

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 28, 2009

Commission File Number 0-9286

COCA-COLA BOTTLING CO. CONSOLIDATED

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

56-0950585

(I.R.S. Employer Identification No.)

4100 Coca-Cola Plaza, Charlotte, North Carolina 28211

(Address of principal executive offices) (Zip Code)

(704) 557-4400

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

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

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

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

| Class | Outstanding at July 31, 2009 |
|--|------------------------------|
| Common Stock, \$1.00 Par Value | 7,141,447 |
| Class B Common Stock, \$1.00 Par Value | 2,021,882 |

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

INDEX

| | <u>Page</u> |
|--|-------------|
| <u>PART I — FINANCIAL INFORMATION</u> | |
| <u>Item 1. Financial Statements (Unaudited)</u> | |
| <u>Consolidated Statements of Operations</u> | 3 |
| <u>Consolidated Balance Sheets</u> | 4 |
| <u>Consolidated Statements of Changes in Equity</u> | 6 |
| <u>Consolidated Statements of Cash Flows</u> | 7 |
| <u>Notes to Consolidated Financial Statements</u> | 8 |
| <u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | 38 |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u> | 63 |
| <u>Item 4. Controls and Procedures</u> | 64 |
| <u>PART II — OTHER INFORMATION</u> | |
| <u>Item 1A. Risk Factors</u> | 65 |
| <u>Item 4. Submission of Matters to a Vote of Security Holders</u> | 66 |
| <u>Item 6. Exhibits</u> | 67 |
| <u>Signatures</u> | 68 |

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

Coca-Cola Bottling Co. Consolidated
 CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
 In Thousands (Except Per Share Data)

| | Second Quarter | | First Half | |
|--|------------------|------------------|------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Net sales | \$ 377,749 | \$ 396,003 | \$ 714,010 | \$ 733,677 |
| Cost of sales | 217,622 | 224,123 | 406,754 | 421,879 |
| Gross margin | 160,127 | 171,880 | 307,256 | 311,798 |
| Selling, delivery and administrative expenses | 129,449 | 135,673 | 255,437 | 271,916 |
| Income from operations | 30,678 | 36,207 | 51,819 | 39,882 |
| Interest expense | 9,935 | 9,949 | 19,193 | 20,383 |
| Income before income taxes | 20,743 | 26,258 | 32,626 | 19,499 |
| Income tax provision | 7,825 | 9,743 | 10,885 | 7,658 |
| Net income | 12,918 | 16,515 | 21,741 | 11,841 |
| Less: Net income attributable to the noncontrolling interest | 731 | 1,360 | 1,023 | 1,021 |
| Net income attributable to Coca-Cola Bottling Co. Consolidated | <u>\$ 12,187</u> | <u>\$ 15,155</u> | <u>\$ 20,718</u> | <u>\$ 10,820</u> |

**Basic net income per share based on net income attributable to
 Coca-Cola Bottling Co. Consolidated:**

| | | | | |
|--|---------|---------|---------|---------|
| Common Stock | \$ 1.33 | \$ 1.66 | \$ 2.26 | \$ 1.18 |
| Weighted average number of Common Stock shares outstanding | 7,141 | 6,644 | 6,999 | 6,644 |
| Class B Common Stock | \$ 1.33 | \$ 1.66 | \$ 2.26 | \$ 1.18 |
| Weighted average number of Class B Common Stock shares outstanding | 2,022 | 2,500 | 2,164 | 2,500 |

**Diluted net income per share based on net income attributable to
 Coca-Cola Bottling Co. Consolidated:**

| | | | | |
|--|---------|---------|---------|---------|
| Common Stock | \$ 1.32 | \$ 1.65 | \$ 2.25 | \$ 1.18 |
| Weighted average number of Common Stock shares outstanding — assuming dilution | 9,203 | 9,164 | 9,189 | 9,157 |
| Class B Common Stock | \$ 1.32 | \$ 1.65 | \$ 2.25 | \$ 1.18 |
| Weighted average number of Class B Common Stock shares outstanding — assuming dilution | 2,062 | 2,520 | 2,190 | 2,513 |

Cash dividends per share:

| | | | | |
|----------------------|--------|--------|--------|--------|
| Common Stock | \$.25 | \$.25 | \$.50 | \$.50 |
| Class B Common Stock | \$.25 | \$.25 | \$.50 | \$.50 |

See Accompanying Notes to Consolidated Financial Statements

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

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

See Accompanying Notes to Consolidated Financial Statements

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

| | Unaudited June 28, 2009 | Dec. 28, 2008 | Unaudited June 29, 2008 |
|---|-------------------------------|---------------------|-------------------------------|
| LIABILITIES AND EQUITY | | | |
| Current Liabilities: | | | |
| Current portion of debt | \$ 2,440 | \$ 176,693 | \$ 119,253 |
| Current portion of obligations under capital leases | 3,674 | 2,781 | 2,690 |
| Accounts payable, trade | 42,843 | 42,383 | 45,457 |
| Accounts payable to The Coca-Cola Company | 50,054 | 35,311 | 40,882 |
| Other accrued liabilities | 77,762 | 57,504 | 56,321 |
| Accrued compensation | 19,965 | 23,285 | 14,446 |
| Accrued interest payable | 7,451 | 8,139 | 7,504 |
| Total current liabilities | <u>204,189</u> | <u>346,096</u> | <u>286,553</u> |
| Deferred income taxes | 139,328 | 139,338 | 169,664 |
| Pension and postretirement benefit obligations | 102,790 | 107,005 | 34,452 |
| Other liabilities | 108,098 | 107,037 | 96,311 |
| Obligations under capital leases | 61,217 | 74,833 | 76,246 |
| Long-term debt | 577,848 | 414,757 | 502,197 |
| Total liabilities | <u>1,193,470</u> | <u>1,189,066</u> | <u>1,165,423</u> |
| Commitments and Contingencies (Note 14) | | | |
| Equity: | | | |
| Common Stock, \$1.00 par value: | | | |
| Authorized — 30,000,000 shares; | | | |
| Issued — 10,203,821, 9,706,051 and 9,706,051 shares, respectively | 10,204 | 9,706 | 9,706 |
| Class B Common Stock, \$1.00 par value: | | | |
| Authorized — 10,000,000 shares; | | | |
| Issued — 2,649,996, 3,127,766 and 3,127,766 shares, respectively | 2,649 | 3,127 | 3,127 |
| Capital in excess of par value | 103,562 | 103,582 | 102,449 |
| Retained earnings | 95,158 | 79,021 | 85,322 |
| Accumulated other comprehensive loss | (55,319) | (57,873) | (12,991) |
| | <u>156,254</u> | <u>137,563</u> | <u>187,613</u> |
| Less-Treasury stock, at cost: | | | |
| Common — 3,062,374 shares | 60,845 | 60,845 | 60,845 |
| Class B Common — 628,114 shares | 409 | 409 | 409 |
| Total equity of Coca-Cola Bottling Co. Consolidated | <u>95,000</u> | <u>76,309</u> | <u>126,359</u> |
| Noncontrolling interest | 51,420 | 50,397 | 49,026 |
| Total equity | <u>146,420</u> | <u>126,706</u> | <u>175,385</u> |
| Total | <u>\$ 1,339,890</u> | <u>\$ 1,315,772</u> | <u>\$ 1,340,808</u> |

See Accompanying Notes to Consolidated Financial Statements

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

| | Common Stock | Class B Common Stock | Capital in Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | Total Equity of CCBCC | Noncontrolling Interest | Total Equity |
|--|------------------|----------------------------|---|----------------------|---|--------------------|-----------------------------|----------------------------|-------------------|
| Balance on December 30, 2007 | \$ 9,706 | \$ 3,107 | \$ 102,469 | \$ 79,227 | \$ (12,751) | \$ (61,254) | \$ 120,504 | \$ 48,005 | \$ 168,509 |
| Comprehensive income: | | | | | | | | | |
| Net income | | | | 10,820 | | | 10,820 | 1,021 | 11,841 |
| Foreign currency translation adjustments, net of tax | | | | | 7 | | 7 | | 7 |
| Pension and postretirement benefit adjustments, net of tax | | | | | (133) | | (133) | | (133) |
| Total comprehensive income | | | | | | | 10,694 | 1,021 | 11,715 |
| Adjustment to change measurement date for SFAS No. 158, net of tax | | | | (153) | (114) | | (267) | | (267) |
| Cash dividends paid | | | | | | | | | |
| Common (\$.50 per share) | | | | (3,322) | | | (3,322) | | (3,322) |
| Class B Common (\$.50 per share) | | | | (1,250) | | | (1,250) | | (1,250) |
| Issuance of 20,000 shares of Class B Common Stock | | 20 | (20) | | | | — | | — |
| Balance on June 29, 2008 | <u>\$ 9,706</u> | <u>\$ 3,127</u> | <u>\$ 102,449</u> | <u>\$ 85,322</u> | <u>\$ (12,991)</u> | <u>\$ (61,254)</u> | <u>\$ 126,359</u> | <u>\$ 49,026</u> | <u>\$ 175,385</u> |
| Balance on December 28, 2008 | \$ 9,706 | \$ 3,127 | \$ 103,582 | \$ 79,021 | \$ (57,873) | \$ (61,254) | \$ 76,309 | \$ 50,397 | \$ 126,706 |
| Comprehensive income: | | | | | | | | | |
| Net income | | | | 20,718 | | | 20,718 | 1,023 | 21,741 |
| Foreign currency translation adjustments, net of tax | | | | | (2) | | (2) | | (2) |
| Pension and postretirement benefit adjustments, net of tax | | | | | 2,556 | | 2,556 | | 2,556 |
| Total comprehensive income | | | | | | | 23,272 | 1,023 | 24,295 |
| Cash dividends paid | | | | | | | | | |
| Common (\$.50 per share) | | | | (3,446) | | | (3,446) | | (3,446) |
| Class B Common (\$.50 per share) | | | | (1,135) | | | (1,135) | | (1,135) |
| Issuance of 20,000 shares of Class B Common Stock | | 20 | (20) | | | | — | | — |
| Conversion of Class B Common Stock into Common Stock | 498 | (498) | | | | | — | | — |
| Balance on June 28, 2009 | <u>\$ 10,204</u> | <u>\$ 2,649</u> | <u>\$ 103,562</u> | <u>\$ 95,158</u> | <u>\$ (55,319)</u> | <u>\$ (61,254)</u> | <u>\$ 95,000</u> | <u>\$ 51,420</u> | <u>\$ 146,420</u> |

See Accompanying Notes to Consolidated Financial Statements

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

| | First Half | |
|---|------------------|-----------------|
| | 2009 | 2008 |
| Cash Flows from Operating Activities | | |
| Net income | \$ 21,741 | \$ 11,841 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation expense | 30,415 | 33,649 |
| Amortization of intangibles | 280 | 220 |
| Deferred income taxes | 640 | 7,658 |
| Losses on sale of property, plant and equipment | 355 | 851 |
| Amortization of debt costs | 1,218 | 1,225 |
| Amortization of deferred gain related to terminated interest rate agreements | (1,468) | (853) |
| Stock compensation expense | 1,164 | — |
| Increase in current assets less current liabilities | (8,987) | (34,324) |
| Increase in other noncurrent assets | (7,552) | (2,490) |
| Decrease in other noncurrent liabilities | (9,684) | (2,580) |
| Other | (3) | (152) |
| Total adjustments | <u>6,378</u> | <u>3,204</u> |
| Net cash provided by operating activities | <u>28,119</u> | <u>15,045</u> |
| Cash Flows from Investing Activities | | |
| Additions to property, plant and equipment | (17,224) | (31,570) |
| Proceeds from the sale of property, plant and equipment | 371 | 266 |
| Investment in a plastic bottle manufacturing cooperative | — | (968) |
| Investment in restricted cash | (4,500) | — |
| Net cash used in investing activities | <u>(21,353)</u> | <u>(32,272)</u> |
| Cash Flows from Financing Activities | | |
| Proceeds from the issuance of long-term debt, net | 108,062 | — |
| Borrowing under revolving credit facility | — | 30,000 |
| Repayment — current portion of long-term debt | (119,253) | — |
| Repayments of lines of credit | — | (7,400) |
| Cash dividends paid | (4,581) | (4,572) |
| Principal payments on capital lease obligations | (1,480) | (1,279) |
| Payments for the termination of interest rate lock agreements | (340) | — |
| Debt issuance costs paid | (1,042) | — |
| Other | (86) | (70) |
| Net cash provided by (used in) financing activities | <u>(18,720)</u> | <u>16,679</u> |
| Net decrease in cash | (11,954) | (548) |
| Cash at beginning of period | 45,407 | 9,871 |
| Cash at end of period | <u>\$ 33,453</u> | <u>\$ 9,323</u> |
| Significant non-cash investing and financing activities: | | |
| Issuance of Class B Common Stock in connection with stock award | \$ 1,130 | \$ 1,171 |
| Capital lease obligations incurred | 660 | — |

See Accompanying Notes to Consolidated Financial Statements

1. Significant Accounting Policies

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

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

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

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

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

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

1. Significant Accounting Policies

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

2. Seasonality of Business

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

3. Piedmont Coca-Cola Bottling Partnership

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

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

4. Inventories

Inventories were summarized as follows:

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

5. Property, Plant and Equipment

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

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

Depreciation and amortization expense was \$30.4 million and \$33.6 million in YTD 2009 and YTD 2008, respectively. These amounts included amortization expense for leased property under capital leases.

The Company changed the useful lives of certain cold drink dispensing equipment from thirteen to fifteen years in the first quarter of 2009 ("Q1 2009") to better reflect actual useful lives. The change in useful lives reduced depreciation expense in Q2 2009 and YTD 2009 by \$0.9 million and \$2.1 million, respectively.

6. Leased Property Under Capital Leases

Leased property under capital leases was summarized as follows:

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

As of June 28, 2009, real estate represented \$53.3 million of the leased property under capital leases and \$51.6 million of this real estate is leased from related parties as described in Note 19 to the consolidated financial statements.

The Company modified a related party lease and terminated a second lease in Q1 2009. See Note 19 to the consolidated financial statements for additional information on the lease modification.

7. Franchise Rights and Goodwill

There was no change in the carrying amounts of franchise rights and goodwill in the periods presented. The Company performs its annual impairment test of franchise rights and goodwill as of the first day of the fourth quarter. During YTD 2009, the Company believes it has not experienced any events or changes in circumstances that indicate the carrying amounts of the Company's franchise rights or goodwill exceeded fair values. As such, the Company has not performed an interim impairment test during YTD 2009 and has not recognized any impairments of franchise rights or goodwill.

8. Other Identifiable Intangible Assets

Other identifiable intangible assets were summarized as follows:

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

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

9. Other Accrued Liabilities

Other accrued liabilities were summarized as follows:

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

10. Debt

Debt was summarized as follows:

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

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

10. Debt

On June 29, 2008, the Company had \$30.0 million outstanding under the \$200 million facility. On July 1, 2009 the Company borrowed \$55.0 million under the \$200 million facility and used the proceeds, along with \$2.4 million of cash on hand, to repay at maturity the Company's \$57.4 million outstanding 7.20% Debentures due 2009. As the \$200 million facility does not mature until March 2012, the portion of the 7.20% Debentures due 2009 refinanced prior to the release of the June 28, 2009 consolidated financial statements has been classified as long-term as of June 28, 2009. The \$2.4 million of the 7.20% Debentures due 2009 paid with cash on hand has been classified as current as of June 28, 2009.

In April 2009, the Company issued \$110 million of unsecured 7% Senior Notes due 2019. The proceeds plus cash on hand were used on May 1, 2009 to repay at maturity the \$119.3 million outstanding 6.375% Debentures due 2009.

After taking into account all of its interest rate hedging activities, the Company had a weighted average interest rate of 5.7%, 5.9% and 5.4% for its debt and capital lease obligations as of June 28, 2009, December 28, 2008 and June 29, 2008, respectively. The Company's overall weighted average interest rate on its debt and capital lease obligations was 5.7% for YTD 2009 compared to 5.8% for YTD 2008. As of June 28, 2009, approximately 4.6% of the Company's debt and capital lease obligations of \$645.2 million was subject to changes in short-term interest rates.

The Company's public debt is not subject to financial covenants but does limit the incurrence of certain liens and encumbrances as well as the incurrence of indebtedness by the Company's subsidiaries in excess of certain amounts.

All of the outstanding long-term debt has been issued by the Company with none being issued by any of the Company's subsidiaries. There are no guarantees of the Company's debt.

11. Derivative Financial Instruments

Interest

The Company periodically uses interest rate hedging products to modify risk from interest rate fluctuations. The Company has historically altered its fixed/floating rate mix based upon anticipated cash flows from operations relative to the Company's debt level and the potential impact of changes in interest rates on the Company's overall financial condition. Sensitivity analyses are performed to review the impact on the Company's financial position and coverage of various interest rate movements. The Company does not use derivative financial instruments for trading purposes nor does it use leveraged financial instruments.

On September 18, 2008, the Company terminated six outstanding interest rate swap agreements with a notional amount of \$225 million receiving \$6.2 million in cash proceeds including \$1.1 million for previously accrued interest receivable. After accounting for previously accrued interest receivable, the Company is amortizing the gain of \$5.1 million over the remaining term of the underlying debt. During YTD 2009, \$8 million of the gain was amortized. The remaining amount to be amortized is \$3.9 million. All of the Company's interest rate swap agreements were LIBOR-based.

11. Derivative Financial Instruments

Interest rate swap agreements were summarized as follows:

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

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

Commodities

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

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

11. Derivative Financial Instruments

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

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

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

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

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

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

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

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

12. Fair Value of Financial Instruments

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

12. Fair Value of Financial Instruments

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

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

Public Debt Securities

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

Non-Public Variable Rate Debt

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

Deferred Compensation Plan Assets/Liabilities

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

Derivative Financial Instruments

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

Letters of Credit

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

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

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

12. Fair Value of Financial Instruments

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

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

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

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

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

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

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

12. Fair Value of Financial Instruments

The following table summarizes, by assets and liabilities, the valuation of the Company's deferred compensation plan, aluminum hedging agreements, fuel hedging agreements and interest rate swap agreements for the categories above:

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

The Company maintains a non-qualified deferred compensation plan for certain executives and other highly compensated employees. The investment assets are held in mutual funds. The fair value of the mutual funds is based on the quoted market value of the securities held within the funds (Level 1). The related deferred compensation liability represents the fair value of the investment assets.

The Company's fuel hedging agreements are based upon NYMEX rates that are observable and quoted periodically over the full term of the agreements and are considered Level 2 items.

The Company's aluminum hedging agreements are based upon LME rates that are observable and quoted periodically over the full term of the agreements and are considered Level 2 items.

The Company's interest rate swap agreements were fair value hedges, as a result the Company received fixed and paid variable rates based on LIBOR swap rates. LIBOR swap rates were observable and quoted periodically over the full term of the agreements and were considered Level 2 items.

The Company does not have Level 3 assets or liabilities.

13. Other Liabilities

Other liabilities were summarized as follows:

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

14. Commitments and Contingencies

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

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

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

The Company has been purchasing plastic bottles from Southeastern and finished products from SAC for more than ten years.

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

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

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

14. Commitments and Contingencies

The Company is involved in various claims and legal proceedings which have arisen in the ordinary course of its business. Although it is difficult to predict the ultimate outcome of these claims and legal proceedings, management believes the ultimate disposition of these matters will not have a material adverse effect on the financial condition, cash flows or results of operations of the Company. No material amount of loss in excess of recorded amounts is believed to be reasonably possible as a result of these claims and legal proceedings.

The Company is subject to audit by tax authorities in jurisdictions where it conducts business. These audits may result in assessments that are subsequently resolved with the tax authorities or potentially through the courts. Management believes the Company has adequately provided for any assessments that are likely to result from these audits; however, final assessments, if any, could be different than the amounts recorded in the consolidated financial statements.

15. Income Taxes

The Company's effective income tax rate for YTD 2009 and YTD 2008 was 34.4% and 41.4%, respectively. The following table provides a reconciliation of the income tax expense at the statutory federal rate to actual income tax expense.

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

The Company had \$10.5 million of unrecognized tax benefits, including accrued interest as of December 28, 2008, of which \$9.4 million would affect the Company's effective tax rate if recognized. As of June 28, 2009, the Company had \$9.3 million of unrecognized tax benefits, including accrued interest, of which \$8.3 million would affect the Company's effective rate if recognized. It is expected that the amount of unrecognized tax benefits may change in the next 12 months. During this period, it is reasonably possible that tax audits could reduce unrecognized tax benefits. The Company cannot reasonably estimate the change in the amount of unrecognized tax benefits until further information is made available during the progress of the audits.

The Company recognizes potential interest and penalties related to uncertain tax positions in income tax expense. As of December 28, 2008, the Company had approximately \$2.5 million of accrued interest related to uncertain tax positions. As of June 28, 2009, the Company had approximately \$1.9 million of accrued interest related to uncertain tax positions. Income tax expense included an interest credit of approximately \$.6 million in YTD 2009 and interest expense of approximately \$.2 million in YTD 2008.

15. Income Taxes

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

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

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

16. Accumulated Other Comprehensive Loss

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

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

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

16. Accumulated Other Comprehensive Loss

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

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

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

| In Thousands | Dec. 30, 2007 | Application of SFAS No. 158 After tax (1) | Pre-tax Activity | Tax Effect | June 29, 2008 |
|--|-------------------|---|---------------------|---------------|-------------------|
| Net pension activity: | | | | | |
| Actuarial loss | \$(12,684) | \$ 23 | \$ 222 | \$(86) | \$(12,525) |
| Prior service costs | (55) | 1 | 8 | (3) | (49) |
| Net postretirement benefits activity: | | | | | |
| Actuarial loss | (9,928) | 141 | 458 | (176) | (9,505) |
| Prior service costs | 9,833 | (275) | (892) | 343 | 9,009 |
| Transition asset | 60 | (4) | (12) | 5 | 49 |
| Foreign currency translation adjustment | 23 | — | 12 | (5) | 30 |
| Total | \$(12,751) | \$(114) | \$(204) | \$ 78 | \$(12,991) |

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

17. Capital Transactions

The Company has two classes of common stock outstanding, Common Stock and Class B Common Stock. The Common Stock is traded on the NASDAQ Global Select MarketSM under the symbol COKE. There is no established public trading market for the Class B Common Stock. Shares of the Class B Common Stock are convertible on a share-for-share basis into shares of Common Stock at any time at the option of the holders of Class B Common Stock.

No cash dividend or dividend of property or stock other than stock of the Company, as specifically described in the Company's certificate of incorporation, may be declared and paid on the Class B Common Stock unless an equal or greater dividend is declared and paid on the Common Stock. During YTD 2009 and YTD 2008, dividends of \$.50 per share were declared and paid on both Common Stock and Class B Common Stock.

Each share of Common Stock is entitled to one vote per share and each share of Class B Common Stock is entitled to 20 votes per share at all meetings of stockholders. Except as otherwise required by law, holders of the Common Stock and Class B Common Stock vote together as a single class on all matters brought before the Company's stockholders. In the event of liquidation, there is no preference between the two classes of common stock.

On May 12, 1999, the stockholders of the Company approved a restricted stock award for J. Frank Harrison, III, the Company's Chairman of the Board of Directors and Chief Executive Officer, consisting of 200,000 shares of the Company's Class B Common Stock. Under the award, shares of restricted stock were granted at a rate of 20,000 shares per year over a ten-year period. The vesting of each annual installment was contingent upon the Company achieving at least 80% of the overall goal achievement factor in the Company's Annual Bonus Plan. The restricted stock award did not entitle Mr. Harrison, III to participate in dividend or voting rights until each installment had vested and the shares were issued. The restricted stock award expired at the end of fiscal year 2008. Each annual 20,000 share tranche had an independent performance requirement as it was not established until the Company's Annual Bonus Plan targets were approved each year by the Company's Board of Directors. As a result, each 20,000 share tranche was considered to have its own service inception date, grant-date fair value and requisite service period. The Company's Annual Bonus Plan targets, which establish the performance requirement for the restricted stock awards, were approved by the Compensation Committee of the Board of Directors in the first quarter of each year.

On February 27, 2008, the Compensation Committee of the Board of Directors determined 20,000 shares of restricted Class B Common Stock vested and should be issued to Mr. Harrison, III for the fiscal year ended December 30, 2007. On March 4, 2009, the Compensation Committee determined an additional 20,000 shares of restricted Class B Common Stock vested and should be issued to Mr. Harrison, III for the fiscal year ended December 28, 2008.

17. Capital Transactions

A summary of the restricted stock award was as follows:

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

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

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

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

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

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

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

17. Capital Transactions

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

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

18. Benefit Plans

Recently Adopted Pronouncement

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

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

Pension Plans

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

18. Benefit Plans

The components of net periodic pension cost (income) were as follows:

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

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

Postretirement Benefits

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

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

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

401(k) Savings Plan

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

18. Benefit Plans

Multi-Employer Benefits

The Company entered into a new agreement in the third quarter of 2008 when one of its collective bargaining contracts expired in July 2008. The new agreement allows the Company to freeze its liability to Central States, a multi-employer defined benefit pension fund, while preserving the pension benefits previously earned by the employees. As a result of freezing the Company's liability to Central States, the Company recorded a charge of \$13.6 million in the second half of 2008. The Company paid \$3.0 million in the fourth quarter of 2008 to the Southern States Savings and Retirement Plan ("Southern States") under the agreement to freeze the Central States liability. The remaining \$10.6 million was the present value amount, using a discount rate of 7%, that will be paid to Central States and was recorded in other liabilities. The Company will pay approximately \$1 million annually over the next 20 years. In addition, the Company will also make future contributions on behalf of these employees to Southern States.

19. Related Party Transactions

The Company's business consists primarily of the production, marketing and distribution of nonalcoholic beverages of The Coca-Cola Company, which is the sole owner of the secret formulas under which the primary components (either concentrate or syrup) of its beverage products are manufactured. As of June 28, 2009, The Coca-Cola Company had a 27.1% interest in the Company's total outstanding Common Stock and Class B Common Stock on a combined basis.

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

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

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

19. Related Party Transactions

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

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

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

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

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

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

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

19. Related Party Transactions

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

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

20. Net Sales by Product Category

Net sales by product category were as follows:

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

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

21. Net Income Per Share

The following table sets forth the computation of basic net income per share and diluted net income per share under the two-class method:

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

21. Net Income Per Share

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

21. Net Income Per Share

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

NOTES TO TABLE

- (1) For purposes of the diluted net income per share computation for Common Stock, shares of Class B Common Stock are assumed to be converted; therefore, 100% of undistributed earnings is allocated to Common Stock.
- (2) For purposes of the diluted net income per share computation for Class B Common Stock, weighted average shares of Class B Common Stock are assumed to be outstanding for the entire period and not converted.
- (3) Denominator for diluted net income per share for Common Stock and Class B Common Stock includes the dilutive effect of shares relative to the restricted stock awards.

22. Risks and Uncertainties

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

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

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

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

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

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

23. Supplemental Disclosures of Cash Flow Information

Changes in current assets and current liabilities affecting cash were as follows:

| In Thousands | First Half | |
|---|------------|------------|
| | 2009 | 2008 |
| Accounts receivable, trade, net | \$ (4,122) | \$(25,793) |
| Accounts receivable from The Coca-Cola Company | (19,267) | (13,443) |
| Accounts receivable, other | (2,586) | (3,514) |
| Inventories | (11,888) | (5,933) |
| Prepaid expenses and other current assets | (11,658) | (1,987) |
| Accounts payable, trade | 460 | (5,866) |
| Accounts payable to The Coca-Cola Company | 14,743 | 29,285 |
| Other accrued liabilities | 30,503 | 2,841 |
| Accrued compensation | (4,484) | (9,001) |
| Accrued interest payable | (688) | (913) |
| Increase in current assets less current liabilities | \$ (8,987) | \$(34,324) |

24. New Accounting Pronouncements

Recently Adopted Pronouncements

In September 2006, the FASB issued SFAS No. 157 which defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. The Statement does not require any new fair value measurements but could change the current practices in measuring current fair value measurements. The Statement was effective at the beginning of the first quarter of 2008 for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value on a recurring basis. In February 2008, the FASB issued FASB Staff Position SFAS No. 157-2, "Effective Date of FASB Statement No. 157," which deferred the application date of the provisions of SFAS No. 157 for all nonfinancial assets and liabilities until Q1 2009 except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The adoption of this Statement and Staff Position did not have a material impact on the consolidated financial statements as of YTD 2009, but could have a material effect in the future. See Note 12 to the consolidated financial statements for additional information.

In December 2007, the FASB revised SFAS No. 141, "Business Combinations" ("SFAS No. 141(R)"). This Statement established principles and requirements for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed and any noncontrolling interest in an acquisition, at their fair values as of the acquisition date. The Statement was effective for Q1 2009. The impact on the Company of adopting SFAS No. 141(R) depends on the nature, terms and size of business combinations completed after the effective date.

24. New Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements — an amendment of ARB No. 51." This Statement amended Accounting Research Bulletin No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary (commonly referred to previously as minority interest) and for the deconsolidation of a subsidiary. This Statement was effective for the Company as of the beginning of Q1 2009 and is being applied prospectively, except for the presentation and disclosure requirements, which have been applied retrospectively. The adoption of this Statement did not have a significant impact on the Company's consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133" ("SFAS No. 161"). This Statement amends and expands the disclosure requirements of Statement No. 133 to provide an enhanced understanding of why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how they affect an entity's financial position, financial performance and cash flows. The Statement was effective for Q1 2009. The adoption of this Statement did not impact the consolidated financial statements other than expanded footnote disclosures related to derivative instruments and related hedged items. See Note 11 to the consolidated financial statements for additional information.

In April 2008, the FASB issued FASB Staff Position No. 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"). FSP 142-3 amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under SFAS No. 142, "Goodwill and Other Intangible Assets." The intent of FSP 142-3 is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure its fair value. FSP 142-3 was effective for Q1 2009. The Company does not expect FSP 142-3 to have a material impact on the accounting for future acquisitions or renewals of intangible assets, but the potential impact is dependent upon the acquisitions or renewals of intangible assets in the future.

In September 2008, the FASB issued FASB Staff Position No. 133-1 and FIN 45-4, "Disclosures About Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45, and Clarification of the Effective Date of FASB Statement No. 161" ("FSP 133-1"). FSP 133-1 amends Statement No. 133 to require a seller of credit derivatives to provide certain disclosures for each credit derivative (or group of similar credit derivatives). FSP 133-1 also amends Interpretation No. 45 to require guarantors to disclose "the current status of payment/performance risk of guarantees" and clarifies the effective date of SFAS No. 161. The adoption of FSP 133-1 did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position No. 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP 157-4"). FSP 157-4 provides guidance on (1) estimating the fair value of an asset or liability when the volume and level of activity for the asset or liability have significantly decreased and (2) identifying transactions that are not orderly. FSP 157-4 was effective for interim and annual periods ending after June 15, 2009. The adoption of FSP 157-4 did not have a material impact on the Company's consolidated financial statements.

24. New Accounting Pronouncements

In April 2009, the FASB issued FASB Staff Position No. 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP 115-2"). FSP 115-2 amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities. FSP 115-2 was effective for interim and annual periods ending after June 15, 2009. The adoption of FSP 115-2 did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position No. 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP 107-1"). FSP 107-1 requires disclosures about the fair value of financial instruments in interim reporting periods of publicly traded companies as well as in annual financial statements. FSP 107-1 was effective for interim periods ending after June 15, 2009. The adoption of FSP 107-1 did not have a material impact on the Company's consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events." This Statement does not result in significant changes in the subsequent events that an entity reports in its financial statements. This Statement requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. This Statement was effective for the Company in Q2 2009, and the required disclosure has been included in Note 1 to the consolidated financial statements. The adoption of this Statement did not have a significant impact on the Company's consolidated financial statements.

Recently Issued Pronouncements

In December 2008, the FASB issued FASB Staff Position No. 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" ("FSP 132(R)-1"). FSP 132(R)-1 requires enhanced disclosures about plan assets of a company's defined benefit pension and other postretirement plans. The enhanced disclosures are intended to provide users of financial statements with a greater understanding of (1) employers' investment strategies; (2) major categories of plan assets; (3) the inputs and valuation techniques used to measure the fair value of plan assets; (4) the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period; and (5) concentration of risk within plan assets. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009. The adoption of this Statement will not impact the Company's consolidated financial statements other than expanded footnote disclosures related to the Company's pension plan assets.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140." This Statement eliminates the exceptions for qualifying special-purpose entities from consolidation guidance and the exception that permitted sale accounting for certain mortgage securitization when a transferor has not surrendered control over the transferred financial assets. This Statement is effective for annual reporting periods that begin after November 15, 2009. The Company does not expect this Statement to have a material impact on the Company's consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)." This Statement amends Interpretation No. 46(R) to replace the quantitative-based risks and rewards calculation for

24. New Accounting Pronouncements

determining which enterprise, if any, has a controlling financial interest in a variable interest entity (“VIE”) with an approach focused on identifying which enterprise has the power to direct the activities of the VIE that most significantly impacts the entity’s economic performance and the obligation to absorb losses or the right to receive benefits from the entity. This Statement is effective for annual reporting periods that begin after November 15, 2009. The Company is in the process of evaluating the impact of the Statement on the Company’s consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, “The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162.” The FASB Accounting Standards Codification™ (Codification) will become the source of authoritative United States GAAP recognized by the FASB to be applied by nongovernmental entities. This Statement and the Codification will not change GAAP. This Statement is effective for interim and annual periods ending after September 15, 2009. The Codification will not change GAAP and therefore should not impact the Company’s consolidated financial statements.

25. Restructuring Expenses

On July 15, 2008, the Company initiated a plan to reorganize the structure of its operating units and support services, which resulted in the elimination of approximately 350 positions, or approximately 5% of its workforce. As a result of this plan, the Company incurred \$4.6 million in pre-tax restructuring expenses in 2008 for one-time termination benefits.

The following table summarizes restructuring activity, which is included in selling, delivery and administrative expenses, for the year ended December 28, 2008 and the first half of the year ended June 28, 2009.

| In Thousands | Severance Pay and Benefits | Relocation and Other | Total |
|------------------------------|-------------------------------|-------------------------|--------|
| Balance at December 30, 2007 | \$ — | \$— | \$ — |
| Provision | 4,559 | 63 | 4,622 |
| Cash payments | 3,583 | 50 | 3,633 |
| Balance at December 28, 2008 | 976 | 13 | 989 |
| Provision | — | — | — |
| Cash payments | 841 | 13 | 854 |
| Balance at June 28, 2009 | \$ 135 | \$— | \$ 135 |

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

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“M,D&A”) should be read in conjunction with Coca-Cola Bottling Co. Consolidated’s (the “Company”) consolidated financial statements and the accompanying notes to the consolidated financial statements. M,D&A includes the following sections:

- Our Business and the Nonalcoholic Beverage Industry — a general description of the Company’s business and the nonalcoholic beverage industry.
- Areas of Emphasis — a summary of the Company’s key priorities.
- Overview of Operations and Financial Condition — a summary of key information and trends concerning the financial results for the second quarter of 2009 (“Q2 2009”) and the first half of 2009 (“YTD 2009”) and changes from the second quarter of 2008 (“Q2 2008”) and the first half of 2008 (“YTD 2008”).
- Discussion of Critical Accounting Policies, Estimates and New Accounting Pronouncements — a discussion of accounting policies that are most important to the portrayal of the Company’s financial condition and results of operations and that require critical judgments and estimates and the expected impact of new accounting pronouncements.
- Results of Operations — an analysis of the Company’s results of operations for Q2 2009 and YTD 2009 compared to Q2 2008 and YTD 2008.
- Financial Condition — an analysis of the Company’s financial condition as of the end of Q2 2009 compared to year-end 2008 and the end of Q2 2008 as presented in the consolidated financial statements.
- Liquidity and Capital Resources — an analysis of capital resources, cash sources and uses, investing activities, financing activities, off-balance sheet arrangements, aggregate contractual obligations and hedging activities.
- Cautionary Information Regarding Forward-Looking Statements.

The consolidated financial statements include the consolidated operations of the Company and its majority-owned subsidiaries including Piedmont Coca-Cola Bottling Partnership (“Piedmont”). The noncontrolling interest consists of The Coca-Cola Company’s interest in Piedmont, which was 22.7% for all periods presented.

Effective December 29, 2008, the beginning of the first quarter of 2009 (“Q1 2009”), the Company implemented Statement of Financial Accounting Standards (“SFAS”) No. 160, “Noncontrolling Interest in Consolidated Financial Statements — an amendment of ARB No. 51.” The Statement changes the accounting and reporting standards for the noncontrolling interest in a subsidiary (commonly referred to previously as minority interest). Piedmont is the Company’s only subsidiary that has a noncontrolling interest. Noncontrolling interest income of \$.7 million in Q2 2009, \$1.0 million in YTD 2009, \$1.4 million in Q2 2008 and \$1.0 million in YTD 2008 have been reclassified to be included in net income on the Company’s consolidated statement of operations. In addition, the amount of consolidated net income attributable to both the Company and the noncontrolling interest are shown on the Company’s consolidated statement of operations. Noncontrolling interest related to Piedmont totaled \$51.4 million, \$50.4 million and \$49.0 million at June 28, 2009, December 28, 2008 and June 29, 2008, respectively. These amounts have been reclassified as noncontrolling interest in the equity section of the Company’s consolidated balance sheets.

Our Business and the Nonalcoholic Beverage Industry

The Company produces, markets and distributes nonalcoholic 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 the second largest bottler of products of The Coca-Cola Company in the United States, distributing these products in eleven states primarily in the Southeast. The Company also distributes several other beverage brands. These product offerings include both sparkling and still beverages. Sparkling beverages are primarily carbonated beverages including energy products. Still beverages are primarily noncarbonated beverages such as bottled water, tea, ready to drink coffee, enhanced water, juices and sports drinks. The Company had net sales of approximately \$1.5 billion in 2008.

The nonalcoholic beverage market is highly competitive. The Company's competitors include bottlers and distributors of nationally and regionally advertised and marketed products and private label products. In each region in which the Company operates, between 85% and 95% of sparkling beverage sales in bottles, cans and other containers are accounted for by the Company and its principal competitors, which in each region includes the local bottler of Pepsi-Cola and, in some regions, the local bottler of Dr Pepper, Royal Crown and/or 7-Up products. During the last several years, industry sales of sugar sparkling beverages, other than energy products, have declined. The decline in sugar sparkling beverages has generally been offset by sales growth in other nonalcoholic product categories. The sparkling beverage category (including energy products) represents 82% of the Company's YTD 2009 bottle/can net sales.

The principal methods of competition in the nonalcoholic beverage industry are point-of-sale merchandising, new product introductions, new vending and dispensing equipment, packaging changes, pricing, price promotions, product quality, retail space management, customer service, frequency of distribution and merchandising, and advertising. The Company believes it is competitive in its territories with respect to each of these methods.

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

The Company performs its annual impairment test of franchise rights and goodwill as of the first day of the fourth quarter. During YTD 2009, the Company believes it has not experienced any events or changes in circumstances that indicate the carrying amounts of the Company's franchise rights or goodwill exceeded fair values. As such, the Company has not performed an interim impairment test during YTD 2009 and has not recognized any impairments of franchise rights or goodwill.

Net sales by product category were as follows:

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

Areas of Emphasis

Key priorities for the Company include revenue management, product innovation and beverage portfolio expansion, distribution cost management and productivity.

Revenue Management

Revenue management requires a strategy which reflects consideration for pricing of brands and packages within product categories and channels, highly effective working relationships with customers and disciplined fact-based decision-making. Revenue management has been and continues to be a key performance driver which has significant impact on the Company's results of operations.

Product Innovation and Beverage Portfolio Expansion

Sparkling beverages volume, other than energy products, has declined over the past several years. Innovation of both new brands and packages has been and will continue to be critical to the Company's overall revenue. The Company began distributing Monster Energy® drinks in certain of the Company's territories beginning in November 2008. The Company introduced the following new products during 2007: smartwater®, vitaminwater®, vitaminenergy™, Gold Peak™ and Country Breeze tea products, juice products from FUZE® (a subsidiary of The Coca-Cola Company) and V8® juice products from the Campbell Soup Company. The Company also modified its energy product portfolio in 2007 with the addition of NOS® products from FUZE®.

In October 2008, the Company entered into a distribution agreement with Hansen Beverage Company ("Hansen"), the developer, marketer, seller and distributor of Monster Energy® drinks, the leading volume brand in the U. S. energy category. Under this agreement, the Company has the right to distribute Monster Energy® drinks in certain of the Company's territories. The agreement has a term of 20 years and can be terminated by either party under certain circumstances, subject to a termination penalty in certain cases. In conjunction with the execution of this agreement, the Company was required to pay Hansen \$2.3 million. This amount equals the amount that Hansen was required to pay to the distributors of Monster Energy® drinks to terminate the prior distribution agreements. The Company has recorded the payment to Hansen as distribution rights and will amortize the amount on a straight-line basis to selling, delivery and administrative ("S,D&A") expenses over the 20-year term of the agreement.

In August 2007, the Company entered into a distribution agreement with Energy Brands Inc. ("Energy Brands"), a wholly-owned subsidiary of The Coca-Cola Company. Energy Brands, also known as glacéau, is a producer and distributor of branded enhanced beverages including vitaminwater®, smartwater® and vitaminenergy™. The distribution agreement was effective November 1, 2007 for a period of ten years and, unless earlier terminated, will be automatically renewed for succeeding ten-year terms, subject to a one year non-renewal notification by the Company. In conjunction with the execution of the distribution agreement, the Company entered into an agreement with The Coca-Cola Company whereby the Company agreed not to introduce new third party brands or certain third party brand extensions in the United States through August 31, 2010 unless mutually agreed to by the Company and The Coca-Cola Company.

The Company has invested in its own brand portfolio with products such as Tum-E Yummies™, a vitamin C enhanced flavored drink, Country Breeze tea and diet Country Breeze tea and became the exclusive licensee of Cinnabon Premium Coffee Lattes. These brands enable the Company to participate in strong growth categories and capitalize on distribution channels that may include the Company's traditional Coca-Cola franchise territory as well as third party distributors outside the Company's traditional Coca-Cola franchise territory. While the growth prospects of Company-owned or exclusive licensed brands appear promising, the cost of developing, marketing and distributing these brands is anticipated to be significant as well.

Distribution Cost Management

Distribution costs represent the costs of transporting finished goods from Company locations to customer outlets. Total distribution costs amounted to \$92.0 million and \$102.0 million in YTD 2009 and YTD 2008, respectively. Over the past several years, the Company has focused on converting its distribution system from a conventional routing system to a predictive system. This conversion to a predictive system has allowed the Company to more efficiently handle increasing numbers of products. In addition, the Company has closed a number of smaller sales distribution centers over the past several years reducing its fixed warehouse-related costs.

The Company has three primary delivery systems for its current business:

- bulk delivery for large supermarkets, mass merchandisers and club stores;
- advanced sales delivery for convenience stores, drug stores, small supermarkets and certain on-premise accounts; and
- full service delivery for its full service vending customers.

Distribution cost management will continue to be a key area of emphasis for the Company.

Productivity

A key driver in the Company's S,D&A expense management relates to ongoing improvements in labor productivity and asset productivity. The Company initiated plans to reorganize the structure in its operating units and support services in July 2008. The reorganization resulted in the elimination of approximately 350 positions, or approximately 5%, of the Company's workforce. The Company implemented these changes in order to improve its efficiency and to help offset significant increases in the cost of raw materials and operating expenses. The Company anticipates substantial annual savings from this reorganization plan. The plan was completed in the fourth quarter of 2008. The Company continues to focus on its supply chain and distribution functions for ongoing opportunities to improve productivity.

Overview of Operations and Financial Condition

The following items affect the comparability of the financial results presented below:

Q2 2009 and YTD 2009

- a \$3.2 million and \$3.9 million pre-tax favorable mark-to-market adjustment to cost of sales related to the Company's 2010 and 2011 aluminum hedging programs in Q2 2009 and YTD 2009, respectively;
- a \$1.7 million credit to income tax expense related to the agreement with a state tax authority to settle certain prior tax positions in Q1 2009;
- a \$0.9 million and \$2.1 million pre-tax favorable impact to S,D&A expenses due to a change in the estimate of the useful lives of certain cold drink dispensing equipment in Q2 2009 and YTD 2009, respectively;
- a \$0.6 million and \$1.0 million pre-tax favorable mark-to-market adjustment to S,D&A expenses related to the Company's 2009 fuel hedging program in Q2 2009 and YTD 2009, respectively;

- a \$.6 million pre-tax favorable adjustment to S,D&A expenses related to the gain on the termination of a capital lease related to an operating facility in Q1 2009; and
 - a \$.5 million and \$1.6 million pre-tax favorable mark-to-market adjustment to S,D&A expenses related to the Company's 2010 fuel hedging program in Q2 2009 and YTD 2009, respectively.
- Q2 2008 and YTD 2008
- a \$2.6 million adjustment to increase equity investment in a plastic bottle cooperative in Q2 2008; and
 - a \$1.5 million and \$1.8 million pre-tax favorable mark-to-market adjustment to S,D&A expenses related to the Company's fuel hedging program in Q2 2008 and YTD 2008, respectively.

The following overview provides a summary of key information concerning the Company's financial results for Q2 2009 and YTD 2009 compared to Q2 2008 and YTD 2008.

| In Thousands (Except Per Share Data) | Second Quarter | | Change | % Change |
|--|----------------|-----------|------------|----------|
| | 2009 | 2008 | | |
| Net sales | \$377,749 | \$396,003 | \$(18,254) | (4.6) |
| Gross margin | 160,127 | 171,880 | (11,753) | (6.8) |
| S,D&A expenses | 129,449 | 135,673 | (6,224) | (4.6) |
| Income from operations | 30,678 | 36,207 | (5,529) | (15.3) |
| Interest expense | 9,935 | 9,949 | (14) | (0.1) |
| Income before income taxes | 20,743 | 26,258 | (5,515) | (21.0) |
| Income tax provision | 7,825 | 9,743 | (1,918) | (19.7) |
| Net income | 12,918 | 16,515 | (3,597) | (21.8) |
| Net income attributable to the Company | 12,187 | 15,155 | (2,968) | (19.6) |
| Basic net income per share: | | | | |
| Common Stock | \$ 1.33 | \$ 1.66 | \$ (.33) | (19.9) |
| Class B Common Stock | \$ 1.33 | \$ 1.66 | \$ (.33) | (19.9) |
| Diluted net income per share: | | | | |
| Common Stock | \$ 1.32 | \$ 1.65 | \$ (.33) | (20.0) |
| Class B Common Stock | \$ 1.32 | \$ 1.65 | \$ (.33) | (20.0) |

| In Thousands (Except Per Share Data) | First Half | | Change | % Change |
|--|------------|-----------|------------|----------|
| | 2009 | 2008 | | |
| Net sales | \$714,010 | \$733,677 | \$(19,667) | (2.7) |
| Gross margin | 307,256 | 311,798 | (4,542) | (1.5) |
| S,D&A expenses | 255,437 | 271,916 | (16,479) | (6.1) |
| Income from operations | 51,819 | 39,882 | 11,937 | 29.9 |
| Interest expense | 19,193 | 20,383 | (1,190) | (5.8) |
| Income before income taxes | 32,626 | 19,499 | 13,127 | 67.3 |
| Income tax provision | 10,885 | 7,658 | 3,227 | 42.1 |
| Net income | 21,741 | 11,841 | 9,900 | 83.6 |
| Net income attributable to the Company | 20,718 | 10,820 | 9,898 | 91.5 |
| Basic net income per share: | | | | |
| Common Stock | \$ 2.26 | \$ 1.18 | \$ 1.08 | 91.5 |
| Class B Common Stock | \$ 2.26 | \$ 1.18 | \$ 1.08 | 91.5 |
| Diluted net income per share: | | | | |
| Common Stock | \$ 2.25 | \$ 1.18 | \$ 1.07 | 90.7 |
| Class B Common Stock | \$ 2.25 | \$ 1.18 | \$ 1.07 | 90.7 |

The Company's net sales decreased 4.6% in Q2 2009 compared to Q2 2008. The decrease in net sales was primarily due to a 9.6% decrease in bottle/can volume partially offset by a 3.9% increase in average sales price per bottle/can unit. The Company's net sales decreased 2.7% in YTD 2009 compared to YTD 2008. The decrease in net sales was primarily due to an 8.4% decrease in bottle/can volume partially offset by a 4.5% increase in average sales price per bottle/can unit. The decreases in bottle/can volume were primarily due to a decrease in volume in all product categories except energy products. The increases in average sales price per bottle/can unit were primarily due to increased sales prices in all product categories except enhanced water products.

Gross margin dollars decreased 6.8% in Q2 2009 compared to Q2 2008. The Company's gross margin percentage decreased to 42.4% for Q2 2009 from 43.4% for Q2 2008. Gross margin dollars decreased 1.5% in YTD 2009 compared to YTD 2008. The Company's gross margin percentage increased to 43.0% for YTD 2009 from 42.5% for YTD 2008. The decrease in gross margin dollars was primarily due to lower bottle/can volume and increases in raw material costs partially offset by higher average sales price per bottle/can unit. The decrease in gross margin percentage in Q2 2009 compared to Q2 2008 was primarily due to higher raw material costs and a decrease in marketing funding support partially offset by higher sales prices per unit and a decrease in cost of sales due to the Company's aluminum hedging program. The increase in gross margin percentage in YTD 2009 compared to YTD 2008 was primarily due to higher sales prices per unit and a decrease in cost of sales due to the Company's aluminum hedging program partially offset by higher raw material costs and a decrease in marketing funding support.

S,D&A expenses decreased 4.6% in Q2 2009 from Q2 2008 and 6.1% in YTD 2009 from YTD 2008. The decreases in S,D&A expenses in Q2 2009 from Q2 2008 and YTD 2009 from YTD 2008 were primarily attributable to decreases in salaries and wages, decreases in fuel costs and decreased depreciation expense offset by increases in bad debt expense and increased employee benefit costs.

Net interest expense was flat in Q2 2009 compared to Q2 2008 and decreased 5.8% in YTD 2009 compared to YTD 2008. The decrease in YTD 2009 compared to YTD 2008 was primarily due to lower effective interest rates and lower debt. The Company's overall weighted average interest rate decreased to 5.7% during YTD 2009 from 5.8% during YTD 2008.

Net debt and capital lease obligations were summarized as follows:

| In Thousands | June 28, 2009 | December 28, 2008 | June 29, 2008 |
|--|------------------|----------------------|------------------|
| Debt | \$580,288 | \$591,450 | \$621,450 |
| Capital lease obligations | 64,891 | 77,614 | 78,936 |
| Total debt and capital lease obligations | 645,179 | 669,064 | 700,386 |
| Less: Cash and cash equivalents | 33,453 | 45,407 | 9,323 |
| Total net debt and capital lease obligations (1) | \$611,726 | \$623,657 | \$691,063 |

(1) The non-GAAP measure “Total net debt and capital lease obligations” is used to provide investors with additional information which management believes is helpful in the evaluation of the Company’s capital structure and financial leverage.

Discussion of Critical Accounting Policies, Estimates and New Accounting Pronouncements

Critical Accounting Policies

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 consolidated 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 included in its Annual Report on Form 10-K for the year ended December 28, 2008 a discussion of the Company’s most critical accounting policies, which are those 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.

The Company did not make changes in any critical accounting policies during YTD 2009. Any changes in critical accounting policies and estimates are discussed with the Audit Committee of the Board of Directors of the Company during the quarter in which a change is made.

Recently Adopted Pronouncements

In September 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 157 which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP) and expands disclosures about fair value measurements. The Statement does not require any new fair value measurements but could change the current practices in measuring current fair value measurements. The Statement was effective at the beginning of the first quarter of 2008 for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value on a recurring basis. In February 2008, the FASB issued FASB Staff Position SFAS No. 157-2, “Effective Date of FASB Statement No. 157,” which deferred the application date of the provisions of SFAS No. 157 for all nonfinancial assets and liabilities until Q1 2009 except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The adoption of this Statement and Staff Position did not have a material impact on the consolidated financial statements as of YTD 2009, but could have a material effect in the future. See Note 12 to the consolidated financial statements for additional information.

In December 2007, the FASB revised SFAS No. 141, “Business Combinations” (“SFAS No. 141(R)"). This Statement established principles and requirements for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed and any noncontrolling interest in an acquisition, at their fair values as of the acquisition date. The Statement was effective for Q1 2009. The impact on the Company of adopting

SFAS No. 141(R) depends on the nature, terms and size of business combinations completed after the effective date.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interest in Consolidated Financial Statements — an amendment of ARB No. 51.” This Statement amended Accounting Research Bulletin No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary (commonly referred to previously as minority interest) and for the deconsolidation of a subsidiary. This Statement was effective for the Company as of the beginning of Q1 2009 and is being applied prospectively, except for the presentation and disclosure requirements, which have been applied retrospectively. The adoption of this Statement did not have a significant impact on the Company’s consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133” (“SFAS No. 161”). This Statement amends and expands the disclosure requirements of Statement No. 133 to provide an enhanced understanding of why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how they affect an entity’s financial position, financial performance and cash flows. The Statement was effective for Q1 2009. The adoption of this Statement did not impact the consolidated financial statements other than expanded footnote disclosures related to derivative instruments and related hedged items. See Note 11 to the consolidated financial statements for additional information.

In April 2008, the FASB issued FASB Staff Position No. 142-3, “Determination of the Useful Life of Intangible Assets” (“FSP 142-3”). FSP 142-3 amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under SFAS No. 142, “Goodwill and Other Intangible Assets.” The intent of FSP 142-3 is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure its fair value. FSP 142-3 was effective for Q1 2009. The Company does not expect FSP 142-3 to have a material impact on the accounting for future acquisitions or renewals of intangible assets, but the potential impact is dependent upon the acquisitions or renewals of intangible assets in the future.

In September 2008, the FASB issued FASB Staff Position No. 133-1 and FIN 45-4, “Disclosures About Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45, and Clarification of the Effective Date of FASB Statement No. 161” (“FSP 133-1”). FSP 133-1 amends Statement No. 133 to require a seller of credit derivatives to provide certain disclosures for each credit derivative (or group of similar credit derivatives). FSP 133-1 also amends Interpretation No. 45 to require guarantors to disclose “the current status of payment/performance risk of guarantees” and clarifies the effective date of SFAS No. 161. The adoption of FSP 133-1 did not have a material impact on the Company’s consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position No. 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly” (“FSP 157-4”). FSP 157-4 provides guidance on (1) estimating the fair value of an asset or liability when the volume and level of activity for the asset or liability have significantly decreased and (2) identifying transactions that are not orderly. FSP 157-4 was effective for interim and annual periods ending after June 15, 2009. The adoption of FSP 157-4 did not have a material impact on the Company’s consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position No. 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments” (“FSP 115-2”). FSP 115-2 amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities. FSP 115-2 was

effective for interim and annual periods ending after June 15, 2009. The adoption of FSP 115-2 did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position No. 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP 107-1"). FSP 107-1 requires disclosures about the fair value of financial instruments in interim reporting periods of publicly traded companies as well as in annual financial statements. FSP 107-1 was effective for interim periods ending after June 15, 2009. The adoption of FSP 107-1 did not have a material impact on the Company's consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events." This Statement does not result in significant changes in the subsequent events that an entity reports in its financial statements. This Statement requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. This Statement was effective for the Company in Q2 2009, and the required disclosure has been included in Note 1 to the consolidated financial statements. The adoption of this Statement did not have a significant impact on the Company's consolidated financial statements.

Recently Issued Pronouncements

In December 2008, the FASB issued FASB Staff Position No. 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" ("FSP 132(R)-1"). FSP 132(R)-1 requires enhanced disclosures about plan assets of a company's defined benefit pension and other postretirement plans. The enhanced disclosures are intended to provide users of financial statements with a greater understanding of (1) employers' investment strategies; (2) major categories of plan assets; (3) the inputs and valuation techniques used to measure the fair value of plan assets; (4) the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period; and (5) concentration of risk within plan assets. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009. The adoption of this Statement will not impact the Company's consolidated financial statements other than expanded footnote disclosures related to the Company's pension plan assets.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140." This Statement eliminates the exceptions for qualifying special-purpose entities from consolidation guidance and the exception that permitted sale accounting for certain mortgage securitization when a transferor has not surrendered control over the transferred financial assets. This Statement is effective for annual reporting periods that begin after November 15, 2009. The Company does not expect this Statement to have a material impact on the Company's consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)." This Statement amends Interpretation No. 46(R) to replace the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a variable interest entity ("VIE") with an approach focused on identifying which enterprise has the power to direct the activities of the VIE that most significantly impacts the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the entity. This Statement is effective for annual reporting periods that begin after November 15, 2009. The Company is in the process of evaluating the impact of the Statement on the Company's consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162." The FASB Accounting Standards Codification™ (Codification) will become the source of authoritative United States GAAP recognized by the FASB to be applied by nongovernmental entities. This Statement and the Codification will not change GAAP. This Statement is effective for interim and annual periods ending after

September 15, 2009. The Codification will not change GAAP and therefore should not impact the Company's consolidated financial statements.

Results of Operations

Q2 2009 Compared to Q2 2008 and YTD 2009 Compared to YTD 2008

Net Sales

Net sales decreased \$18.3 million, or 4.6%, to \$377.7 million in Q2 2009 compared to \$396.0 million in Q2 2008. Net sales decreased \$19.7 million, or 2.7% to \$714.0 million in YTD 2009 compared to \$733.7 million in YTD 2008.

The decrease in net sales was a result of the following:

| <u>Q2 2009</u> <u>(In Millions)</u> | <u>Attributable to:</u> |
|--|---|
| \$ (30.3) | 9.6% decrease in bottle/can volume primarily due to a volume decrease in all product categories except energy products |
| 10.8 | 3.9% increase in bottle/can sales price per unit primarily due to higher per unit prices in all product categories except enhanced water products |
| 2.5 | 7.7% increase in sales price per unit for sales to other Coca-Cola bottlers primarily due to increases in all product categories |
| (2.2) | 6.2% decrease in sales volume sold to other Coca-Cola bottlers primarily due to a volume decrease in all product categories |
| (1.8) | 9.4% decrease in post-mix volume |
| 1.2 | 6.9% increase in post-mix sales price per unit |
| 1.5 | Other |
| <u>\$ (18.3)</u> | Total decrease in net sales |

| <u>YTD 2009</u> (In Millions) | <u>Attributable to:</u> |
|----------------------------------|---|
| \$ (49.3) | 8.4% decrease in bottle/can volume primarily due to a volume decrease in all product categories except energy products |
| 24.1 | 4.5% increase in bottle/can sales price per unit primarily due to higher per unit prices in all product categories except enhanced water products |
| 4.4 | 7.0% increase in sales price per unit for sales to other Coca-Cola bottlers primarily due to increases in all product categories |
| (3.4) | 9.1% decrease in post-mix volume |
| 2.2 | 6.7% increase in post-mix sales price per unit |
| 2.3 | Other |
| <u>\$ (19.7)</u> | <u>Total decrease in net sales</u> |

In YTD 2009, the Company's bottle/can sales to retail customers accounted for 84% of the Company's total net sales. Bottle/can net pricing is based on the invoice price charged to customers reduced by promotional allowances. Bottle/can net pricing per unit is impacted by the price charged per package, the volume generated in each package and the channels in which those packages are sold. The increase in the Company's bottle/can net pricing per unit in Q2 2009 compared to Q2 2008 and YTD 2009 compared to YTD 2008 was primarily due to sales price increases in all product categories, except enhanced water products.

Product category sales volume in Q2 2009 and Q2 2008 and YTD 2009 and YTD 2008 as a percentage of total bottle/can sales volume and the percentage change by product category was as follows:

| <u>Product Category</u> | <u>Bottle/Can Sales Volume</u> | | <u>Bottle/Can Sales Volume % Increase (Decrease)</u> |
|---|--------------------------------|----------------|--|
| | <u>Q2 2009</u> | <u>Q2 2008</u> | |
| Sparkling beverages (including energy products) | 84.6% | 83.6% | (8.5) |
| Still beverages | 15.4% | 16.4% | (15.1) |
| Total bottle/can sales volume | <u>100.0%</u> | <u>100.0%</u> | (9.6) |

| <u>Product Category</u> | <u>Bottle/Can Sales Volume</u> | | <u>Bottle/Can Sales Volume % Increase (Decrease)</u> |
|---|--------------------------------|-----------------|--|
| | <u>YTD 2009</u> | <u>YTD 2008</u> | |
| Sparkling beverages (including energy products) | 85.4% | 84.0% | (6.9) |
| Still beverages | 14.6% | 16.0% | (16.4) |
| Total bottle/can sales volume | <u>100.0%</u> | <u>100.0%</u> | (8.4) |

The Company's products are sold and distributed through various channels. These channels include selling directly to retail stores and other outlets such as food markets, institutional accounts and vending machine outlets. During YTD 2009, approximately 68% of the Company's bottle/can volume was sold for future consumption. The remaining bottle/can volume of approximately 32% was sold for immediate consumption. The Company's largest customer, Wal-Mart Stores, Inc., accounted for approximately 19% of the Company's total bottle/can volume during YTD 2009. The Company's second largest customer, Food Lion, LLC, accounted for approximately 11% of the Company's total bottle/can volume in YTD 2009. All of the Company's beverage sales are to customers in the United States.

The Company recorded delivery fees in net sales of \$3.9 million and \$3.2 million in YTD 2009 and YTD 2008, respectively. These fees are used to offset a portion of the Company's delivery and handling costs.

Cost of Sales

Cost of sales includes the following: raw material costs, manufacturing labor, manufacturing overhead including depreciation expense, manufacturing warehousing costs and shipping and handling costs related to the movement of finished goods from manufacturing locations to sales distribution centers.

Cost of sales decreased 2.9%, or \$6.5 million, to \$217.6 million in Q2 2009 compared to \$224.1 million in Q2 2008. Cost of sales decreased 3.6%, or \$15.1 million, to \$406.8 million in YTD 2009 compared to \$421.9 million in YTD 2008.

The decrease in cost of sales was principally attributable to the following:

| <u>Q2 2009</u> (In Millions) | <u>Attributable to:</u> |
|---------------------------------|---|
| \$ (16.5) | 9.6% decrease in bottle/can volume primarily due to a volume decrease in all product categories except energy products |
| 8.3 | Increase in raw material costs such as concentrate, high fructose corn syrup and aluminum, partially offset by a decrease in purchased products |
| 5.7 | Decrease in marketing funding support received primarily from The Coca-Cola Company |
| (3.2) | Decrease in cost due to the Company's aluminum hedging program |
| 2.6 | Increase in equity investment in a plastic bottle cooperative in 2008 |
| (2.1) | 6.2% decrease in sales volume sold to other Coca-Cola bottlers primarily due to a volume decrease in all product categories |
| (1.2) | 9.4% decrease in post-mix volume |
| (0.1) | Other |
| <u>\$ (6.5)</u> | <u>Total decrease in cost of sales</u> |

| <u>YTD 2009</u> (In Millions) | <u>Attributable to:</u> |
|----------------------------------|---|
| \$ (27.0) | 8.4% decrease in bottle/can volume primarily due to a volume decrease in all product categories except energy products |
| 10.9 | Increase in raw material costs such as concentrate, high fructose corn syrup and aluminum, partially offset by a decrease in purchased products |
| 4.9 | Decrease in marketing funding support received primarily from The Coca-Cola Company |
| (3.9) | Decrease in cost due to the Company's aluminum hedging program |
| 2.6 | Increase in equity investment in a plastic bottle cooperative in 2008 |
| (2.3) | 9.1% decrease in post-mix volume |
| (0.3) | Other |
| <u>\$ (15.1)</u> | <u>Total decrease in cost of sales</u> |

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 concentrates, syrups and finished products to the Company make substantial marketing and 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 continue to provide marketing funding support, it is not obligated to do so under the Company's Beverage Agreements. Significant decreases in marketing funding support from The Coca-Cola Company or other beverage companies could adversely impact operating results of the Company in the future.

Total marketing funding support from The Coca-Cola Company and other beverage companies, which includes direct payments to the Company and payments to customers for marketing programs, was \$26.7 million for YTD 2009 compared to \$31.7 million for YTD 2008.

The net impact of the Company's aluminum hedging program was to decrease aluminum cost by \$3.2 million and \$3.9 million in Q2 2009 and YTD 2009, respectively.

Gross Margin

Gross margin dollars decreased 6.8%, or \$11.8 million, to \$160.1 million in Q2 2009 compared to \$171.9 million in Q2 2008. Gross margin as a percentage of net sales decreased to 42.4% for Q2 2009 from 43.4% for Q2 2008. Gross margin dollars decreased \$4.5 million, or 1.5%, to \$307.3 million in YTD 2009 compared to \$311.8 million in YTD 2008. Gross margin as a percentage of net sales increased to 43.0% in YTD 2009 from 42.5% in YTD 2008.

The decrease in gross margin dollars was primarily the result of the following:

| <u>Q2 2009</u> (In Millions) | <u>Attributable to:</u> |
|---------------------------------|---|
| \$ (13.8) | 9.6% decrease in bottle/can volume primarily due to a volume decrease in all product categories except energy products |
| 10.8 | 3.9% increase in bottle/can sales price per unit primarily due to higher per unit prices in all product categories except enhanced water products |
| (8.3) | Increase in raw material costs such as concentrate, high fructose corn syrup and aluminum, partially offset by a decrease in purchased products |
| (5.7) | Decrease in marketing funding support received primarily from The Coca-Cola Company |
| 3.2 | Increase in gross margin due to the Company's aluminum hedging program |
| (2.6) | Increase in equity investment in a plastic bottle cooperative in 2008 |
| 2.5 | 7.7% increase in sales price per unit for sales to other Coca-Cola bottlers primarily due to increases in all product categories |
| 1.2 | 6.9% increase in post-mix sales price per unit |
| 0.9 | Other |
| <u>\$ (11.8)</u> | Total decrease in gross margin |

| <u>YTD 2009</u> (In Millions) | <u>Attributable to:</u> |
|----------------------------------|---|
| \$ 24.1 | 4.5% increase in bottle/can sales price per unit primarily due to higher per unit prices in all product categories except enhanced water products |
| (22.3) | 8.4% decrease in bottle/can volume primarily due to a volume decrease in all product categories except energy products |
| (10.9) | Increase in raw material costs such as concentrate, high fructose corn syrup and aluminum, partially offset by a decrease in purchased products |
| (4.9) | Decrease in marketing funding support received primarily from The Coca-Cola Company |
| 4.4 | 7.0% increase in sales price per unit for sales to other Coca-Cola bottlers primarily due to increases in all product categories |
| 3.9 | Increase in gross margin due to the Company's aluminum hedging program |
| (2.6) | Increase in equity investment in a plastic bottle cooperative in 2008 |
| 2.2 | 6.7% increase in post-mix sales price per unit |
| (1.1) | 9.1% decrease in post-mix volume |
| 2.7 | Other |
| <u>\$ (4.5)</u> | <u>Total decrease in gross margin</u> |

The decrease in gross margin percentage in Q2 2009 compared to Q2 2008 was primarily due to higher raw material costs and a decrease in marketing funding support partially offset by higher sales prices per unit and a decrease in cost of sales due to the Company's aluminum hedging program. The increase in gross margin percentage in YTD 2009 compared to YTD 2008 was primarily due to higher sales prices per unit and a decrease in cost of sales due to the Company's aluminum hedging program partially offset by higher raw material costs and a decrease in marketing funding support.

The Company's gross margins may not be comparable to other companies, since some entities include all costs related to their distribution network in cost of sales. The Company includes a portion of these costs in S,D&A expenses.

S,D&A Expenses

S,D&A expenses include the following: sales management labor costs, distribution costs from sales distribution centers to customer locations, sales distribution center warehouse costs, depreciation expense related to sales centers, delivery vehicles and cold drink equipment, point-of-sale expenses, advertising expenses, cold drink equipment repair costs, amortization of intangibles and administrative support labor and operating costs such as treasury, legal, information services, accounting, internal control services, human resources and executive management costs.

S,D&A expenses decreased by \$6.2 million, or 4.6%, to \$129.4 million in Q2 2009 from \$135.7 million in Q2 2008. S,D&A expenses decreased by \$16.5 million, or 6.1%, to \$255.4 million in YTD 2009 from \$271.9 million in YTD 2008.

The decrease in S,D&A expenses was primarily due to the following:

| <u>Q2 2009</u> (In Millions) | <u>Attributable to:</u> |
|---------------------------------|--|
| \$ (3.9) | Decrease in employee salaries due to the Company implementing its July 2008 plan to reorganize the structure of its operating units and support services and eliminate approximately 350 positions |
| (3.7) | Decrease in fuel and other energy costs related to the movement of finished goods from sales distribution centers to customer locations |
| 3.5 | Increase in employee benefit costs primarily due to higher pension plan costs |
| (1.7) | Decrease in depreciation expense due to a change in the useful lives of certain cold drink dispensing equipment and lower levels of capital spending |
| (0.8) | Decrease in marketing expenses |
| 1.5 | Increase in property and casualty insurance expenses |
| 0.5 | Increase in bad debt expense |
| (1.6) | Other |
| <u>\$ (6.2)</u> | <u>Total decrease in S,D&A expenses</u> |

| <u>YTD 2009</u> (In Millions) | <u>Attributable to:</u> |
|----------------------------------|--|
| \$ (9.7) | Decrease in employee salaries due to the Company implementing its July 2008 plan to reorganize the structure of its operating units and support services and eliminate approximately 350 positions |
| (7.3) | Decrease in fuel and other energy costs related to the movement of finished goods from sales distribution centers to customer locations |
| 6.2 | Increase in employee benefit costs primarily due to higher pension plan costs |
| (3.7) | Decrease in depreciation expense due to a change in the useful lives of certain cold drink dispensing equipment and lower levels of capital spending |
| 2.5 | Increase in bad debt expense |
| (1.5) | Decrease in marketing expenses |
| 0.9 | Increase in property and casualty insurance expenses |
| (0.6) | Gain on the termination of a capital lease |
| (3.3) | Other |
| <u>\$ (16.5)</u> | <u>Total decrease in S,D&A expenses</u> |

Shipping and handling costs related to the movement of finished goods from manufacturing locations to sales distribution centers are included in cost of sales. Shipping and handling costs related to the movement of finished goods from sales distribution centers to customer locations are included in S,D&A expenses and totaled \$92.0 million and \$102.0 million in YTD 2009 and YTD 2008, respectively.

The net impact of the Company's fuel hedging program was to decrease fuel costs by \$2.6 million and \$1.8 million in YTD 2009 and YTD 2008, respectively.

Primarily due to the performance of the Company's pension plan investments during 2008, the Company's expense recorded in S,D&A expenses related to the two Company-sponsored pension plans increased by \$3.0 million from a \$.5 million credit in Q2 2008 to a \$2.5 million expense in Q2 2009 and by \$5.9 million from a \$1.0 million credit in YTD 2008 to a \$4.9 million expense in YTD 2009.

On July 15, 2008, the Company initiated a plan to reorganize the structure of its operating units and support services, which resulted in the elimination of approximately 350 positions, or approximately 5% of its workforce.

As a result of this plan, the Company incurred \$4.6 million in restructuring expenses in the second half of 2008 for one-time termination benefits. The plan was completed in 2008 and the majority of cash expenditures occurred in 2008.

The Company entered into a new agreement with a collective bargaining unit in the third quarter of 2008. The collective bargaining unit represents approximately 270 employees, or approximately 4% of the Company's total workforce. The new agreement allows the Company to freeze its liability to the Central States Pension Fund ("Central States"), a multi-employer pension fund, while preserving the pension benefits previously earned by the employees. As a result of the new agreement, the Company recorded a charge of \$13.6 million in the second half of 2008. The Company paid \$3.0 million in 2008 to the Southern States Savings and Retirement Plan ("Southern States") under this agreement. The remaining \$10.6 million was the present value amount, using a discount rate of 7%, which will be paid under the agreement and was recorded in other liabilities. The Company will pay approximately \$1 million annually over the next 20 years to Central States. The Company will also make future contributions on behalf of these employees to Southern States, a multi-employer defined contribution plan. In addition, the Company incurred approximately \$.4 million in expense to settle a strike by union employees covered by this plan.

The Company suspended matching contributions to its 401(k) Savings Plan effective April 1, 2009. The suspension reduced matching contribution expense by approximately \$2.5 million in Q2 2009. The Company anticipates this suspension will reduce matching contribution expense during the remainder of 2009 by approximately \$5 million.

Interest Expense

Net interest expense was flat in Q2 2009 compared to Q2 2008 and decreased 5.8%, or \$1.2 million in YTD 2009 and YTD 2008. The decrease in interest expense in YTD 2009 was primarily due to lower effective interest rates and lower debt. The Company's overall weighted average interest rate decreased to 5.7% during YTD 2009 from 5.8% during YTD 2008. See the "Liquidity and Capital Resources — Hedging Activities — Interest Rate Hedging" section of M,D&A for additional information.

Income Taxes

The Company's effective income tax rate for YTD 2009 was 34.4% compared to 41.4% for YTD 2008. The lower effective tax rate for YTD 2009 resulted primarily from a decrease in the Company's reserve for uncertain tax positions. See Note 15 to the consolidated financial statements for additional information. The Company's income tax rate for the remainder of 2009 is dependent upon the results of operations and may change if the results in 2009 are different from current expectations.

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

Noncontrolling Interest

The Company recorded net income attributable to the noncontrolling interest of \$1.0 million in both YTD 2009 and YTD 2008 related to the portion of Piedmont owned by The Coca-Cola Company.

Financial Condition

Total assets of \$1.3 billion at June 28, 2009 did not materially change from December 28, 2008 primarily due to decreases in cash and cash equivalents; property, plant and equipment, net and leased property under capital leases, net offset by increases in accounts receivable, inventories, prepaid expenses and other current assets. Property, plant and equipment, net decreased primarily due to lower levels of capital spending over the past several years. Leased property under capital leases, net decreased primarily due to the termination of one lease and the modification of a second lease.

Net working capital, defined as current assets less current liabilities, increased by \$183.9 million to \$86.2 million at June 28, 2009 from December 28, 2008 and increased by \$124.4 million at June 28, 2009 from June 29, 2008.

Significant changes in net working capital from December 28, 2008 were as follows:

- A decrease in current portion of long-term debt of \$174.3 million primarily due to the payment of \$119.3 million of debentures on May 1, 2009 and the payment of \$55.0 million of debentures on July 1, 2009 from borrowings on the Company's \$200 million revolving credit facility ("200 million facility") which is not due until March 2012.
- An increase in other accrued liabilities of \$20.3 million primarily due to the timing of payments.
- An increase in accounts receivable from and an increase in accounts payable to The Coca-Cola Company of \$19.3 million and \$14.7 million, respectively, primarily due to the timing of payments.
- A decrease in cash and cash equivalents of \$12.0 million primarily due to payment of \$119.3 million of debentures on May 1, 2009.
- An increase in inventories of \$11.9 million due primarily to seasonal increase and package changes for certain products.
- An increase in prepaid expenses and other current assets of \$11.6 million primarily due to transactions related to the Company's hedging programs.

Significant changes in net working capital from June 29, 2008 were as follows:

- A decrease in current portion of long-term debt of \$116.8 million primarily due to the payment of \$119.3 million of debentures on May 1, 2009.
- An increase in cash and cash equivalents of \$24.1 million primarily due to cash flow from operations.
- An increase in other accrued liabilities of \$21.4 million primarily due to the timing of payments.
- A decrease in accounts receivable, trade, net of \$14.3 million primarily due to changed credit terms for certain customers and decreased sales.
- An increase in prepaid expenses and other current assets of \$10.1 million primarily due to transactions related to the Company's hedging programs.
- An increase in inventories of \$7.9 million primarily due to package changes for certain products and increased finished product levels.
- An increase in accounts receivable from and an increase in accounts payable to The Coca-Cola Company of \$5.5 million and \$9.2 million, respectively, primarily due to the timing of payments.

Debt and capital lease obligations were \$645.2 million as of June 28, 2009 compared to \$669.1 million as of December 28, 2008 and \$700.4 million as of June 29, 2008. Debt and capital lease obligations as of June 28, 2009 included \$64.9 million of capital lease obligations related primarily to Company facilities.

Liquidity and Capital Resources

Capital Resources

The Company's sources of capital include cash flows from operations, available credit facilities and the issuance of debt and equity securities. Management believes the Company has sufficient resources available to finance its business plan, meet its working capital requirements and maintain an appropriate level of capital spending. 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.

As of June 28, 2009, the Company had \$200 million available under its \$200 million facility to meet its cash requirements. The \$200 million facility contains two financial covenants: a fixed charges coverage ratio and a debt to operating cash flow ratio, each as defined in the credit agreement. The fixed charges coverage ratio requires the Company to maintain a consolidated cash flow to fixed charges ratio of 1.5 to 1 or higher. The operating cash flow ratio requires the Company to maintain a debt to operating cash flow ratio of 6.0 to 1 or lower. The Company is currently in compliance with these covenants.

In April 2009, the Company issued \$110 million of unsecured 7% Senior Notes due 2019.

The Company had debt maturities of \$119.3 million in May 2009 and \$57.4 million in July 2009. On May 1, 2009, the Company used the proceeds from the \$110 million 7% Senior Notes due 2019 plus cash on hand to repay the debt maturity of \$119.3 million. The Company used cash flow generated from operations and \$55.0 million in borrowings under its \$200 million facility to repay the \$57.4 million debt maturity on July 1, 2009. The Company currently believes that all of the banks participating in the Company's \$200 million facility have the ability to and will meet any funding requests from the Company.

The Company has obtained the majority of its long-term financing, other than capital leases, from public markets. As of June 28, 2009, \$580.3 million of the Company's total outstanding balance of debt and capital lease obligations of \$645.2 million was financed through publicly offered debt. The Company had capital lease obligations of \$64.9 million as of June 28, 2009. There were no amounts outstanding on the \$200 million facility as of June 28, 2009.

Cash Sources and Uses

The primary sources of cash for the Company have been cash provided by operating activities, investing activities and financing activities. The primary uses of cash have been for capital expenditures, the payment of debt and capital lease obligations, dividend payments and income tax payments.

A summary of activity for YTD 2009 and YTD 2008 follows:

| In Millions | 2009 | First Half 2008 |
|---|------------------|--------------------|
| Cash Sources | | |
| Cash provided by operating activities (excluding income tax payments) | \$34.8 | \$15.3 |
| Proceeds from lines of credit, net | — | 30.0 |
| Proceeds from issuance of debt | 108.0 | — |
| Proceeds from the sale of property, plant and equipment | .4 | .3 |
| Total cash sources | \$143.2 | \$ 45.6 |
| Cash Uses | | |
| Capital expenditures | \$ 17.2 | \$ 31.6 |
| Investment in a plastic bottle manufacturing cooperative | — | .9 |
| Investment in restricted cash | 4.5 | — |
| Payment of lines of credit, net | — | 7.4 |
| Payment of debt and capital lease obligations | 120.7 | 1.3 |
| Debt issuance costs | 1.0 | — |
| Dividends | 4.6 | 4.6 |
| Income tax payments | 6.7 | .2 |
| Other | .5 | .1 |
| Total cash uses | \$155.2 | \$ 46.1 |
| Decrease in cash | \$ (12.0) | \$ (0.5) |

Investing Activities

Additions to property, plant and equipment during YTD 2009 were \$17.2 million compared to \$31.6 million during YTD 2008. Capital expenditures during YTD 2009 were funded with cash flows from operations. The Company anticipates total additions to property, plant and equipment in fiscal year 2009 will be in the range of \$45 million to \$55 million. Leasing is used for certain capital additions when considered cost effective relative to other sources of capital. The Company currently leases its corporate headquarters, two production facilities and several sales distribution facilities and administrative facilities.

Financing Activities

On March 8, 2007, the Company entered into a \$200 million facility replacing its \$100 million credit facility. The \$200 million facility matures in March 2012 and includes an option to extend the term for an additional year at the discretion of the participating banks. The \$200 million facility bears interest at a floating base rate or a floating rate of LIBOR plus an interest rate spread of .35%, dependent on the length of the term of the borrowing. In addition, the Company must pay an annual facility fee of .10% of the lenders' aggregate commitments under the facility. Both the interest rate spread and the facility fee are determined from a commonly-used pricing grid based on the Company's long-term senior unsecured debt rating. The \$200 million facility contains two financial covenants: a fixed charges coverage ratio and a debt to operating cash flow ratio, each as defined in the credit agreement. The fixed charges coverage ratio requires the Company to maintain a consolidated cash flow to fixed charges ratio of 1.5 to 1 or higher. The operating cash flow ratio requires the Company to maintain a debt to operating cash flow ratio of 6.0 to 1 or lower. On August 25, 2008, the Company entered into an amendment to the \$200 million facility. The amendment clarified that charges incurred by the Company resulting from the Company's withdrawal from Central States would be excluded from the calculations of the financial covenants to the extent they were incurred on or before March 31, 2009 and did not exceed \$15 million. See Note 18 to the consolidated

financial statements for additional details on the withdrawal from Central States. The Company is currently in compliance with these covenants as amended by the amendment to the \$200 million facility. These covenants do not currently, and the Company does not anticipate they will, restrict its liquidity or capital resources. There were no amounts outstanding under the \$200 million facility at June 28, 2009 and December 28, 2008. On June 29, 2008, the Company had \$30.0 million outstanding under the \$200 million facility. On July 1, 2009 the Company borrowed \$55.0 million under the \$200 million facility and used the proceeds, along with \$2.4 million of cash on hand, to repay at maturity the Company's \$57.4 million outstanding 7.20% Debentures due 2009. As the \$200 million facility does not mature until March 2012, the portion of the 7.20% Debentures due 2009 refinanced prior to the release of the June 28, 2009 consolidated financial statements has been classified as long-term as of June 28, 2009. The \$2.4 million of the 7.20% Debentures due 2009 paid with cash on hand has been classified as current as of June 28, 2009.

The Company borrowed periodically under an uncommitted line of credit provided by a bank participating in the \$200 million facility. This uncommitted line of credit made available at the discretion of the participating bank was temporarily terminated in the fourth quarter of 2008. In January 2009, the participating bank reinstated its uncommitted line of credit for \$65 million. This uncommitted line of credit was terminated on March 29, 2009.

In April 2009, the Company issued \$110 million of 7% Senior Notes due 2019. The proceeds plus cash on hand were used on May 1, 2009 to repay at maturity the \$119.3 million outstanding 6.375% Debentures due 2009.

All of the outstanding debt has been issued by the Company with none having been issued by any of the Company's subsidiaries. There are no guarantees of the Company's debt. The Company or its subsidiaries have entered into four capital leases.

At June 28, 2009, the Company's credit ratings were as follows:

| | |
|-------------------|-----------------------|
| | <u>Long-Term Debt</u> |
| Standard & Poor's | BBB |
| Moody's | Baa2 |

The Company's credit ratings are reviewed periodically by the respective rating agencies. Changes in the Company's operating results or financial position could result in changes in the Company's credit ratings. Lower credit ratings could result in higher borrowing costs for the Company or reduced access to capital markets, which could have a material impact on the Company's financial position or results of operations. There were no changes in these credit ratings from the prior year and the credit ratings are currently stable.

The Company's public debt is not subject to financial covenants but does limit the incurrence of certain liens and encumbrances as well as indebtedness by the Company's subsidiaries in excess of certain amounts.

Off-Balance Sheet Arrangements

The Company is a member of two manufacturing cooperatives and has guaranteed \$39.2 million of debt and related lease obligations for these entities as of June 28, 2009. In addition, the Company has an equity ownership in each of the entities. The members of both cooperatives consist solely of Coca-Cola bottlers. The Company does not anticipate either of these cooperatives will fail to fulfill their commitments. The Company further believes each of these cooperatives has sufficient assets, including production equipment, facilities and working capital, and the ability to adjust selling prices of their products to adequately mitigate the risk of material loss from the Company's guarantees. As of June 28, 2009, the Company's maximum exposure, if the entities borrowed up to their borrowing capacity, would have been \$69.4 million including the Company's equity interests. See Note 14 and Note 19 to the consolidated financial statements for additional information about these entities.

Aggregate Contractual Obligations

The following table summarizes the Company's contractual obligations and commercial commitments as of June 28, 2009:

| In Thousands | Payments Due by Period | | | | |
|--|------------------------|-------------------------|-------------------------|-------------------------|--------------------|
| | Total | July 2009- June 2010 | July 2010- June 2012 | July 2012- June 2014 | After June 2014 |
| Contractual obligations: | | | | | |
| Total debt, net of interest | \$ 580,288 | \$ 2,440 | \$ 55,000 | \$150,000 | \$372,848 |
| Capital lease obligations, net of interest | 64,891 | 3,674 | 7,887 | 8,797 | 44,533 |
| Estimated interest on long-term debt and capital lease obligations (1) | 220,459 | 33,332 | 65,583 | 52,350 | 69,194 |
| Purchase obligations (2) | 460,470 | 93,655 | 187,310 | 179,505 | — |
| Other long-term liabilities (3) | 110,938 | 7,442 | 14,691 | 13,626 | 75,179 |
| Operating leases | 20,911 | 3,713 | 5,505 | 3,183 | 8,510 |
| Long-term contractual arrangements (4) | 24,172 | 6,828 | 10,858 | 6,158 | 328 |
| Postretirement obligations | 36,929 | 1,917 | 4,811 | 5,200 | 25,001 |
| Purchase orders (5) | 39,169 | 39,169 | — | — | — |
| Total contractual obligations | \$1,558,227 | \$192,170 | \$351,645 | \$418,819 | \$595,593 |

- (1) Includes interest payments based on contractual terms and current interest rates for variable rate debt.
- (2) Represents an estimate of the Company's obligation to purchase 17.5 million cases of finished product on an annual basis through May 2014 from South Atlantic Canners, a manufacturing cooperative.
- (3) Includes obligations under executive benefit plans, unrecognized income tax benefits, the liability to exit from a multi-employer pension plan and other long-term liabilities.
- (4) Includes contractual arrangements with certain prestige properties, athletics venues and other locations, and other long-term marketing commitments.
- (5) Purchase orders include commitments in which a written purchase order has been issued to a vendor, but the goods have not been received or the services have not been performed.

The Company has \$9.3 million of unrecognized income tax benefits including accrued interest as of June 28, 2009 (included in other long-term liabilities in the table above) of which \$8.3 million would affect the Company's effective tax rate if recognized. It is expected that the amount of unrecognized tax benefits may change in the next 12 months. During this period, it is reasonably possible that tax audits could reduce unrecognized tax benefits. The Company cannot reasonably estimate the change in the amount of unrecognized tax benefits until further information is made available during the progress of the audits. See Note 15 to the consolidated financial statements for additional information.

The Company is a member of Southeastern Container, a plastic bottle manufacturing cooperative, from which the Company is obligated to purchase at least 80% of its requirements of plastic bottles for certain designated territories. This obligation is not included in the Company's table of contractual obligations and commercial commitments since there are no minimum purchase requirements.

As of June 28, 2009, the Company has \$22.4 million of standby letters of credit, primarily related to its property and casualty insurance programs. See Note 14 to the consolidated financial statements for additional information related to commercial commitments, guarantees, legal and tax matters.

The Company has not contributed to its two Company-sponsored pension plans in YTD 2009. The Company anticipates that it will be required to make contributions to its two Company-sponsored pension plans in 2009.

Based on information currently available, the Company estimates cash contributions in the remainder of 2009 will be in the range of \$8 million to \$12 million. Postretirement medical care payments are expected to be approximately \$2.3 million in 2009. See Note 18 to the consolidated financial statements for additional information related to pension and postretirement obligations.

Hedging Activities

Interest Rate Hedging

The Company periodically uses interest rate hedging products to mitigate risk from interest rate fluctuations. The Company has historically altered its fixed/floating rate mix based upon anticipated cash flows from operations relative to the Company's debt level and the potential impact of changes in interest rates on the Company's overall financial condition. Sensitivity analyses are performed to review the impact on the Company's financial position and coverage of various interest rate movements. The Company does not use derivative financial instruments for trading purposes nor does it use leveraged financial instruments.

In September 2008, the Company terminated six interest rate swap agreements with a notional amount of \$225 million it had outstanding. The Company received \$6.2 million in cash proceeds including \$1.1 million for previously accrued interest receivable. After accounting for the previously accrued interest receivable, the Company will amortize a gain of \$5.1 million over the remaining term of the underlying debt. The Company has no interest rate swap agreements outstanding as of June 28, 2009.

Interest expense was reduced due to the amortization of deferred gains on previously terminated interest rate swap agreements and forward interest rate agreements by \$1.5 million and \$.9 million during YTD 2009 and YTD 2008, respectively.

The weighted average interest rate of the Company's debt and capital lease obligations after taking into account all of the interest rate hedging activities was 5.7% as of June 28, 2009 compared to 5.9% as of December 28, 2008 and 5.4% as of June 29, 2008. Approximately 4.6% of the Company's debt and capital lease obligations of \$645.2 million as of June 28, 2009 was maintained on a floating rate basis and was subject to changes in short-term interest rates.

Fuel Hedging

The Company uses derivative instruments to hedge all of the Company's projected diesel fuel purchases for 2009 and 2010. These derivative instruments relate to diesel fuel used by the Company's delivery fleet. The Company pays a fee for these instruments which is amortized over the corresponding period of the instrument. The Company accounts for its fuel hedges on a mark-to-market basis with any expense or income being reflected as an adjustment of fuel costs.

In October 2008, the Company entered into derivative agreements to hedge all of its projected diesel fuel purchases for 2009 establishing an upper and lower limit on the Company's price of diesel fuel.

In February 2009, the Company entered into derivative agreements to hedge all of its projected diesel fuel purchases for 2010 establishing an upper limit on the Company's price of diesel fuel.

The net impact of the Company's fuel hedging program was to decrease fuel costs by \$1.1 million and \$1.5 million in Q2 2009 and Q2 2008, respectively. The net impact of the Company's fuel hedging program was to decrease fuel costs by \$2.6 million and \$1.8 million in YTD 2009 and YTD 2008, respectively.

Aluminum Hedging

At the end of Q1 2009, the Company began using derivative instruments to hedge 75% of the Company's projected 2010 aluminum purchase requirements. The Company pays a fee for these instruments which is amortized over the corresponding period of the instruments. The Company accounts for its aluminum hedges on a mark-to-market basis with any expense or income being reflected as an adjustment to cost of sales.

During Q2 2009, the Company entered into derivative agreements to hedge 75% of the Company's projected 2011 aluminum purchase requirements.

The net impact of the Company's aluminum hedging program was to decrease cost of sales by \$3.2 million and \$3.9 million in Q2 2009 and YTD 2009, respectively.

Cautionary Information Regarding 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, forward-looking management comments and other statements that reflect management's current outlook for future periods. These statements include, among others, statements relating to:

- the Company's belief that the covenants on its \$200 million facility will not restrict its liquidity or capital resources;
- the Company's belief that other parties to certain contractual arrangements will perform their obligations;
- potential marketing funding support from The Coca-Cola Company and other beverage companies;
- the Company's belief that disposition of certain claims and legal proceedings will not have a material adverse effect on its financial condition, cash flows or results of operations and that no material amount of loss in excess of recorded amounts is reasonably possible;
- management's belief that the Company has adequately provided for any ultimate amounts that are likely to result from tax audits;
- management's belief that the Company has sufficient resources available to finance its business plan, meet its working capital requirements and maintain an appropriate level of capital spending;
- the Company's belief that the cooperatives whose debt and lease obligations the Company guarantees have sufficient assets and the ability to adjust selling prices of their products to adequately mitigate the risk of material loss and that the cooperatives will perform their obligations under their debt and lease agreements;
- the Company's key priorities which are revenue management, product innovation and beverage portfolio expansion, distribution cost management and productivity;
- the Company's hypothetical calculation of the impact of a 1% increase in interest rates on outstanding floating rate debt and capital lease obligations for the next twelve months as of June 28, 2009;
- the Company's belief that cash contributions in 2009 to its two Company-sponsored pension plans will be in the range of \$8 million to \$12 million;
- the Company's belief that postretirement medical care payments are expected to be approximately \$2.3 million in 2009;
- the Company's expectation that additions to property, plant and equipment in 2009 will be in the range of \$45 million to \$55 million;
- the Company's beliefs and estimates regarding the impact of the adoption of certain new accounting pronouncements;
- the Company's beliefs that the growth prospects of Company-owned or exclusive licensed brands appear promising and the cost of developing, marketing and distributing these brands may be significant;
- the Company's expectation that unrecognized tax benefits may be reduced over the next 12 months as a result of tax audits;
- the Company's belief that all of the banks participating in the Company's \$200 million facility have the ability to and will meet any funding requests from the Company;
- the Company's belief that it is competitive in its territories with respect to the principal methods of competition in the nonalcoholic beverage industry;
- the Company's estimate that a 10% increase in the market price of certain commodities over the current market prices would cumulatively increase costs during the next 12 months by approximately \$23 million assuming no change in volume;

- the Company's anticipation that the suspension of matching contributions to its 401(k) Savings Plan will reduce benefit costs by approximately \$5 million in the remainder of 2009;
- the Company's belief that the majority of its deferred tax assets will be realized; and
- the Company's belief that innovation of new brands and packages will continue to be critical to the Company's overall revenue.

These statements and expectations are based on currently available competitive, financial and economic data along with the Company's operating plans, and are subject to future events and uncertainties that could cause anticipated events not to occur or actual results to differ materially from historical or anticipated results. Factors that could impact those differences or adversely affect future periods include, but are not limited to, the factors set forth in Part II, Item 1A. of this Form 10-Q and in Item 1A. Risk Factors of the Company's Annual Report on Form 10-K for the year ended December 28, 2008.

Caution should be taken not to place undue reliance on the Company's forward-looking statements, which reflect the expectations of management of the Company only as of the time such statements are made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to certain market risks that arise in the ordinary course of business. The Company may enter into derivative financial instrument transactions to manage or reduce market risk. The Company does not enter into derivative financial instrument transactions for trading purposes. A discussion of the Company's primary market risk exposure and interest rate risk is presented below.

Debt and Derivative Financial Instruments

The Company is subject to interest rate risk on its fixed and floating rate debt. The Company periodically uses interest rate hedging products to modify risk from interest rate fluctuations. The Company has historically altered its fixed/floating rate mix based upon anticipated cash flows from operations relative to the Company's overall financial condition. Sensitivity analyses are performed to review the impact on the Company's financial position and coverage of various interest rate movements. The counterparties to these interest rate hedging arrangements were major financial institutions with which the Company also has other financial relationships. The Company did not have any interest rate hedging products as of June 28, 2009. The Company generally maintains between 40% and 60% of total borrowings at variable interest rates after taking into account all of the interest rate hedging activities. While this is the target range for the percentage of total borrowings at variable interest rates, the financial position of the Company and market conditions may result in strategies outside of this range at certain points in time. Approximately 4.6% of the Company's debt and capital lease obligations of \$645.2 million as of June 28, 2009 was subject to changes in short-term interest rates.

As it relates to the Company's variable rate debt and variable rate leases, assuming no changes in the Company's financial structure, if market interest rates average 1% more over the next twelve months than the interest rates as of June 28, 2009, interest expense for the following twelve months would increase by approximately \$.3 million. This amount was determined by calculating the effect of the hypothetical interest rate on the Company's variable rate debt and variable rate leases. This calculated, hypothetical increase in interest expense for the following twelve months may be different from the actual increase in interest expense from a 1% increase in interest rates due to varying interest rate reset dates on the Company's floating rate debt.

Raw Material and Commodity Price Risk

The Company is also subject to commodity price risk arising from price movements for certain commodities included as part of its raw materials. The Company manages this commodity price risk in some cases by entering into contracts with adjustable prices. The Company has not historically used derivative commodity instruments in the management of this risk. The Company estimates that a 10% increase in the market prices of these commodities over the current market prices would cumulatively increase costs during the next 12 months by approximately \$23 million assuming no change in volume.

The Company uses derivative instruments to hedge all of the Company's projected diesel fuel purchases for 2009 and 2010. These derivative instruments relate to diesel fuel used by the Company's delivery fleet. The Company pays a fee for these instruments which is amortized over the corresponding period of the instrument. The Company currently accounts for its fuel hedges on a mark-to-market basis with any expense or income being reflected as an adjustment of fuel costs.

At the end of Q1 2009, the Company began using derivative instruments to hedge 75% of its projected 2010 aluminum purchase requirements. During Q2 2009, the Company entered into derivative agreements to hedge 75% of the Company's projected 2011 aluminum purchase requirements. The Company pays a fee for these instruments which is amortized over the corresponding period of the instruments. The Company accounts for its

aluminum hedges on a mark-to-market basis with any expense or income being reflected as an adjustment to cost of sales.

Effects of Changing Prices

The principal effect of inflation on the Company's operating results is to increase costs. The Company may raise selling prices to offset these cost increases; however, the resulting impact on retail prices may reduce the volume of product purchased by consumers.

Item 4. Controls and Procedures.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")), pursuant to Rule 13a-15(b) of the Exchange Act. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded the Company's disclosure controls and procedures are effective for the purpose of providing reasonable assurance the information required to be disclosed in the reports the Company files or submits under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

There has been no change in the Company's internal control over financial reporting during the quarter ended June 28, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 1A. Risk Factors.

Except for the risk factors set forth below, there have been no material changes to the factors disclosed in Part I, Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 28, 2008.

Legislative changes that affect the Company's distribution and packaging could reduce demand for the Company's products or increase the Company's costs.

The Company's business model is dependent on the availability of the Company's various products and packages in multiple channels and locations versus those of the Company's competitors to better satisfy the needs of the Company's customers and consumers. Laws that restrict the Company's ability to distribute products in schools and other venues, as well as laws that require deposits for certain types of packages or those that limit the Company's ability to design new packages or market certain packages, could negatively impact the financial results of the Company. In addition, taxes imposed by individual states and localities could cause consumers to shift away from purchasing products of the Company.

For example, some members of the U.S. Congress have raised the possibility of a federal tax on the sale of certain "sugar" beverages, including non-diet soft drinks, fruit drinks, teas and flavored waters, to help pay for the cost of healthcare reform. If enacted, such a tax would materially affect the Company's business and financial results.

The Company's primary competitors have entered into definitive merger agreements with their franchisor, and there is uncertainty about the impact such a transaction will have on the Company's business.

The Company's primary competitors recently entered into definitive merger agreements with their franchisor under which the franchisor will acquire, subject to the terms and conditions of the merger agreements, all of the competitors' outstanding shares of common stock not already owned by the franchisor. At this time, it is not possible for the Company to evaluate whether the transaction will have a material impact on the Company's business and financial results.

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

The Annual Meeting of the Company's stockholders was held on May 5, 2009. The following proposals were voted upon and approved by the stockholders at the meeting:

- (a) The election of eleven directors, each for a term of one year or until their successors have been elected and qualified.

| Director Name | For | Withheld |
|------------------------|------------|-----------|
| J. Frank Harrison, III | 43,202,762 | 1,209,788 |
| H. W. McKay Belk | 44,280,422 | 132,128 |
| Sharon A. Decker | 44,340,445 | 72,105 |
| William B. Elmore | 43,209,436 | 1,203,114 |
| Deborah H. Everhart | 44,297,976 | 114,574 |
| Henry W. Flint | 44,319,613 | 92,937 |
| Ned R. McWherter | 42,738,054 | 1,466,028 |
| James H. Morgan | 44,342,658 | 69,892 |
| John W. Murrey, III | 44,325,996 | 86,554 |
| Carl Ware | 42,946,523 | 1,466,028 |
| Dennis A. Wicker | 43,703,384 | 709,167 |

- (b) The ratification of PricewaterhouseCoopers LLP as the independent registered public accounting firm for 2009.

| For | Against | Abstentions |
|------------|---------|-------------|
| 44,366,361 | 32,027 | 14,162 |

Item 6. Exhibits.

| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|--|
| 4.1 | Form of the Company's 7.00% Senior Notes due 2019 (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 7, 2009 (File No. 0-9286)). |
| 4.2 | 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 consolidated subsidiaries which authorizes a total amount of securities not in excess of 10 percent of the total assets of the registrant and its subsidiaries on a consolidated basis. |
| 12 | Ratio of earnings to fixed charges (filed herewith). |
| 31.1 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 31.2 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 32 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith). |

Coca-Cola Bottling Co. Consolidated
Ratio of Earnings to Fixed Charges
(In Thousands, Except Ratios)

| | Second Quarter | | First Six Months | |
|--|------------------|------------------|------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Computation of Earnings: | | | | |
| Income before income taxes | \$ 20,743 | \$ 26,258 | \$ 32,626 | \$ 19,499 |
| Add: | | | | |
| Interest expense | 9,350 | 9,347 | 18,043 | 19,167 |
| Amortization of debt premium/discount and expenses | 615 | 610 | 1,218 | 1,225 |
| Interest portion of rent expense | 379 | 334 | 725 | 642 |
| Earnings as adjusted | <u>\$ 31,087</u> | <u>\$ 36,549</u> | <u>\$ 52,612</u> | <u>\$ 40,533</u> |
| Computation of Fixed Charges: | | | | |
| Interest expense | \$ 9,350 | \$ 9,347 | \$ 18,043 | \$ 19,167 |
| Capitalized interest | (28) | 103 | 51 | 261 |
| Amortization of debt premium/discount and expenses | 615 | 610 | 1,218 | 1,225 |
| Interest portion of rent expense | 379 | 334 | 725 | 642 |
| Fixed charges | <u>\$ 10,316</u> | <u>\$ 10,394</u> | <u>\$ 20,037</u> | <u>\$ 21,295</u> |
| Ratio of Earnings to Fixed Charges | <u>3.01</u> | <u>3.52</u> | <u>2.63</u> | <u>1.90</u> |

MANAGEMENT CERTIFICATION

I, J. Frank Harrison, III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Coca-Cola Bottling Co. Consolidated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2009

/s/ J. Frank Harrison, III

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

MANAGEMENT CERTIFICATION

I, James E. Harris, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Coca-Cola Bottling Co. Consolidated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2009

/s/ James E. Harris

James E. Harris
Senior Vice President 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 quarter ending June 28, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, J. Frank Harrison, III, Chairman of the Board of Directors and Chief Executive Officer of the Company, and James E. Harris, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350 as adopted pursuant to § 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 represents, in all material respects, the financial condition and results 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 7, 2009

/s/ James E. Harris

James E. Harris
Senior Vice President and
Chief Financial Officer
August 7, 2009