. Decker	52,952,812	162,547	894,158	54,009,517
Reid M. Henson	52,987,514	127,845	894,158	54,009,517
Carl Ware	52,954,221	161,138	894,158	54,009,517

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit Number	Description
4.1	Subordination Agreement, dated as of May 23, 2002, by and among the Company, Piedmont Coca-Cola Bottling Partnership and General Electric Capital Corporation.
4.2	Subordinated Promissory Note, dated as of May 23, 2002, between the Company and Piedmont Coca-Cola Bottling Partnership.
4.3	The Registrant, by signing this report, agrees to furnish the Securities and Exchange Commission, upon its request, a copy of any instrument which defines the rights of holders of long-term debt of the Registrant and its subsidiaries for which consolidated financial statements are required to be filed, and which authorizes a total amount of securities not in excess of 10 percent of total assets of the Registrant and its subsidiaries on a consolidated basis.
99.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

On May 3, 2002, the Company filed a Current Report on Form 8-K relating to the announcement of the Company's financial results for the period ended March 31, 2002.

On May 14, 2002, the Company filed a Current Report on Form 8-K relating to the announcement that two of its directors had entered into plans providing for sales of specified amounts of Common Stock in accordance with Securities and Exchange Commission Rule 10b5-1.

On July 26, 2002, the Company filed a Current Report on Form 8-K relating to the announcement of the Company's financial results for the period ended June 30, 2002.

SIGNATURES

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

COCA-COLA BOTTLING CO. CONSOLIDATED
(REGISTRANT)

Date: August 13, 2002

By: /s/ David V. Singer

David V. Singer
Principal Financial Officer of the
Registrant and
Executive Vice President and Chief
Financial Officer

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT (this "Agreement"), dated as of May 23, 2002, is made and entered into by and among PIEDMONT COCA-COLA BOTTLING PARTNERSHIP, a Delaware general partnership (the "Debtor"), GENERAL ELECTRIC CAPITAL CORPORATION, as agent for the lenders party to the Loan Agreement referred to below (the "Agent"), and COCA-COLA BOTTLING CO. CONSOLIDATED, a Delaware corporation (the "Subordinated Creditor").

Statement of Facts

A. Pursuant to a Loan Agreement dated as of May 28, 1996 among the Debtor, the lenders party thereto (the "Lenders") and LTCB Trust Company (the "Original Agent"), as agent for the Lenders thereunder, as amended by that certain First Amendment dated as of February 24, 2000 among the Debtor, the Agent and the Lenders party thereto (and as may be further amended, restated, extended, refinanced, replaced, supplemented or otherwise modified from time to time, the "Loan Agreement"), the Lenders have agreed to make certain extensions of credit to the Debtor, subject to the terms and conditions contained therein. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Loan Agreement.

B. The Agent has replaced the Original Agent as agent for the Lenders under the Loan Agreement.

C. The Debtor, the Agent and the Required Lenders are party to that certain Consent dated as of January 25, 2002 (the "Consent"), pursuant to which the Agent and the Lenders have agreed to allow the Subordinated Creditor to make an intercompany loan to the Debtor (the "Intercompany Loan").

D. To evidence the Intercompany Loan, the Debtor has made or will execute and deliver to the Subordinated Creditor a Promissory Note in the form attached hereto as Exhibit A in the aggregate principal amount of \$97,500,000 (the "Note").

E. It is a condition to the effectiveness of the Note and the Consent that the parties hereto enter into this Agreement to, among other things, set forth the terms of the subordination of the Note.

Statement of Terms

In consideration of the Intercompany Loan made by the Subordinated Creditor to the Debtor and the consent of the Senior Agent (defined below) and the Senior Lenders (defined below) to the making of the Intercompany Loan, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. When used herein, the following terms shall have the following meanings (terms defined in the singular to have the same meaning when used in the plural and vice versa):

"Affiliate" means with respect to any Person (i) any other Person that directly, or indirectly through one or more intermediaries, controls the first such Person (a "Controlling Person") or (ii) any other Person which is controlled by or is under common control with a Controlling Person. As used herein, the term "control" of a Person means the possession, directly or indirectly, of the power to vote 10% or more of any class of voting securities of such Person or to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Bankruptcy Code" shall mean 11 U. S. C.ss.ss. 101-1330 and any amendment, supplement or successor of such provisions.

"Credit Party" shall mean the Debtor and any other Person who is obligated under any of the Senior Debt Documents or the Subordinated Debt Documents.

"Enforcement Action" shall mean any of the following actions to be taken by the Subordinated Creditor with respect to the Subordinated Debt: (i) the acceleration of the Note in whole or in part; (ii) the attempted enforcement of any of the Subordinated Creditor's rights or remedies against any Credit Party (including, without limitation, the initiation of legal proceedings against any Credit Party); (iii) the filing of, or participation in the filing of, any involuntary bankruptcy petition against any Credit Party; and (iv) the exercise of any right to require any Credit Party to repurchase or redeem any debt or equity securities in whole or in part (including, without limitation, any capital stock) of any Credit Party.

"Enforcement Notice" shall mean a written notice executed by the Subordinated Creditor and delivered to the Senior Agent reciting that an event of default has occurred under the Subordinated Debt Documents and that, as a result of such event of default, the Subordinated Creditor intends to take Enforcement Action and specifying the type of Enforcement Action intended to be taken by the Subordinated Creditor.

"Insolvency Event" shall mean: (a) any Credit Party commencing any case, proceeding or other action (1) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, conservatorship or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (2) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or any Credit Party making a general assignment for the benefit of its creditors; or (b) there being commenced against any Credit Party any case, proceeding or other action of a nature referred to in clause (a) above

which (1) results in the entry of an order for relief or any such adjudication or appointment or (2) remains undismitted, undischarged or unbonded for a period of 60 days; or (c) there being commenced against any Credit Party any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (d) any Credit Party taking any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (a), (b) or (c) above; or (e) any Credit Party generally not paying, or being unable to pay, or admitting in writing its inability to pay, its debts as they become due.

"Loan Agreement" shall have the meaning assigned to such term in the preamble to this Agreement.

"Maximum Principal Amount" shall mean (i) \$224,000,000, prior to the date on which a \$97,500,000 principal payment is made to the Senior Agent on the Senior Debt in immediately available funds with the proceeds of the Subordinated Debt (which payment is expected to be made on or about May 28, 2002), or (ii) \$112,000,000, from and after the date that the principal payment specified in clause (i) hereof is actually paid to the Senior Agent in immediately available funds; provided, however, that if any part or all of the principal payment specified in clause (i) is required to be disgorged or returned by the Senior Agent or any Senior Lender for any reason, the Maximum Principal Amount shall equal \$112,000,000 plus 115% of the amount of the disgorged or returned principal payment.

"payment in full" or "paid in full" or "pay in full" shall mean, with respect to the Senior Debt, the indefeasible payment in full in cash of the principal, interest, fees, expenses and other amounts due or to become due to the Senior Agent or the Senior Lenders under the Senior Loan Agreement and the other Senior Debt Documents in the manner provided under the terms of such documents or in such other manner to which the Senior Agent, at the direction of the Senior Lenders, shall have consented in writing.

"Permitted Refinancing" shall mean any refinancing of the Senior Debt under the Senior Loan Agreement (or any subsequent refinancing of an earlier Permitted Refinancing), provided that, in each case, (i) the documents effecting such refinancing do not directly prohibit the making of payments on the Subordinated Debt (except to the extent such payments are currently prohibited under this Agreement), (ii) the aggregate principal amount of any such refinancing(s) outstanding at any time does not exceed the Maximum Principal Amount and (iii) such refinancing does not extend the scheduled maturity date of the Senior Debt beyond May 28, 2004.

"Person" means any natural person, corporation, limited partnership, limited liability company, professional association, general partnership, joint stock company, joint venture, association, company, trust, bank, trust company, land trust, business trust or other organization, whether or not a legal entity, and any government agency or political subdivision thereof.

"Senior Agent" shall mean the designated representative of the Senior Lenders under the Senior Loan Agreement, together with any successor in such capacity.

"Senior Debt" shall mean any and all indebtedness, obligations or liabilities that now or hereafter may be owing by the Debtor or any other Credit Party to the Senior Agent or any Senior Lender under the Senior Loan Agreement or any of the other Senior Debt Documents, whether for principal, interest, fees or other amounts, and whether such indebtedness, obligations or liabilities are from time to time increased or reduced (or entirely extinguished and thereafter reincurred), and whether such indebtedness, obligations or liabilities are absolute, joint or several, or due or to become due, as well as all indebtedness, obligations or liabilities of the Debtor or any Subsidiary thereof to the Senior Agent or any Senior Lender now or hereafter existing under this Agreement, and any extension, renewal, refinancing, modification or replacement of or for any of the foregoing, and including without limitation any interest which, but for the filing by or against any Credit Party, of a petition in bankruptcy, would accrue on any of the foregoing indebtedness, obligations or liabilities as well as any other indebtedness, obligations or liabilities of the Debtor or any Subsidiary thereof to the Senior Agent or any Senior Lender which may be incurred in any bankruptcy proceeding of the Debtor or any Subsidiary thereof whether or not recoverable by the Senior Agent or any Senior Lender from the Debtor or any Subsidiary thereof or its estate under 11 U.S.C. ss. 506. Notwithstanding anything to the contrary in the definition of Senior Debt, "Senior Debt" shall not include any principal sums to the extent the aggregate amount of such principal sums that otherwise qualify as "Senior Debt" exceed the Maximum Principal Amount.

"Senior Debt Documents" shall have the meaning assigned to the term "Loan Documents" in the Senior Loan Agreement.

"Senior Lenders" shall mean the lenders from time to time under the Senior Loan Agreement, together with their successors and assigns.

"Senior Loan Agreement" means the Loan Agreement, together with any other credit agreement or loan agreement which hereafter refinances or replaces any of the credit facilities extended or made available to the Debtor under the Loan Agreement in connection with a Permitted Refinancing.

"Standstill Termination Date" shall mean the earliest to occur of the following: (i) unless clause (ii) below then is, or thereafter during such 30 day period becomes, applicable, the expiration of 30 days from the Senior Agent's receipt of an Enforcement Notice; (ii) if a Blockage Period is in effect at any time during the 30 day period described in clause (i) above, the expiration of 180 days after the date of the Senior Agent's receipt of an Enforcement Notice; provided, however, that such 180 day period shall be cut short and deemed to end if and when such Blockage Period is terminated, withdrawn or rescinded in writing by the Senior Agent; (iii) the occurrence of an Insolvency Event; (iv) the Senior Agent or the Senior Lenders accelerate the maturity of the Senior Debt; or (v) the Termination Date occurs.

"Subordinated Debt" shall mean and include each and every indebtedness, liability or obligation of any Credit Party to the Subordinated Creditor, whether absolute or contingent, known or unknown, liquidated or unliquidated, secured or unsecured, due or to become due, now existing or hereafter arising, evidenced by or arising under the Note or any other Subordinated Debt Documents, regardless of how the same is evidenced or created and whether direct or indirect or acquired by the Subordinated Creditor by way of assignment, and regardless of whether the same is joint or several, and any and all renewals, extensions, restructurings, modifications or replacements, in whole or in part, of any of the foregoing.

"Subordinated Debt Documents" means the Note and all other documents and instruments evidencing, guaranteeing, securing or pertaining to any portion of the obligations evidenced by the Note (or any replacement thereof), in each case, as amended, supplemented, restated, modified, renewed, extended or replaced from time to time.

"Subsidiary" means with respect to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

"Termination Date" shall mean the date on which (i) all Senior Debt has been paid in full, (ii) no Senior Lender is under any obligation to make any further loans or extend any further credit to or for the benefit of any Credit Party or any Subsidiary or Affiliate thereof under the Senior Loan Agreement or any other Senior Debt Document, and (iii) the Senior Agent gives the Subordinated Creditor written notice that the Senior Agent has terminated this Agreement, which notice the Senior Agent agrees to give promptly upon the request of the Subordinated Creditor or the Debtor (so long as the other conditions required for the occurrence of the Termination Date have been satisfied as of the date of such request).

2. Payment Subordination Provisions. The parties hereto covenant and agree that the payment of any and all of the Subordinated Debt shall be subordinate and subject in right

and time of payment, to the extent and in the manner hereinafter set forth, to the prior indefeasible payment in full of the Senior Debt.

- (a) Permitted Payments to Subordinated Creditor. Subject in all cases to the subordination provisions and other limitations set forth below, the Credit Parties shall only be permitted to make or deliver and the Subordinated Creditor may only retain regularly scheduled payments of interest on the Note.
- (b) No Payment Upon Senior Default. No payment, whether in cash, securities or otherwise, shall be made by or on behalf of any Credit Party, on account of the principal of, premium, if any, or interest on the Note or on account of any fees and expenses relating to the Note or the Subordinated Debt or on account of any other amount or obligation arising under or by virtue of the Note or the other Subordinated Debt Documents, during the period (the "Blockage Period") beginning on (i) the occurrence of any Event of Default (as defined in the Loan Agreement) described in Section 9(a) of the Loan Agreement or the failure of the Debtor to repay the Senior Debt in full upon its maturity date or any earlier acceleration thereof (a "Payment Default") or (ii) the occurrence of any Event of Default (as defined in the Loan Agreement), other than a Payment Default (a "Covenant Default" and together with any Payment Default, the "Senior Defaults"), and ending on the earlier of (i) the Termination Date, and (ii) the date on which all Senior Defaults are cured or waived in writing by the required Senior Lenders to the absolute satisfaction of the Senior Agent.
- (c) Restriction on Action by Subordinated Creditor. The Subordinated Creditor shall not at any time take any Enforcement Action unless (i) the Senior Agent first receives an Enforcement Notice; and (ii) the Standstill Termination Date shall have occurred. After the Standstill Termination Date, the Subordinated Creditor may, at its sole election, take any Enforcement Action available to it under this Agreement or applicable law; provided, however, that any prohibition on payments with respect to the Subordinated Debt that are in effect on the Standstill Termination Date shall continue for their full duration pursuant to the other provisions of this Agreement notwithstanding the occurrence of the Standstill Termination Date. Notwithstanding anything to the contrary contained herein or in the Subordinated Debt Documents, if following acceleration (or commencement of the right to accelerate) of the Senior Debt by Senior Agent or Senior Lenders, such acceleration (or right to accelerate) is rescinded whether or not any existing Senior Default has been cured, any acceleration of the Subordinated Debt and all other Enforcement Action taken by the Subordinated Creditor, solely as a result of the acceleration (or right to accelerate) of the Senior Debt, shall likewise be rescinded or terminated and any interest that would have accrued and payments that would have become due if the Subordinated Debt had never been accelerated shall be deemed to have accrued or become due upon such rescission or termination.

(d) Note Subordinated to Prior Payment of All Senior Debt on Dissolution, Liquidation or Reorganization. Upon any distribution of assets of any Credit Party upon any dissolution, winding up, total or partial liquidation or reorganization of such Credit Party whether voluntary or involuntary, in bankruptcy, insolvency, receivership or similar proceeding or upon assignment for the benefit of creditors:

(i) the holders of all Senior Debt shall first be entitled to receive payments in full of the principal of and interest on and other amounts payable in respect of the Senior Debt, before the Subordinated Creditor is entitled to receive any payment on account of the Note or the Subordinated Debt;

(ii) any payment or distribution of assets of any Credit Party of any kind or character, whether in cash, property or securities, to which the Subordinated Creditor would be entitled except for the provisions of this Agreement, shall be paid by the liquidating trustee or agent or other Person making such a payment or distribution, directly to the Senior Agent for the benefit of the Senior Lenders, to the extent necessary to make payment in full of all such Senior Debt remaining unpaid after giving effect to all concurrent payments and distributions and all provisions therefor to or for the holders of such Senior Debt; and

(iii) in the event that, notwithstanding the foregoing clauses (i) and (ii), any payment or distribution of assets of any Credit Party of any kind or character, whether in cash, property or securities, shall be received by the Subordinated Creditor on account of the Note or any other Subordinated Debt Document, as the case may be, before all Senior Debt is paid in full, such payment or distribution shall be received and held in trust by the Subordinated Creditor for the benefit of the holders of such Senior Debt, or their respective representatives, ratably according to the respective amounts of Senior Debt held or represented by each, to the extent necessary to make payment in full of all such Senior Debt remaining unpaid after giving effect to all concurrent payments and distributions and all provisions therefor to or for the holders of such Senior Debt.

The Debtor shall give prompt written notice to the Subordinated Creditor of any dissolution, winding up, liquidation or reorganization of any Credit Party or assignment for the benefit of creditors by any Credit Party.

(e) Turnover of Payments. If any payment is received or amount collected by the Subordinated Creditor, which at any time is prohibited pursuant to this Agreement, the Subordinated Creditor forthwith shall deliver the same to the Senior Agent in precisely the form received (but with the endorsement of the Subordinated Creditor where necessary for the collection thereof by the Senior Agent) for application on

the Senior Debt, and the Subordinated Creditor agrees that, until so delivered, the same shall be deemed received by the Subordinated Creditor as agent for the Senior Agent and such payment or prepayment shall be held in trust by the Subordinated Creditor as property of the Senior Agent and the Senior Lenders.

(f) Occurrence of Default under Subordinated Debt Documents. The failure of any Credit Party to make any payment with respect to the Subordinated Debt by reason of the operation of the provisions of this Agreement shall not be construed as preventing the occurrence of a default or event of default, as applicable, under the Subordinated Debt Documents.

3. Modification or Prepayment of Subordinated Debt; Acquisition of Additional Debt.

(a) Neither the Note, nor any other Subordinated Debt Document shall be modified, restated, replaced or terminated except with the prior written consent of the Senior Agent, to be granted or withheld in its sole discretion.

(b) Notwithstanding anything to the contrary in the Subordinated Debt Documents, the Senior Loan Agreement or the Senior Debt Documents, neither the Subordinated Creditor nor any other holder of any of the Subordinated Debt, nor any of their respective Affiliates, shall allow any Credit Party to become (and no Credit Party shall allow itself to become) obligated to such Person with respect to any indebtedness that is senior to, or pari passu with, the Senior Debt.

4. Provisions Applicable After Bankruptcy.

(a) The provisions of this Agreement shall continue in full force and effect notwithstanding the occurrence of any Insolvency Event.

(b) The Subordinated Creditor agrees that the Senior Agent may consent to the use of cash collateral or provide financing to any Credit Parties on such terms and conditions and in such amounts as the Senior Agent (on behalf of the Senior Lenders), in its sole discretion may decide (provided that the aggregate principal amount of such financing outstanding at any time, together with the aggregate principal amount of all other Senior Debt outstanding at such time, shall not exceed the Maximum Principal Amount) and that, in connection with such cash collateral usage or such financing, any Credit Parties (or a trustee appointed for the estate of any Credit Party) may grant to the Senior Agent (on behalf of the Senior Lenders) liens and security interests upon all or any part of the assets of any Credit Party, which liens and security interests (i) may secure payments of all Senior Debt (whether such Senior Debt arose prior to the filing of the petition for relief or arises thereafter); and (ii) shall be superior in priority to the liens on and security interests in the assets of any Credit Party, if any, held by any Subordinated Creditor. All allocations of payments hereunder between the Senior

Agent, the Senior Lenders and the Subordinated Creditor shall, subject to any court order, continue to be made after the filing of a petition under the Bankruptcy Code or any similar proceeding on the same basis that the payments were to be allocated prior to the date of such filing. In the event that the Subordinated Creditor has or at any time acquires any security for the Subordinated Obligations, the Subordinated Creditor agrees not to assert any right it may have to "adequate protection" of its interests in such security in any bankruptcy proceeding, and agrees that it will not seek to have the automatic stay lifted with respect to such security, without the prior written consent of the Senior Agent; provided, however, that such agreement not to assert rights to adequate protection shall not apply to the extent that such rights arise out of security interests acquired by, or created in favor of, the Subordinated Creditor in the assets of a Credit Party where such security interests were acquired or created (i) prior to the occurrence of any Insolvency Event and (ii) without violating the provisions of this Agreement. The Subordinated Creditor waives any claim it may now or hereafter have arising out of the Senior Agent's and the Senior Lenders' election, in any proceeding instituted under Chapter 11 of the Bankruptcy Code, of the application of Section 1111(b)(2) of the Bankruptcy Code, and/or any borrowing or grant of a security interest under Section 364 of the Bankruptcy Code by any Credit Party, as debtor in possession (or any trustee for Credit Party), so long as the aggregate principal amount of any post-petition financing outstanding at any time provided by the Senior Agent and Senior Lenders (together with the aggregate principal amount of any other Senior Debt outstanding at such time) does not exceed the Maximum Principal Amount. The Subordinated Creditor agrees not to initiate or prosecute or encourage any other Person to initiate or prosecute any claim, action or other proceeding (i) challenging the enforceability of the Senior Agent's or any Senior Lender's claim in any Insolvency Proceeding (ii) challenging the enforceability of any liens or security interests in assets securing the Senior Debt or (iii) asserting any claims which any Credit Party may hold with respect to the Senior Agent or the Senior Lenders. The Subordinated Creditor agrees that it will not vote with respect to the Subordinated Debt to accept any plan of reorganization of any Credit Party under Chapter 11 of the Bankruptcy Code if the Senior Agent has objected to such plan, but the Subordinated Creditor reserves its right to object to any such plan that is favored by the Senior Agent or any of the Senior Lenders.

- (c) To the extent that the Subordinated Creditor has or acquires any rights under Section 363 or Section 364 of the Bankruptcy Code with respect to any assets of any Credit Party, the Subordinated Creditor hereby agrees not to assert such rights without the prior written consent of the Senior Agent; provided, however, that such agreement not to assert rights under Sections 363 or 364 of the Bankruptcy Code shall not apply to the extent such rights arise out of security interests acquired by, or created in favor of, the Subordinated Creditor in the assets of a Credit Party where such security interests were acquired or created (i) prior to the

occurrence of any Insolvency Event and (ii) without violating the provisions of this Agreement.

- (d) If any Credit Party becomes the subject of a bankruptcy or similar proceeding, the Senior Agent, on behalf of the Subordinated Creditor, shall have the right (but shall not be required) to file proof of the claims of the Subordinated Creditor to the extent that the Subordinated Creditor fails to do so (or fails to provide the Senior Agent with evidence of having done so) at least 15 days before proof of such claims would be due in the proceeding. Subject to the limitations set forth elsewhere herein, at any meeting of creditors or in the event of any Insolvency Event involving any Credit Party, the Subordinated Creditor shall retain the right to vote, file a proof of claim and otherwise act with respect to the Subordinated Debt, provided, however, that if the Subordinated Creditor fails to vote its claim in any proceedings prior to 5 days before the expiration of the time to vote, the Subordinated Creditor hereby irrevocably appoints Senior Agent as its agent and attorney-in-fact to vote such claim.

5. Pledge or Transfer of Subordinated Debt.

- (a) The Subordinated Creditor agrees not to assign, transfer, pledge, or grant a security interest in all or any part of the Subordinated Debt unless (i) such assignment, transfer, pledge or grant is made expressly subject to this Agreement and (ii) the Subordinated Creditor's assignee, transferee, pledgee or grantee expressly agrees in writing to assume the Subordinated Creditor's obligations hereunder. Notwithstanding any failure of any assignee of the Subordinated Creditor to execute any such assignment and assumption (or to otherwise comply with the transfer provisions of this paragraph), the subordination effected hereby shall survive any such assignment or other transfer, and the terms of this Agreement shall be binding on all successors and assigns of the Subordinated Creditor.
- (b) Until the Termination Date, the Subordinated Creditor shall mark its books and records so as to clearly indicate that all Subordinated Debt is subordinated in accordance with the terms hereof, and shall cause to be clearly, conspicuously and prominently inserted on the face of the Note and on any renewals or replacements thereof, and on the face of all other promissory notes or other instruments which at any time evidence any Subordinated Debt, substantially the following legend:

This Note is subject to a Subordination Agreement, dated as of May 21, 2002 (the "Subordination Agreement"), among Piedmont Coca-Cola Bottling Partnership, Coca-Cola Bottling Co. Consolidated and General Electric Capital Corporation, as agent. This Note is subordinated in right and time of payment to the prior payment in full in cash of all Senior Debt (as defined therein) in accordance with, and to the extent specified in, the Subordination

Agreement and each holder of this Note, by its acceptance hereof, irrevocably agrees to be bound by the terms and provisions of the Subordination Agreement. This Note is also subject to the restrictions on transfer set forth in the Subordination Agreement.

Concurrently with the execution and delivery of this Agreement, the Subordinated Creditor will deliver to Senior Agent a true, complete and correct copy of the original Note marked with such legend.

6. Waivers. The Subordinated Creditor agrees and consents: (a) to waive, and does hereby waive, any and all notice of the creation, renewal, extension, modification, compromise or release of any of the Senior Debt or any collateral therefor or guaranties thereof, in whole or in part; (b) that without further notice to or further assent by the Subordinated Creditor, the liability of any Credit Party or any other party or parties for or upon any of the Senior Debt may, from time to time, in whole or in part, be renewed, extended, modified, increased, decreased, compromised or released by the Senior Agent or any Senior Lender as it may deem advisable (so long as any change in the Senior Debt does not violate any of the conditions required for the determination of such indebtedness as "Senior Debt" under the definition thereof contained in this Agreement); (c) that any guaranties of the Senior Debt, or any part of the Senior Debt, may, from time to time, in whole or in part, be modified, released, collected, sold or otherwise disposed of by Senior Agent or any Senior Lender, as it may deem advisable; (d) that any collateral for the Senior Debt may, from time to time, in whole or in part, be modified, released, collected, sold or otherwise disposed of by the Senior Agent at the direction of the Senior Agent or the Senior Lenders, as they may deem advisable (and the Subordinated Creditor hereby waives any right that it may have to require the Senior Agent or the Senior Lenders to marshal any collateral securing the Senior Debt; and (e) that, subject to any right of the Subordinated Creditor to receive any funds pursuant to its rights of subrogation in accordance with the provisions of Section 12 (at a time when the Subordinated Creditor shall have notified the Senior Agent that funds are payable to the Subordinated Creditor pursuant to Section 12), any balance of funds with the Senior Agent or any Senior Lender at any time standing to the credit of any Credit Party may, from time to time, in whole or in part, be surrendered or released by the Senior Agent or such Senior Lender, as it may deem advisable.
7. Collateral and Guaranty Subordination.
 - (a) The Subordinated Creditor hereby subordinates and makes inferior any and all of its existing or hereafter acquired security interests in, security titles to, and other liens and encumbrances on any of the present or future, real or personal, tangible or intangible, property of any Credit Party (collectively, the "Collateral") to the security interests, security titles, and other liens and encumbrances of the Senior Agent, whether now existing or hereafter acquired, in, to and on the Collateral. If any Credit Party shall default under any Senior Debt secured by any of the Collateral, the Senior Agent (at its election or at the direction of the Senior Lenders)

may exercise any or all of its rights and remedies with respect to such Collateral without any obligation to give the Subordinated Creditor notice of such exercise (other than any notices of sale required to be given to a junior lienholder under applicable law, if the Subordinated Creditor acquires any security interests in the Collateral, but only so long as such security interests are acquired (i) prior to the occurrence of any Insolvency Event and (ii) without violating the provisions of this Agreement) and without regard to any interest of the Subordinated Creditor in such Collateral. The Subordinated Creditor shall not contest the validity, perfection, priority or enforceability of any lien granted to the Senior Agent in any of the Collateral.

- (b) In furtherance (and not in limitation of) the provisions of Section 2 above, the Subordinated Creditor subordinates and makes inferior any and all of its now existing or hereafter acquired guaranties (including, without limitation, those of any Credit Party) of the Subordinated Debt from whomever received and in whatever form to the rights of the Senior Agent and the Senior Lenders on the same terms and conditions as apply to the subordination of the Subordinated Debt to the Senior Debt hereunder.
- (c) The Subordinated Creditor expressly agrees not to accept any (i) liens or security interests in any Collateral to secure the Subordinated Debt or (ii) guaranties from any Person with respect to the Subordinated Debt. If, notwithstanding the prohibition on the Subordinated Creditor accepting liens and security interests, the Subordinated Creditor shall at any time hold any lien on or security interest in any Collateral and the Senior Agent or Senior Lenders release (or fail to have for any reason) their liens and security interests in any portion of the Collateral, then the Subordinated Creditor shall automatically be deemed to have released any liens and security interests (or the right to obtain such liens or security interests) that the Subordinated Creditor may have in such portion of the Collateral.

8. Continuing Agreement and Termination.

- (a) This is a continuing agreement, and this Agreement and the subordination of indebtedness (the "Debt Subordination") and the subordination of security interests, security titles, liens and encumbrances and guaranties (the "Security Interest Subordination") provided for herein shall remain in full force and effect and shall be irrevocable until the Termination Date regardless of whether the Senior Debt is from time to time reduced and thereafter increased or entirely extinguished (in connection with either a contemporaneous refinancing or as a result of the required return or disgorgement of any payment on the Senior Debt) and thereafter reincurred or incurred anew (provided, that the aggregate principal amount of all Senior Debt outstanding at any time shall in no event exceed the Maximum Principal Amount). No notice purporting to terminate this Agreement, the Debt Subordination or the Security Interest Subordination which is received by Senior

Agent or any Senior Lender at any time prior to the Termination Date shall be effective, in any manner or at any time whatsoever, to terminate this Agreement, the Debt Subordination or the Security Interest Subordination.

- (b) This Agreement, the Debt Subordination and the Security Interest Subordination shall continue to be effective regardless of the solvency or insolvency of any Credit Party or the Subordinated Creditor; the liquidation or dissolution of any Credit Party or the Subordinated Creditor; the institution by or against any Credit Party or the Subordinated Creditor of any proceeding under the Bankruptcy Code or any similar law; the appointment of a receiver or trustee for any Credit Party or the Subordinated Creditor or any of such Person's property; any reorganization, merger or consolidation of any Credit Party or the Subordinated Creditor; or any other change in the ownership, composition or nature of any Credit Party or the Subordinated Creditor.
- (c) The provisions of this Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment in respect of Senior Debt is rescinded or must otherwise be returned by the Senior Agent or any Senior Lender (including, without limitation, in the event of a bankruptcy proceeding), all as though such payment had not been made. Without limitation to the foregoing, in the event that any Senior Debt is avoided, disallowed or subordinated pursuant to Section 548 of the Bankruptcy Code or any applicable state fraudulent conveyance laws, whether asserted directly or under Section 544 of the Bankruptcy Code, the provisions of this Agreement shall continue to be effective or be reinstated, as the case may be. In the event that any Credit Party shall become the subject of a bankruptcy petition or any other proceeding shall be instituted as a result of which at any time the Senior Agent or Senior Lenders are required to return any portion of the Senior Debt as a preference, fraudulent conveyance or other avoidable transfer, then any payment with respect to the principal of the Subordinated Debt that was made prior to the reinstatement of this Agreement shall be required to be turned over by the Subordinated Creditor to the Senior Agent to the extent of the payment the Senior Agent or Senior Lenders were required to return.

- 9. Acknowledgments, Consents and Agreements. The Debtor (for itself and on behalf of its Subsidiaries and Affiliates) does hereby acknowledge and consent to the execution, delivery and performance of this Agreement by the Subordinated Creditor and the Senior Agent and further agrees to be bound by the provisions of this Agreement as they relate to the relative rights, remedies and priorities of the Subordinated Creditor and the Senior Agent and the Senior Lenders and the respective obligations of the Credit Parties to them; provided, however that nothing in this Agreement shall amend, modify, change or supersede the respective terms of any of the Senior Debt or the Subordinated Debt as between any Credit Party, on the one hand, and the Senior Agent and the Senior Lenders or the Subordinated Creditor, on the other hand, and in the event of any conflict or inconsistency between the terms of this Agreement and those of any agreement, note or other document evidencing or

securing any of the Senior Debt, the Subordinated Debt or the Collateral the provisions of such other agreement, instrument or document shall govern as between any Credit Party, on the one hand, and the Senior Agent and the Senior Lenders or the Subordinated Creditor (as the case may be), on the other hand, and the Debtor (for itself and on behalf of its Subsidiaries and Affiliates) further agree that this Agreement shall not give any Credit Party any substantive rights relative to the Senior Agent or any Senior Lender or the Subordinated Creditor and no Credit Party shall be entitled to raise any actions or inactions on the part of the Senior Agent or any Senior Lender or the Subordinated Creditor hereunder as a defense, counterclaim or other claim against such party.

10. Representations and Warranties of the Subordinated Creditor.

The Subordinated Creditor hereby represents and warrants to each of Senior Agent and Senior Lenders that as of the date hereof, (a) the Subordinated Creditor has not assigned any interest in the Subordinated Debt, the Note or any of the other Subordinated Debt Documents, (b) no other Person owns an interest in the Subordinated Debt, the Note or any of Subordinated Creditor's rights under or in respect of any other Subordinated Debt Documents (whether as joint holders thereof, participants, or otherwise), (c) the aggregate outstanding original principal balance of the Subordinated Debt is \$97,500,000, (d) no default or event of default exists under any Subordinated Debt Document, (e) the execution and delivery of this Agreement and the performance by Subordinated Creditor of its obligations hereunder are within its corporate powers, have been duly authorized by all necessary corporate action, have received all necessary governmental and third party approvals (if any shall be required), and do not and will not contravene or conflict with any provision of law or of the constituent documents of the Subordinated Creditor, or any material agreement binding upon or applicable to the Subordinated Creditor or any of its property, (f) no pending or, to the best of the Subordinated Creditor's knowledge, threatened litigation, arbitration or other proceedings would, if determined adversely to the Subordinated Creditor, would prohibit or materially interfere with the performance by the Subordinated Creditor of its obligations under this Agreement, and (g) this Agreement is the legal, valid and binding obligation of the Subordinated Creditor, enforceable against the Subordinated Creditor in accordance with its terms, except to the extent such enforceability may be limited by general equitable principles or bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors rights generally.

11. Miscellaneous.

(a) Wherever possible, each provision of this Agreement is to be interpreted in such manner as to be effective and valid under applicable law, but if any provision hereof is prohibited or invalid under such law, such provision is to be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

- (b) This Agreement shall be binding upon the Credit Parties, the Subordinated Creditor, the Senior Agent, the Senior Lenders and their respective successors and assigns and shall inure to the benefit of the Senior Agent, the Senior Lenders and the Subordinated Creditor and their respective successors and assigns.
- (c) This Agreement constitutes the sole and entire agreement between the Subordinated Creditor, on the one hand, and the Senior Agent and Senior Lenders, on the other, with respect to the subject matter hereof and supersedes and replaces any and all prior or concurrent agreements, understandings, negotiations or correspondence between them with respect thereto.
- (d) Time is of the essence of this Agreement.
- (e) No amendment or waiver of any provision of this Agreement, nor consent to any departure therefrom, shall be effective or binding upon the Senior Agent or any Senior Lender unless the Senior Agent shall first have given its written consent thereto, or on the Subordinated Creditor until the majority in interest of the Subordinated Creditor shall have first given their written consent thereto.
- (f) This Agreement may be executed in one or more counterparts and each such counterpart shall constitute an original and all such counterparts together shall constitute one and the same instrument. This Agreement may be delivered by facsimile transmission with the same effect as if originally executed counterparts were personally delivered to each of the parties hereto.
- (g) All section headings herein are for convenience of reference only and shall not limit or otherwise affect the meaning or interpretation of this Agreement.
- (h) All notices, demands and other communications hereunder to the Senior Agent or the Subordinated Creditor shall be effective:
 - (i) if given by telecopy, when such communication is transmitted to the telecopy number set forth beneath such Person's signature below (with such telecopy to be promptly confirmed by delivery of a copy thereof by personal delivery, overnight courier or United States mail as otherwise provided herein),
 - (ii) if given by mail, three (3) Business Days after such communication is deposited in the United States mail with first class postage prepaid, return receipt requested, and addressed to such Person at its address set forth beneath its signature below,
 - (iii) if sent for overnight delivery by Federal Express, United Parcel Service or other reputable national overnight delivery service, one (1) Business Day

after such communication is entrusted to such service for overnight delivery and with recipient signature required, addressed as aforesaid, or

- (iv) if by personal delivery at the address of such Person shown on the signature pages hereto.

The Senior Agent or the Subordinated Creditor may designate a different address or telecopy number for its receipt of such notices or other communications by delivering notice of such change in accordance with the provisions of this Section 11(h).

- (i) The Senior Agent is hereby authorized to demand specific performance of the provisions of this Agreement, at any time when any Credit Party or Subordinated Creditor shall have failed to comply with any provision hereof. Each Credit Party and the Subordinated Creditor hereby irrevocably waive any defense based on the adequacy of a remedy at law that might be asserted as a bar to such remedy of specific performance.
- (j) Each party hereto will, upon the written request of any other party hereto, from time to time execute and deliver or cause to be executed and delivered such further instruments and agreements and do or cause to be done such further acts as may be reasonably necessary or proper to carry out more effectively the provisions of this Agreement.
- (k) If any provision contained in this Agreement is in conflict with, or inconsistent with, any provision in the Subordinated Debt Documents, including, without limitation, any provisions regarding the existence or priority of any liens in the Collateral and any provisions dealing with the extent and manner that the Subordinated Debt is subordinated in right and time of payment to the prior payment in full of the Senior Debt (including, without limitation, the maximum principal amount of the Senior Debt), the provisions contained in this Agreement shall govern and control.
- (l) This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York applicable to contracts made and performed in such state.

- 12. Waiver of Certain Rights; Subrogation. The Subordinated Creditor expressly waives any and all rights of subrogation, reimbursement, indemnity, exoneration or contribution or any other claim which the Subordinated Creditor may now or hereafter have against any Credit Party or against any property of any Credit Party arising from the existence, performance or enforcement of the Subordinated Creditor's obligations and liabilities under this Agreement until the Termination Date, at which time the Subordinated Creditor shall be deemed to be subrogated to the rights of the holders of the Senior Debt to receive payments or

distributions of cash, property or securities of any Credit Party applicable to the Senior Debt until the Subordinated Debt shall be paid in full; and, for the purposes of such subrogation, no such payments or distributions to the holders of Senior Debt by or on behalf of any Credit Party (or by or on behalf of the Subordinated Creditor by virtue of this Agreement) which otherwise would have been made to the Subordinated Creditor shall, as between the Credit Parties and the Subordinated Creditor, be deemed to be a payment by or on behalf of any Credit Party to or on account of the Senior Debt. Neither Senior Agent nor any Senior Lender shall be liable for any loss to, or impairment of, any subrogation rights held by the Subordinated Creditor. In furtherance, and not in limitation of the immediately preceding sentence, neither the Senior Agent nor any Senior Lender shall have any obligation or duty to protect the Subordinated Creditor's rights of subrogation arising pursuant to this Agreement or otherwise.

13. Jury Trial Waiver and Forum Consents. THE SUBORDINATED CREDITOR, THE SENIOR AGENT AND THE DEBTOR (FOR ITSELF AND FOR EACH OF ITS SUBSIDIARIES AND AFFILIATES) HEREBY WAIVES ANY RIGHT SUCH PERSON MAY HAVE UNDER ANY APPLICABLE LAW TO A TRIAL BY JURY WITH RESPECT TO ANY SUIT OR LEGAL ACTION WHICH MAY BE COMMENCED BY OR AGAINST SUCH PERSON CONCERNING THE INTERPRETATION, CONSTRUCTION, VALIDITY, ENFORCEMENT OR PERFORMANCE OF THIS AGREEMENT. IN THE EVENT ANY SUCH SUIT OR LEGAL ACTION IS COMMENCED BY THE SENIOR AGENT, THE SUBORDINATED CREDITOR AND THE DEBTOR (FOR ITSELF AND FOR EACH OF ITS SUBSIDIARIES AND AFFILIATES) HEREBY EXPRESSLY AGREE, CONSENT AND SUBMIT TO THE PERSONAL JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN NEW YORK, NEW YORK, WITH RESPECT TO SUCH SUIT OR LEGAL ACTION AND FURTHER EXPRESSLY CONSENTS AND SUBMITS TO AND AGREES THAT VENUE IN ANY SUCH SUIT OR LEGAL ACTION IS PROPER IN SAID COURTS AND FURTHER EXPRESSLY WAIVES ANY AND ALL PERSONAL RIGHTS UNDER APPLICABLE LAW OR IN EQUITY TO OBJECT TO THE JURISDICTION AND VENUE OF SAID COURTS. THE JURISDICTION AND VENUE OF THE COURTS CONSENTED TO AND SUBMITTED TO AND AGREED UPON IN THIS SECTION ARE NOT EXCLUSIVE BUT ARE CUMULATIVE AND IN ADDITION TO THE JURISDICTION AND VENUE OF ANY OTHER COURT UNDER ANY APPLICABLE LAW OR IN EQUITY.

[The rest of this page is intentionally left blank]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly signed, sealed and delivered, all as of the day and year first above written.

COCA-COLA BOTTLING CO. CONSOLIDATED

By: /s/ DAVID V. SINGER

Name: David V. Singer
Title: EVP and Chief Financial Officer

Notice Address:
Coca-Cola Bottling Co. Consolidated
Coca-Cola Corporate Center
4100 Coca-Cola Plaza (28211-3481)
PO Box 31487
Charlotte, North Carolina 28231-1487
Attention: Chief Financial Officer
Telecopy No.: 704-557-4451

PIEDMONT COCA-COLA BOTTLING PARTNERSHIP

By Coca-Cola Bottling Co. Consolidated, its Manager

By: /s/ DAVID V. SINGER

Name: David V. Singer
Title: EVP and Chief Financial Officer

Notice Address:
Piedmont Coca-Cola Bottling Partnership
c/o Coca-Cola Corporate Center
4100 Coca-Cola Plaza (28211-3481)
PO Box 31487
Charlotte, North Carolina 28231-1487
Attention: Chief Financial Officer
Telecopy No.: 704-557-4451

[Signatures continued on next page]

GENERAL ELECTRIC CAPITAL CORPORATION, as Senior Agent

By: /s/ GLENN P. BARTLEY

Name: Glenn P. Bartley
Title: Duly Authorized Signatory

Notice Address:

GE Capital Commercial Finance
500 West Monroe Street
Chicago, IL 60661
Attention: Account Manager / Piedmont Coca Cola
Telecopy No.: (312) 463-3823

GE Capital Commercial Finance
500 West Monroe Street
Chicago, IL 60661
Attention: Corporate Counsel
Telecopy No.: (312) 441-6876

THIS NOTE IS SUBJECT TO A SUBORDINATION AGREEMENT, DATED AS OF MAY 23, 2002 (THE "SUBORDINATION AGREEMENT"), AMONG PIEDMONT COCA-COLA BOTTLING PARTNERSHIP, COCA-COLA BOTTLING CO. CONSOLIDATED AND GENERAL ELECTRIC CAPITAL CORPORATION, AS AGENT. THIS NOTE IS SUBORDINATED IN RIGHT AND TIME OF PAYMENT TO THE PRIOR PAYMENT IN FULL IN CASH OF ALL SENIOR DEBT (AS DEFINED THEREIN) IN ACCORDANCE WITH, AND TO THE EXTENT SPECIFIED IN, THE SUBORDINATION AGREEMENT AND EACH HOLDER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF, IRREVOCABLY AGREES TO BE BOUND BY THE TERMS AND PROVISIONS OF THE SUBORDINATION AGREEMENT. THIS NOTE IS ALSO SUBJECT TO THE RESTRICTIONS ON TRANSFER SET FORTH IN THE SUBORDINATION AGREEMENT.

SUBORDINATED PROMISSORY NOTE

\$97,500,000.00

May 23, 2002

FOR VALUE RECEIVED, the undersigned PIEDMONT COCA-COLA BOTTLING PARTNERSHIP, a Delaware general partnership (the "Company"), hereby promises to pay to COCA-COLA BOTTLING CO. CONSOLIDATED, a Delaware corporation or its successors and assigns ("Holder"), the principal amount of Ninety-Seven Million Five Hundred Thousand and 00/100 Dollars (\$97,500,000.00) in accordance with the terms set forth in this Subordinated Promissory Note (this "Note").

1. Payments of Principal. If not prepaid pursuant to Section 3 or otherwise, the Company promises to pay the principal amount hereof on May 28, 2004.

2. Payments of Interest. Subject to the provisions of Section 4, the Company further promises to pay interest on the unpaid principal amount hereof, from the date hereof, at a rate per annum equal to Holder's average monthly cost of borrowing (taking into account all indebtedness of Holder and its consolidated subsidiaries), determined as of the last business day of each calendar month, plus one-half of one percent (0.5%) quarterly on the last business day of each calendar month of each year (each, a "Payment Date"), commencing with the Payment Date next succeeding the date hereof; provided, that such rate shall not exceed nine percent (9%) so long as any Senior Indebtedness remains outstanding. Interest on the unpaid principal balance hereof shall continue to accrue until the principal hereof and interest hereon shall have been paid in full.

3. Prepayment; Manner of Payment. Subject to the provisions of Section 4, the Company may prepay this Note in whole or in part at any time, without premium or penalty. All payments of principal and accrued interest shall be made by the Company to Holder in immediately available funds and in lawful money of the United States of America at the address set forth in Section 12 or to such account as is designated by Holder in writing to the Company.

4. Subordination. Notwithstanding anything to the contrary contained herein, the obligations under this Note are subject to the Subordination Agreement.

5. Events of Default. The following shall constitute "Events of Default" with respect to this Note:

(a) Failure of the Company to pay when due, in the manner provided herein, the principal or interest on this Note; or

(b) The Company shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts as they become due, or shall file a voluntary petition for relief under Title 11 of the United States Code (the "Bankruptcy Code"), or shall file any other petition or similar request with a court or governmental agency having competent jurisdiction for voluntary relief, looking to reorganization, arrangement, composition, readjustment, liquidation, custodianship, dissolution, winding-up or similar relief under the Bankruptcy Code or any other similar present or future statute, law or regulation, or shall file any answer admitting or not contesting the material allegations of a petition filed against it in any such proceeding, or shall in any such proceeding seek or consent to or acquiesce in the appointment of any trustee, receiver, custodian or liquidator of it or of all or any substantial part of its properties; or

(c) The filing against the Company of an involuntary petition for relief under the Bankruptcy Code or the commencement of any proceeding against the Company in a court or before a governmental agency having competent jurisdiction, looking to reorganization, arrangement, composition, readjustment, liquidation, custodianship, dissolution or similar relief under the Bankruptcy Code or any other similar present or future statute, law or regulation, and such petition or proceeding shall not have been vacated, dismissed or stayed within sixty (60) days thereafter, or if there is appointed in any such proceeding, without the consent or acquiescence of the Company, any trustee, receiver, custodian, liquidator, or other similar official for it or for all or any substantial part of its properties, and such appointment shall not have been vacated, dismissed or stayed within sixty (60) days thereafter; or

(d) The Company shall default in the due observance or performance of any covenant, condition or agreement contained herein and such default shall continue unremedied for a period of thirty (30) days.

6. Consequences of Event of Default. Subject to the provisions of Section 4, upon the occurrence of any such Event of Default and during the continuation thereof, Holder, by written notice to the Company, may declare the unpaid principal balance of this Note and accrued and unpaid interest hereon to be immediately due and payable notwithstanding the stated maturity or due date thereof. Upon any such declaration of acceleration, such principal and interest shall become immediately due and payable and Holder shall have all other rights and remedies provided by applicable law.

7. Costs of Collection. In the event that this Note is not paid when due, the Company shall also pay or reimburse Holder for all reasonable costs and expenses of collection, including, without limitation, reasonable attorneys' fees.

8. Certain Acceleration Events. Subject to the provisions of Section 4, upon a Sale, Holder may, by notice to the Company, declare the unpaid principal balance of this Note and accrued and unpaid interest thereon to be immediately due and payable, whereupon the same shall become immediately due and payable notwithstanding the stated maturity or due date thereof. For purposes of this Section 8, a "Sale" means (a) a sale of all or substantially all of the assets of the Company or (b) any extraordinary corporate transaction, such as a merger, consolidation, issuance of capital stock or other business combination involving the Company pursuant to which any person or group of persons acquires at least 50% of the voting power of the Company, or in which the Company is not the surviving corporation.

9. Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of North Carolina, other than the conflicts of law provisions thereof.

10. Waiver. The Company waives presentment for payment, demand, protest, notice of dishonor, notice of protest, diligence on bringing suit against any party hereto, and all defenses on the ground of any extension of the time of payment that may be given by Holder to it.

11. No Right of Set-Off. As of the date hereof, the Company represents that it has no claims or offsets against Holder in breach of contract, negligence or for any other type of legal action under this Note.

12. Notices. Any notice pursuant to this Note must be in writing and will be deemed effectively given to another party on the earliest of the date (a) three business days after such notice is sent by registered U.S. mail, return receipt requested, (b) upon receipt of confirmation if such notice is sent by facsimile, (c) one business day after delivery of such notice into the custody and control of an overnight courier service for next day delivery, (d) upon delivery of such notice in person and (e) such notice is received by that party; in each case to the appropriate address below (or to such other address as a party may designate by notice to the other party):

The Company:

Piedmont Coca-Cola Bottling Partnership
c/o Coca-Cola Bottling Co. Consolidated
Coca-Cola Corporate Center
4100 Coca-Cola Plaza (28211-3481)
P.O. Box 31487
Charlotte, North Carolina 28231-1487
Attention: Chief Financial Officer
Telecopy No.: (704) 557-4451

Holder:

Coca-Cola Bottling Co. Consolidated
Coca-Cola Corporate Center
4100 Coca-Cola Plaza (28211-3481)
P.O. Box 31487
Charlotte, North Carolina 28231-1487
Attention: Chief Financial Officer
Telecopy No.: (704) 557-4451

13. Severability. Any provision of this Note that is determined by any court of competent jurisdiction to be invalid or unenforceable will not affect the validity or enforceability of any other provision hereof or the invalid or unenforceable provision in any other situation or in any other jurisdiction. Any provision of this Note held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

* * * * *

IN WITNESS WHEREOF, the Company has caused this Note to be executed by its duly authorized officer as of the day and year first above written.

PIEDMONT COCA-COLA BOTTLING
PARTNERSHIP

By: COCA-COLA BOTTLING CO.
CONSOLIDATED, its Manager

By: /s/ DAVID V. SINGER

Name: David V. Singer

Title: EVP and Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Coca-Cola Bottling Co. Consolidated (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Frank Harrison, III, Chairman of the Board of Directors and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ J. Frank Harrison, III

J. Frank Harrison, III
Chairman of the Board of Directors and
Chief Executive Officer
August 13, 2002

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Coca-Cola Bottling Co. Consolidated (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David V. Singer, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ David V. Singer

David V. Singer
Executive Vice President and Chief Financial Officer
August 13, 2002