COCA COLA BOTTLING CO CONSOLIDATED /DE/
Form 10-Q
November 06, 2009

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

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

For the quarterly period ended September 27, 2009
Commission File Number 0-9286
COCA-COLA BOTTLING CO. CONSOLIDATED

(Exact name of registrant as specified in its charter)

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

4100 Coca-Cola Plaza, Charlotte, North Carolina 28211

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

(Registrant s telephone number, including area code)

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

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

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

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

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

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

Class	Outstanding at October 30, 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 SEPTEMBER 27, 2009
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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Coca-Cola Bottling Co. Consolidated

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

In Thousands (Except Per Share Data)

	Third Quarter		First Nine Months	
	2009	2008	2009	2008
Net sales	$ 374,556	$ 381,563	$ 1,088,566	$ 1,115,240
Cost of sales	217,236	225,736	623,990	647,615
Gross margin	157,320	155,827	464,576	467,625
Selling, delivery and administrative expenses	131,024	149,384	386,461	421,300
Income from operations	26,296	6,443	78,115	46,325
Interest expense	8,866	9,406	28,059	29,789
Income (loss) before income taxes	17,430	(2,963)	50,056	16,536
Income tax provision (benefit)	1,043	(523)	11,928	7,135
Net income (loss)	16,387	(2,440)	38,128	9,401
Less: Net income attributable to the noncontrolling interest	959	705	1,982	1,726
Net income (loss) attributable to Coca-Cola Bottling Co. Consolidated	$ 15,428	$ (3,145)	$ 36,146	$ 7,675
Basic net income (loss) per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:				
Common Stock	$ 1.68	$ (.34)	$ 3.94	$ .84
Weighted average number of Common Stock shares outstanding	7,141	6,644	7,047	6,644
Class B Common Stock	$ 1.68	$ (.34)	$ 3.94	$ .84
Weighted average number of Class B Common Stock shares outstanding	2,022	2,500	2,117	2,500
Diluted net income (loss) per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:				
Common Stock	$ 1.68	$ (.34)	$ 3.93	$ .84
Weighted average number of Common Stock shares outstanding assuming dilution	9,203	9,144	9,194	9,159

Class B Common Stock	$	1.67	$	(.34)	$	3.92	$	.83
Weighted average number of Class B Common Stock shares outstanding assuming dilution		2,062		2,500		2,147		2,515
Cash dividends per share:								
Common Stock	$	.25	$	.25	$	.75	$	.75
Class B Common Stock	$	.25	$	.25	$	.75	$	.75

See Accompanying Notes to Consolidated Financial Statements

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

	Unaudited Sept. 27, 2009	Dec. 28, 2008	Unaudited Sept. 28, 2008
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 25,062	$ 45,407	$ 20,583
Restricted cash	4,512		
Accounts receivable, trade, less allowance for doubtful accounts of $1,971, $1,188 and $1,043, respectively	96,263	99,849	105,580
Accounts receivable from The Coca-Cola Company	17,460	3,454	12,661
Accounts receivable, other	17,015	12,990	11,539
Inventories	67,762	65,497	65,595
Prepaid expenses and other current assets	25,398	21,121	19,334
Total current assets	253,472	248,318	235,292
Property, plant and equipment, net	319,456	338,156	351,575
Leased property under capital leases, net	52,727	66,730	67,763
Other assets	46,001	33,937	36,365
Franchise rights, net	520,672	520,672	520,672
Goodwill, net	102,049	102,049	102,049
Other identifiable intangible assets, net	5,489	5,910	3,973
Total	$ 1,299,866	$ 1,315,772	$ 1,317,689

See Accompanying Notes to Consolidated Financial Statements

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

	Unaudited Sept. 27, 2009	Dec. 28, 2008	Unaudited Sept. 28, 2008
LIABILITIES AND EQUITY			
Current Liabilities:			
Current portion of debt	$	$ 176,693	$ 176,693
Current portion of obligations under capital leases	3,759	2,781	2,735
Accounts payable, trade	32,597	42,383	37,071
Accounts payable to The Coca-Cola Company	43,601	35,311	38,346
Other accrued liabilities	64,208	57,504	61,654
Accrued compensation	23,195	23,285	17,563
Accrued interest payable	12,487	8,139	15,060
Total current liabilities	179,847	346,096	349,122
Deferred income taxes	142,239	139,338	163,403
Pension and postretirement benefit obligations	99,066	107,005	34,560
Other liabilities	103,788	107,037	109,720
Obligations under capital leases	60,247	74,833	75,545
Long-term debt	552,882	414,757	414,757
Total liabilities	1,138,069	1,189,066	1,147,107
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	108,295	79,021	79,891
Accumulated other comprehensive loss	(54,038)	(57,873)	(13,068)
	170,672	137,563	182,105
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	109,418	76,309	120,851
Noncontrolling interest	52,379	50,397	49,731

Total equity	161,797	126,706	170,582
Total	$ 1,299,866	$ 1,315,772	$ 1,317,689

See Accompanying Notes to Consolidated Financial Statements

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

	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 Dec. 30, 2007	$ 9,706	$ 3,107	$ 102,469	$ 79,227	$ (12,751)	$ (61,254)	$ 120,504	$ 48,005	$ 168,509
Comprehensive income:									
Net income				7,675			7,675	1,726	9,401
Foreign currency translation adjustments, net of tax					(3)		(3)		(3)
Pension and postretirement benefit adjustments, net of tax					(200)		(200)		(200)
Total comprehensive income							7,472	1,726	9,198
Adjustment to change measurement date for pension and postretirement remeaurement adjustment, net of tax				(153)	(114)		(267)		(267)
Cash dividends paid									
Common ($.75 per share)				(4,983)			(4,983)		(4,983)
Class B Common ($.75 per share)				(1,875)			(1,875)		(1,875)
Issuance of 20,000 shares of Class B Common Stock		20	(20)						

Balance on Sept. 28, 2008	$ 9,706	$ 3,127	$ 102,449	$ 79,891	$ (13,068)	$ (61,254)	$ 120,851	$ 49,731	$ 170,582
Balance on Dec. 28, 2008	$ 9,706	$ 3,127	$ 103,582	$ 79,021	$ (57,873)	$ (61,254)	$ 76,309	$ 50,397	$ 126,706
Comprehensive income:									
Net income				36,146			36,146	1,982	38,128
Foreign currency translation adjustments, net of tax					1		1		1
Pension and postretirement benefit adjustments, net of tax					3,834		3,834		3,834
Total comprehensive income							39,981	1,982	41,963
Cash dividends paid									
Common ($.75 per share)				(5,232)			(5,232)		(5,232)
Class B Common ($.75 per share)				(1,640)			(1,640)		(1,640)
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 Sept. 27, 2009	$ 10,204	$ 2,649	$ 103,562	$ 108,295	$ (54,038)	$ (61,254)	$ 109,418	$ 52,379	$ 161,797

See Accompanying Notes to Consolidated Financial Statements

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

	First Nine Months	
	2009	2008
Cash Flows from Operating Activities		
Net income	$ 38,128	$ 9,401
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	45,526	50,386
Amortization of intangibles	421	329
Deferred income taxes	6,470	1,044
Losses on sale of property, plant and equipment	767	1,117
Amortization of debt costs	1,811	1,834
Amortization of deferred gain related to terminated interest rate agreements	(1,770)	(1,311)
Provision for liabilities to exit from multi-employer pension plan		13,812
Stock compensation expense	1,464	
Increase in current assets less current liabilities	(7,605)	(2,828)
Increase in other noncurrent assets	(12,606)	(1,341)
Decrease in other noncurrent liabilities	(14,271)	(9,423)
Other	1	(170)
Total adjustments	20,208	53,449
Net cash provided by operating activities	58,336	62,850
Cash Flows from Investing Activities		
Additions to property, plant and equipment	(29,776)	(41,175)
Proceeds from the sale of property, plant and equipment	4,942	1,126
Investment in a plastic bottle manufacturing cooperative		(968)
Investment in restricted cash	(4,512)	
Net cash used in investing activities	(29,346)	(41,017)
Cash Flows from Financing Activities		
Proceeds from the issuance of long-term debt, net	108,062	
Borrowing under revolving credit facility	30,000	
Payment of current portion of long-term debt	(176,693)	
Payment of lines of credit		(7,400)
Cash dividends paid	(6,872)	(6,858)
Principal payments on capital lease obligations	(2,364)	(1,935)
Proceeds from the termination of interest rate swap agreements		5,142
Payments for the termination of interest rate lock agreements	(340)	
Debt issuance costs paid	(1,042)	
Other	(86)	(70)
Net cash used in financing activities	(49,335)	(11,121)

Net increase (decrease) in cash	(20,345)	10,712
Cash at beginning of period	45,407	9,871
Cash at end of period	$ 25,062	$ 20,583
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

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

1. Significant Accounting Policies

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

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

The consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (GAAP) for interim financial reporting and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by GAAP. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

In December 2007, the Financial Accounting Standards Board (FASB) issued new guidance on accounting for the noncontrolling interest in the consolidated financial statements. The Company implemented the new guidance effective December 29, 2008, the beginning of the first quarter of 2009. The new guidance 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 $1.0 million in the third quarter of 2009 (Q3 2009), $2.0 million in the first nine months of 2009 (YTD 2009), $.7 million in the third quarter of 2008 (Q3 2008) and $1.7 million in the first nine months of 2008 (YTD 2008) have been reclassified to be included in net income on the Company s consolidated statements 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 statements of operations. Noncontrolling interest related to Piedmont totaled $52.4 million, $50.4 million and $49.7 million at September 27, 2009, December 28, 2008 and September 28, 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 November 6, 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.

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

1. Significant Accounting Policies

During the second quarter of 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 third quarter and first nine months 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 September 27, 2009, December 28, 2008 and September 28, 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	Sept. 27, 2009	Dec. 28, 2008	Sept. 28, 2008
Finished products	$40,576	$36,418	$40,250
Manufacturing materials	7,968	12,620	7,261
Plastic shells, plastic pallets and other inventories	19,218	16,459	18,084
Total inventories	$67,762	$65,497	$65,595

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

In Thousands	Sept. 27, 2009	Dec. 28, 2008	Sept. 28, 2008	Estimated Useful Lives
Land	$ 12,167	$ 12,167	$ 12,212	
Buildings	110,059	109,384	110,708	10-50 years
Machinery and equipment	124,410	118,934	118,154	5-20 years
Transportation equipment	165,867	176,084	179,787	4-17 years
Furniture and fixtures	37,363	38,254	38,877	4-10 years
Cold drink dispensing equipment	309,727	319,188	327,054	6-15 years
Leasehold and land improvements	61,937	60,142	60,979	5-20 years
Software for internal use	65,022	59,786	58,611	3-10 years
Construction in progress	2,426	4,891	4,082	
Total property, plant and equipment, at cost	888,978	898,830	910,464	
Less: Accumulated depreciation and amortization	569,522	560,674	558,889	
Property, plant and equipment, net	$319,456	$338,156	$351,575	

Depreciation and amortization expense was $15.1 million and $16.7 million in Q3 2009 and Q3 2008, respectively. Depreciation and amortization expense was $45.5 million and $50.4 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 Q3 2009 and YTD 2009 by $.9 million and $2.9 million, respectively.
6. Leased Property Under Capital Leases
Leased property under capital leases was summarized as follows:

In Thousands	Sept. 27, 2009	Dec. 28, 2008	Sept. 28, 2008	Estimated Useful Lives
Leased property under capital leases	$76,877	$88,619	$88,619	3-20 years
Less: Accumulated amortization	24,150	21,889	20,856	
Leased property under capital leases, net	$52,727	$66,730	$67,763	

As of September 27, 2009, real estate represented $52.1 million of the leased property under capital leases and $50.5 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.

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

7. Franchise Rights and Goodwill

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

8. Other Identifiable Intangible Assets

Other identifiable intangible assets were summarized as follows:

In Thousands	Sept. 27, 2009	Dec. 28, 2008	Sept. 28, 2008	Estimated Useful Lives
Other identifiable intangible assets	$8,665	$8,909	$6,599	1-20 years
Less: Accumulated amortization	3,176	2,999	2,626	
Other identifiable intangible assets, net	$5,489	$5,910	$3,973	

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

9. Other Accrued Liabilities

Other accrued liabilities were summarized as follows:

In Thousands	Sept. 27, 2009	Dec. 28, 2008	Sept. 28, 2008
Accrued marketing costs	$ 9,987	$ 9,001	$ 9,121
Accrued insurance costs	17,940	17,132	16,558
Accrued taxes (other than income taxes)	2,480	374	2,517
Accrued income taxes	3,000		3,840
Employee benefit plan accruals	12,126	8,626	11,010
Checks and transfers yet to be presented for payment from zero balance cash account	11,950	11,074	10,235
All other accrued liabilities	6,725	11,297	8,373
Total other accrued liabilities	$64,208	$57,504	$61,654

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

In Thousands	Maturity	Interest Rate	Interest Paid	Sept. 27, 2009	Dec. 28, 2008	Sept. 28, 2008
Revolving Credit Facility	2012	.66%	Varies	$ 30,000	$	$
Debentures	2009	7.20%	Semi-annually		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			(1,875)		
				552,882	591,450	591,450
Less: Current portion of debt					176,693	176,693
Long-term debt				$552,882	$414,757	$414,757

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, Southeast and Southwest Areas 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 and has been throughout 2009. These covenants do not currently, and the Company does not anticipate they will,

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
10. Debt
restrict its liquidity or capital resources. On September 27, 2009, the Company had $30.0 million outstanding under the $200 million facility. On December 28, 2008 and September 28, 2008, the Company had no outstanding borrowings 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 of September 27, 2009, the Company has repaid $25.0 million of the $55.0 million borrowed on July 1, 2009 under the $200 million facility.

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 5.5%, 5.9% and 5.9% for its debt and capital lease obligations as of September 27, 2009, December 28, 2008 and September 28, 2008, respectively. The Company s overall weighted average interest rate on its debt and capital lease obligations was 5.7% for both YTD 2009 and YTD 2008. As of September 27, 2009, approximately 9.6% of the Company s debt and capital lease obligations of $616.9 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

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

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, $1.0 million of the gain has been amortized. The remaining amount to be amortized is $3.7 million. All of the Company s interest rate swap agreements were LIBOR-based.

The Company had no interest rate swap agreements at September 27, 2009, December 28, 2008 and September 28, 2008.

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 generally accepted accounting principles 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. Settlements of derivative agreements are included in cash flows from operating activities on the Company s consolidated statements of cash flows.

The Company is using derivative instruments to hedge 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 the second quarter of 2009, the Company entered into derivative agreements to hedge approximately 75% of the Company s projected 2011 aluminum purchase requirements.

The following summarizes Q3 2009 net gains and Q3 2008 net losses on the Company s fuel and aluminum derivative financial instruments and the classification of such net gain/loss in the consolidated statements of operations:

		Third Quarter	
In Thousands	Classification of Gain (Loss)	2009	2008
Fuel Hedges	Selling, delivery and administrative expenses	$ (635)	$(583)
Aluminum Hedges	Cost of sales	1,440	
Total Net Gain (Loss)		$ 805	$(583)

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11. Derivative Financial Instruments

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 gains in the consolidated statements of operations:

In Thousands	Classification of Gain	First Nine Months 2009	First Nine Months 2008
Fuel Hedges	Selling, delivery and administrative expenses	$1,974	$1,206
Aluminum Hedges	Cost of sales	5,326	
Total Net Gains		$7,300	$1,206

The following summarizes the fair values and classification in the consolidated balance sheets of derivative instruments held by the Company as of September 27, 2009:

In Thousands	Classification of Derivative Instruments	Sept. 27, 2009
Assets		
Fuel hedges at fair market value	Prepaid and other assets	$ 584
Aluminum hedges at fair market value	Prepaid and other assets	968
Unamortized cost of fuel hedging agreements	Prepaid and other assets	859
Unamortized cost of aluminum hedging agreements	Prepaid and other assets	716
Fuel hedges at fair market value	Other assets	353
Aluminum hedges at fair market value	Other assets	4,358
Unamortized cost of fuel hedging agreements	Other assets	246
Unamortized cost of aluminum hedging agreements	Other assets	2,935

The following table summarizes the Company s outstanding derivative agreements as of September 27, 2009:

In Thousands	Notional Amount	Latest Maturity
Fuel hedging agreements	$16,831	December 2010
Aluminum hedging agreements	53,253	December 2011

12. Fair Values of Financial Instruments

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

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

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

Public Debt Securities

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

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12. Fair Values of Financial Instruments

Non-Public Variable Rate Debt

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

Deferred Compensation Plan Assets/Liabilities

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

Derivative Financial Instruments

The fair values for the Company s 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 values 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:

	Sept. 27, 2009		Dec. 28, 2008		Sept. 28, 2008	
In Thousands	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Public debt securities	$522,882	$559,627	$591,450	$559,963	$591,450	$550,420
Non-public variable rate debt	30,000	30,000				
Deferred compensation plan assets/liabilities	7,996	7,996	5,446	5,446	6,444	6,444
Fuel hedging agreements	(937)	(937)	1,985	1,985		
Aluminum hedging agreements	(5,326)	(5,326)				
Letters of credit		25,645		19,274		19,332

The fair value of the fuel hedging agreements at September 27, 2009 represented the estimated amount the Company would have received upon termination of these agreements. The fair value of the fuel hedging agreements at December 28, 2008 represented the estimated amount the Company would have paid upon termination of these agreements. At September 28, 2008, the Company did not have any fuel hedging agreements outstanding.

The fair value of the aluminum hedging agreements at September 27, 2009 represented the estimated amount the Company would have received upon termination of these agreements.

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12. Fair Values of Financial Instruments

In September 2006, FASB issued new guidance on fair value measurements. The Company adopted the new guidance on fair value measurements as of December 31, 2007, the beginning of the first quarter of 2008, and there was no material impact to the consolidated financial statements. In the first quarter of 2008, FASB issued additional guidance that delayed the effective date of the fair value measurements new guidance 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 on the consolidated financial statements of the new guidance for nonfinancial assets and liabilities in Q1 2009, but such adoption could have a material effect in the future. The new guidance requires disclosure that establishes a framework for measuring fair value in GAAP and expands disclosure about fair value measurements. The new guidance 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. The new guidance 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.

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

	Sept. 27, 2009		Dec. 28, 2008		Sept. 28, 2008	
In Thousands	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
Assets						
Deferred compensation plan assets	$7,996		$5,446		$6,444	
Aluminum hedging agreements		$5,326				
Fuel hedging agreements		937				
Liabilities						
Deferred compensation plan liabilities	7,996		5,446		6,444	
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.

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12. Fair Values of Financial Instruments
The Company does not have Level 3 assets or liabilities.
13. Other Liabilities
Other liabilities were summarized as follows:

In Thousands	Sept. 27, 2009	Dec. 28, 2008	Sept. 28, 2008
Accruals for executive benefit plans	$ 83,825	$ 77,299	$ 77,601
Other	19,963	29,738	32,119
Total other liabilities	$103,788	$107,037	$109,720

14. Commitments and Contingencies
The Company is a member of South Atlantic Canners, Inc. (SAC), a manufacturing cooperative from which it is obligated to purchase 17.5 million cases of finished product on an annual basis through May 2014. The Company is also a member of Southeastern Container (Southeastern), a plastic bottle manufacturing cooperative from which it is obligated to purchase at least 80% of its requirements of plastic bottles for certain designated territories. See Note 19 to the consolidated financial statements for additional information concerning SAC and Southeastern.
The Company guarantees a portion of SAC s and Southeastern s debt and lease obligations. The amounts guaranteed were $38.4 million, $39.9 million and $42.1 million as of September 27, 2009, December 28, 2008 and September 28, 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 September 27, 2009 would have been $25.2 million for both SAC and Southeastern and the Company s maximum total exposure, including its equity investments, would have been $30.8 million for SAC and $38.5 million for Southeastern.
The Company has been purchasing plastic bottles from Southeastern and finished products from SAC for more than ten years and has never had to pay against these guarantees.

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14. Commitments and Contingencies
The Company has an equity ownership interest 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 September 27, 2009, SAC had total assets of approximately $41 million and total debt of approximately $20 million. SAC had total revenues for YTD 2009 of approximately $128 million. As of September 27, 2009, Southeastern had total assets of approximately $397 million and total debt of approximately $224 million. Southeastern had total revenue for YTD 2009 of approximately $434 million.
The Company has standby letters of credit, primarily related to its property and casualty insurance programs. On September 27, 2009, these letters of credit totaled $25.6 million. The Company was required to maintain $4.5 million of restricted cash for letters of credit beginning in the second quarter of 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 September 27, 2009 amounted to $22.5 million and expire at various dates through 2017.
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 24.8% and 48.2%, respectively. The following table provides a reconciliation of the income tax expense at the statutory federal rate to actual income tax expense.

	First Nine Months	
In Thousands	2009	2008
Statutory expense	$16,826	$5,184
State income taxes, net of federal effect	2,094	645
Manufacturing deduction benefit	(1,197)	(487)
Meals and entertainment	754	507
Adjustment for uncertain tax positions	(7,070)	1,277
Other, net	521	9
Income tax expense	$11,928	$7,135

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15. Income Taxes

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 September 27, 2009, the Company had $3.0 million of unrecognized tax benefits, including accrued interest, of which all 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; however, the Company does not expect the change to have a significant impact on the consolidated financial statements.

The Company recognizes potential interest and penalties related to uncertain tax positions in income tax expense. As of December 28, 2008, the Company had approximately $2.5 million of accrued interest related to uncertain tax positions. As of September 27, 2009, the Company had approximately $.8 million of accrued interest related to uncertain tax positions. Income tax expense included an interest credit of approximately $1.7 million in YTD 2009 and interest expense of approximately $.4 million in YTD 2008.

In Q1 2009, the Company reached an agreement with a 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.

In Q3 2009, the Company reduced its liability for uncertain tax positions by $5.4 million. The net effect of the adjustment was a decrease to income tax expense of approximately $5.4 million. The reduction of the liability for uncertain tax positions was due mainly to the lapse of applicable statutes of limitations.

Various tax years from 1991 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.

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16. Accumulated Other Comprehensive Loss
A summary of accumulated other comprehensive loss for Q3 2009 and Q3 2008 follows:

In Thousands	June 28, 2009	Pre-tax Activity	Tax Effect	Sept. 27, 2009
Net pension activity:				
Actuarial loss	$(53,880)	$2,339	$(921)	$(52,462)
Prior service costs	(40)	4	(2)	(38)
Net postretirement benefits activity:				
Actuarial loss	(9,361)	218	(86)	(9,229)
Prior service costs	7,917	(446)	176	7,647
Transition asset	33	(6)	2	29
Foreign currency translation adjustment	12	4	(1)	15
Total	$(55,319)	$2,113	$(832)	$(54,038)

In Thousands	June 29, 2008	Pre-tax Activity	Tax Effect	Sept. 28, 2008
Net pension activity:				
Actuarial loss	$(12,525)	$ 111	$ (42)	$(12,456)
Prior service costs	(49)	4	(2)	(47)
Net postretirement benefits activity:				
Actuarial loss	(9,505)	229	(88)	(9,364)
Prior service costs	9,009	(446)	171	8,734
Transition asset	49	(6)	2	45
Foreign currency translation adjustment	30	(17)	7	20
Total	$(12,991)	$(125)	$ 48	$(13,068)

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

In Thousands	Dec. 28, 2008	Pre-tax Activity	Tax Effect	Sept. 27, 2009
Net pension activity:				
Actuarial loss	$(56,717)	$ 7,017	$(2,762)	$(52,462)
Prior service costs	(45)	12	(5)	(38)
Net postretirement benefits activity:				
Actuarial loss	(9,625)	653	(257)	(9,229)
Prior service costs	8,459	(1,339)	527	7,647
Transition asset	41	(19)	7	29
Foreign currency translation adjustment	14	1		15
Total	$(57,873)	$ 6,325	$(2,490)	$(54,038)

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Notes to Consolidated Financial Statements (Unaudited)
16. Accumulated Other Comprehensive Loss

In Thousands	Dec. 30, 2007	Remeasurement Adjustment After tax[1]	Pre-tax Activity	Tax Effect	Sept. 28, 2008
Net pension activity:					
Actuarial loss	$(12,684)	$ 23	$ 333	$(128)	$(12,456)
Prior service costs	(55)	1	12	(5)	(47)
Net postretirement benefits activity:					
Actuarial loss	(9,928)	141	687	(264)	(9,364)
Prior service costs	9,833	(275)	(1,338)	514	8,734
Transition asset	60	(4)	(18)	7	45
Foreign currency translation adjustment	23		(5)	2	20
Total	$(12,751)	$ (114)	$ (329)	$ 126	$(13,068)

(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 Market[sm] under the symbol COKE. There is no established public trading market for the Class B Common Stock. Shares of the Class B Common Stock are convertible on a share-for-share basis into shares of Common Stock at any time at the option of the holders of Class B Common Stock. No cash dividend or dividend of property or stock other than stock of the Company, as specifically described in the Company s certificate of incorporation, may be declared and paid on the Class B Common Stock unless an equal or greater dividend is declared and paid on the Common Stock. During YTD 2009 and YTD 2008, dividends of $.75 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

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17. Capital Transactions
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 established 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. 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.
A summary of the restricted stock award for 2008 was as follows:

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

As of the end of Q3 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, no compensation expense was recorded in Q3 2008 or YTD 2008, based upon the Company s estimate. On March 4, 2009, the Compensation Committee 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 28, 2008.
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 previously discussed.
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 for the Performance Unit Award Agreement recognized in Q3 2009 and YTD 2009 was $.3 million and $1.5 million, respectively, which was based upon a share price of $48.80 on September 25, 2009.

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17. Capital Transactions

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 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 new guidance on employers accounting for defined pension and other postretirement plans, 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 this new guidance 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:

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18. Benefit Plans

In Thousands	Before Remeasurement Adjustment	Adjustment	After Remeasurement Adjustment
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 equity	168,509	(267)	168,242

Pension Plans

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

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

	Third Quarter		First Nine Months	
In Thousands	2009	2008	2009	2008
Service cost	$ 23	$ 20	$ 68	$ 61
Interest cost	2,788	2,701	8,365	8,104
Expected return on plan assets	(2,270)	(3,410)	(6,810)	(10,231)
Amortization of prior service cost	4	4	12	12
Recognized net actuarial loss	2,339	111	7,017	333
Net periodic pension cost (income)	$ 2,884	$ (574)	$ 8,652	$ (1,721)

The Company has contributed $10.1 million and $0.2 million to its Company-sponsored pension plans during YTD 2009 and YTD 2008, respectively, and does not anticipate making any additional contributions for the remainder of 2009.

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.

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18. Benefit Plans
The components of net periodic postretirement benefit cost were as follows:

	Third Quarter		First Nine Months	
In Thousands	2009	2008	2009	2008
Service cost	$ 158	$ 128	$ 473	$ 384
Interest cost	557	536	1,672	1,608
Amortization of unrecognized transitional assets	(6)	(6)	(19)	(18)
Recognized net actuarial loss	218	229	653	687
Amortization of prior service cost	(446)	(446)	(1,339)	(1,338)
Net periodic postretirement benefit cost	$ 481	$ 441	$ 1,440	$ 1,323

401(k) Savings Plan
The Company provides a 401(k) Savings Plan for substantially all of its employees who are not part of collective bargaining agreements. The Company suspended matching contributions to its 401(k) Savings Plan effective April 1, 2009. The Company maintains the option to match its employees 401(k) Savings Plan contributions based on the financial results for 2009. In Q3 2009, the Company decided to match its employees contributions for the period of April 1, 2009 through August 31, 2009. The Company accrued for a payment of $3.6 million to the 401(k) Savings Plan for the five month period. This payment was made in the fourth quarter of 2009.
Multi-Employer Benefits
The Company entered into a new agreement in Q3 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 September 27, 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.

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Notes to Consolidated Financial Statements (Unaudited)
19. Related Party Transactions
The following table summarizes the significant transactions between the Company and The Coca-Cola Company:

In Millions	First Nine Months 2009	2008
Payments by the Company for concentrate, syrup, sweetener and other purchases	$ 277.4	$ 286.5
Marketing funding support payments to the Company	35.1	35.3
Payments by the Company net of marketing funding support	$ 242.3	$ 251.2
Payments by the Company for customer marketing programs	$ 39.4	$ 37.1
Payments by the Company for cold drink equipment parts	5.3	5.3
Fountain delivery and equipment repair fees paid to the Company	8.5	7.5
Presence marketing funding support provided by The Coca-Cola Company on the Company s behalf	3.0	3.0
Sales of finished products to The Coca-Cola Company	1.1	5.9

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 $38.2 million and $30.2 million in YTD 2009 and YTD 2008, respectively. Purchases from CCE under this arrangement were $10.1 million and $15.2 million in YTD 2009 and YTD 2008, respectively. The Coca-Cola Company has significant equity interests in the Company and CCE. As of September 27, 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 $100.2 million and $111.5 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 $.9 million in YTD 2009 and $1.1 million in YTD 2008. The Company has also guaranteed a portion of debt for SAC. Such guarantee amounted to $19.7 million as of September 27, 2009. The Company s equity investment in SAC was $5.6 million, $4.1 million and $4.1 million as of September 27, 2009, December 28, 2008 and September 28, 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 $51.3 million and $54.3 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

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
19. Related Party Transactions
the entity s debt. Such guarantee amounted to $18.7 million as of September 27, 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 September 27, 2009, December 28, 2008 and September 28, 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 September 27, 2009 nor was there any impairment in 2008.

The Company recorded an adjustment to increase its equity investment in Southeastern in the second quarter of 2008 which resulted in a nonrecurring pre-tax credit of $2.6 million. This adjustment was based on new 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 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 September 27, 2009 was $29.3 million. Rental payments related to this lease were $2.6 million and $2.8 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 September 27, 2009 was $31.4 million. Rental payments related to the lease were $2.8 million in both YTD 2009 and YTD 2008.

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Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
20. Net Sales by Product Category
Net sales by product category were as follows:

	Third Quarter		First Nine Months	
In Thousands	2009	2008	2009	2008
Bottle/can sales:				
Sparkling beverages (including energy products)	$257,289	$258,200	$ 749,488	$ 762,741
Still beverages	59,694	66,160	166,629	186,020
Total bottle/can sales	316,983	324,360	916,117	948,761
Other sales:				
Sales to other Coca-Cola bottlers	31,822	31,231	98,433	94,356
Post-mix and other	25,751	25,972	74,016	72,123
Total other sales	57,573	57,203	172,449	166,479
Total net sales	$374,556	$381,563	$1,088,566	$1,115,240

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

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

In Thousands (Except Per Share Data)	Third Quarter 2009	Third Quarter 2008	First Nine Months 2009	First Nine Months 2008
Numerator for basic and diluted net income (loss) per Common Stock and Class B Common Stock share:				
Net income (loss) attributable to Coca-Cola Bottling Co. Consolidated	$ 15,428	$ (3,145)	$ 36,146	$ 7,675
Less dividends:				
Common Stock	1,785	1,661	5,285	4,983
Class B Common Stock	505	625	1,587	1,875
Total undistributed earnings (losses)	$ 13,138	$ (5,431)	$ 29,274	$ 817
Common Stock undistributed earnings (losses) basic	$ 10,239	$ (3,946)	$ 22,511	$ 594
Class B Common Stock undistributed earnings (losses) basic	2,899	(1,485)	6,763	223
Total undistributed earnings (losses) basic	$ 13,138	$ (5,431)	$ 29,274	$ 817
Common Stock undistributed earnings (losses) diluted	$ 10,194	$ (3,946)	$ 22,438	$ 593
Class B Common Stock undistributed earnings (losses) diluted	2,944	(1,485)	6,836	224
Total undistributed earnings (losses) diluted	$ 13,138	$ (5,431)	$ 29,274	$ 817
Numerator for basic net income (loss) per Common Stock share:				
Dividends on Common Stock	$ 1,785	$ 1,661	$ 5,285	$ 4,983
Common Stock undistributed earnings (losses) basic	10,239	(3,946)	22,511	594
Numerator for basic net income (loss) per Common Stock share	$ 12,024	$ (2,285)	$ 27,796	$ 5,577
Numerator for basic net income (loss) per Class B Common Stock share:				
Dividends on Class B Common Stock	$ 505	$ 625	$ 1,587	$ 1,875
Class B Common Stock undistributed earnings (losses) basic	2,899	(1,485)	6,763	223

Numerator for basic net income (loss) per Class B Common Stock share	$ 3,404	$ (860)	$ 8,350	$ 2,098

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

In Thousands (Except Per Share Data)	Third Quarter 2009	Third Quarter 2008	First Nine Months 2009	First Nine Months 2008
Numerator for diluted net income (loss) per Common Stock share:				
Dividends on Common Stock	$ 1,785	$ 1,661	$ 5,285	$ 4,983
Dividends on Class B Common Stock assumed converted to Common Stock	505	625	1,587	1,875
Common Stock undistributed earnings (losses) diluted	13,138	(5,431)	29,274	817
Numerator for diluted net income (loss) per Common Stock share	$ 15,428	$ (3,145)	$ 36,146	$ 7,675
Numerator for diluted net income (loss) per Class B Common Stock share:				
Dividends on Class B Common Stock	$ 505	$ 625	$ 1,587	$ 1,875
Class B Common Stock undistributed earnings (losses) diluted	2,944	(1,485)	6,836	224
Numerator for diluted net income (loss) per Class B Common Stock share	$ 3,449	$ (860)	$ 8,423	$ 2,099

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

	Third Quarter		First Nine Months	
In Thousands (Except Per Share Data)	2009	2008	2009	2008
Denominator for basic net income (loss) per Common Stock and Class B Common Stock share:				
Common Stock weighted average shares outstanding basic	7,141	6,644	7,047	6,644
Class B Common Stock weighted average shares outstanding basic	2,022	2,500	2,117	2,500
Denominator for diluted net income (loss) 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	9,144	9,194	9,159
Class B Common Stock weighted average shares outstanding diluted	2,062	2,500	2,147	2,515
Basic net income (loss) per share:				
Common Stock	$ 1.68	$ (.34)	$ 3.94	$ .84
Class B Common Stock	$ 1.68	$ (.34)	$ 3.94	$ .84
Diluted net income (loss) per share:				
Common Stock	$ 1.68	$ (.34)	$ 3.93	$ .84
Class B Common Stock	$ 1.67	$ (.34)	$ 3.92	$ .83

NOTES TO TABLE

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

earnings (losses) is allocated to Common Stock.

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

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

Approximately 88% of the Company s YTD 2009 bottle/can volume to retail customers are products of The Coca-Cola Company, which is the sole supplier of these products or of the concentrates or syrups required to manufacture these products. The remaining 12% of the Company s YTD 2009 bottle/can volume to retail customers are products of other beverage companies or those owned by 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 and accounted for approximately 19% and 12%, respectively, of the Company s total bottle/can volume to retail customers during YTD 2008. Wal-Mart Stores, Inc. accounted for approximately 15% and approximately 14% of the Company s total net sales during YTD 2009 and YTD 2008, respectively.

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 expired during Q3 2009 and the Company entered into a new agreement on July 22, 2009.

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

	First Nine Months	
In Thousands	2009	2008
Accounts receivable, trade, net	$ 3,586	$(13,081)
Accounts receivable from The Coca-Cola Company	(14,006)	(8,861)
Accounts receivable, other	(4,025)	(3,672)
Inventories	(2,265)	(2,061)
Prepaid expenses and other current assets	(4,355)	1,259
Accounts payable, trade	(9,786)	(14,252)
Accounts payable to The Coca-Cola Company	8,290	26,749
Other accrued liabilities	12,162	10,332
Accrued compensation	(1,554)	(5,884)
Accrued interest payable	4,348	6,643
Increase in current assets less current liabilities	$ (7,605)	$ (2,828)

24. New Accounting Pronouncements
Recently Adopted Pronouncements
In September 2006, the FASB issued new guidance which defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. The new guidance does not require any new fair value measurements but could change the Company s current practices in measuring fair value. The new guidance 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 additional guidance which deferred the application date of the provisions of new guidance 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 new guidance did not have a material impact on the Company s 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 issued new guidance which 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 new guidance was effective for Q1 2009. The impact on the Company of adopting this new guidance will depend on the nature, terms and size of business combinations completed after the effective date.

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
24. New Accounting Pronouncements

In December 2007, the FASB issued new guidance to establish new accounting and new reporting standards for the noncontrolling interest in a subsidiary (commonly referred to previously as minority interest) and for the deconsolidation of a subsidiary. This new guidance 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 new guidance did not have a significant impact on the Company s consolidated financial statements.

In March 2008, the FASB issued new guidance which amends and expands the disclosure requirements relative to derivative instruments 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 new guidance was effective for Q1 2009. The adoption of this new guidance did not impact the Company s 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 new guidance which amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets. The intent of the new guidance 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. The new guidance was effective for Q1 2009. The Company does not expect this new guidance 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 new guidance which requires a seller of credit derivatives to provide certain disclosures for each credit derivative (or group of similar credit derivatives). The new guidance also requires guarantors to disclose the current status of payment/performance risk of guarantees and clarifies the effective date of the new guidance relative to derivative instruments discussed above. The adoption of the new guidance did not have a material impact on the Company s consolidated financial statements.

In April 2009, the FASB issued new 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. The new guidance was effective for interim and annual periods ending after June 15, 2009. The adoption of this new guidance did not have a material impact on the Company s consolidated financial statements.

In April 2009, the FASB issued new guidance which amends the other-than-temporary impairment guidance for debt securities to make the other-than-temporary impairment guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities. The new guidance was effective for interim and annual periods ending after June 15, 2009. The adoption of this new guidance did not have a material impact on the Company s consolidated financial statements.

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Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
24. New Accounting Pronouncements

In April 2009, the FASB issued new guidance which requires disclosures about the fair value of financial instruments in interim reporting periods of publicly traded companies as well as in annual financial statements. The new guidance was effective for interim periods ending after June 15, 2009. The adoption of this new guidance did not have a material impact on the Company s consolidated financial statements.

In May 2009, the FASB issued new guidance relative to subsequent events which does not result in significant changes in the subsequent events that an entity reports in its financial statements. The new guidance 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. The new guidance was effective for the Company in the second quarter of 2009, and the required disclosure has been included in Note 1 to the consolidated financial statements. The adoption of this new guidance did not have a significant impact on the Company s consolidated financial statements.

In June 2009, the FASB issued guidance which establishes the FASB Accounting Standards Codification . The FASB Accounting Standards Codification (Codification) became the source of authoritative United States GAAP recognized by the FASB to be applied by nongovernmental entities. The Codification did not change GAAP. The Codification was effective for interim and annual periods ending after September 15, 2009. Pursuant to the provisions of the Codification, the Company updated references to GAAP in the Company s consolidated financial statements. The Codification did not change GAAP and therefore did not impact the Company s consolidated financial statements other than the change in references.

Recently Issued Pronouncements

In December 2008, the FASB issued new guidance which 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. The new guidance is effective for fiscal years ending after December 15, 2009. The adoption of this new guidance 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 new guidance which 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. The new guidance is effective for annual reporting periods that begin after November 15, 2009. The Company does not expect this new guidance to have a material impact on the Company s consolidated financial statements.

Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

24. New Accounting Pronouncements

In June 2009, the FASB issued new guidance which replaces 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. The new guidance is effective for annual reporting periods that begin after November 15, 2009. The Company is in the process of evaluating the impact of this new guidance on the Company s consolidated financial statements.

In August 2009, FASB issued new guidance on measuring the fair value of liabilities. The new guidance clarifies that the quoted price for the identical liability, when traded as an asset in an active market, is a Level 1 measurement for that liability when no adjustment to the quoted price is required. The new guidance also gives guidance on valuation techniques in the absence of a Level 1 measurement. The new guidance is effective for the Company in the fourth quarter of 2009. The Company does not expect this new guidance to have a material impact on 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 nine months of the year ended September 27, 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	914	13	927
Balance at September 27, 2009	$ 62	$	$ 62

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 third quarter of 2009 (Q3 2009) and the first nine months of 2009 (YTD 2009) and changes from the third quarter of 2008 (Q3 2008) and the first nine months 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 Q3 2009 and YTD 2009 compared to Q3 2008 and YTD 2008.

Financial Condition an analysis of the Company s financial condition as of the end of Q3 2009 compared to year-end 2008 and the end of Q3 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.

In December 2007, the Financial Accounting Standards Board (FASB) issued new guidance on accounting for the noncontrolling interest in the consolidated financial statements. The Company implemented the new guidance effective December 29, 2008, the beginning of the first quarter of 2009 (Q1 2009). The new guidance 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 $1.0 million in Q3 2009, $2.0 million in YTD 2009, $.7 million in Q3 2008 and $1.7 million in YTD 2008 have been reclassified to be included in net income on the Company s consolidated statements 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 statements of operations. Noncontrolling interest related to Piedmont totaled $52.4 million, $50.4 million and $49.7 million at September 27, 2009, December 28, 2008 and September 28, 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 carbonated beverages including energy products. Still beverages are 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 third quarter and the first nine months 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.

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Net sales by product category were as follows:

In Thousands	Third Quarter 2009	Third Quarter 2008	First Nine Months 2009	First Nine Months 2008
Bottle/can sales:				
Sparkling beverages (including energy products)	$257,289	$258,200	$ 749,488	$ 762,741
Still beverages	59,694	66,160	166,629	186,020
Total bottle/can sales	316,983	324,360	916,117	948,761
Other sales:				
Sales to other Coca-Cola bottlers	31,822	31,231	98,433	94,356
Post-mix and other	25,751	25,972	74,016	72,123
Total other sales	57,573	57,203	172,449	166,479
Total net sales	$374,556	$381,563	$1,088,566	$1,115,240

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 a 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 United States 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.

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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 is 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 $138.7 million and $152.5 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 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 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:

Q3 2009 and YTD 2009

a $1.4 million and $5.3 million pre-tax favorable mark-to-market adjustment to cost of sales related to the Company s 2010 and 2011 aluminum hedging programs in Q3 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 $5.4 million credit to income tax expense related to the reduction of the liability for uncertain tax positions in Q3 2009 due mainly to the lapse of applicable statutes of limitations;

a $.9 million and $2.9 million pre-tax favorable impact to S,D&A expenses in Q3 2009 and YTD 2009, respectively, due to a change in the estimate of the useful lives of certain cold drink dispensing equipment in Q1 2009;

a $.1 million pre-tax unfavorable mark-to-market adjustment and $.9 million pre-tax favorable mark-to-market adjustment to S,D&A expenses related to the Company s 2009 fuel hedging program in Q3 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 pre-tax unfavorable mark-to-market adjustment and $1.1 million pre-tax favorable mark-to-market adjustment to S,D&A expenses related to the Company s 2010 fuel hedging program in Q3 2009 and YTD 2009, respectively.

Q3 2008 and YTD 2008

a $13.8 million pre-tax charge to freeze the Company s liability to the Central States, Southeast and Southwest Areas Pension Fund (Central States), a multi-employer pension fund effective in Q3 2008, while preserving the pension benefits previously earned by Company employees covered by the plan;

a $4.0 million pre-tax charge for restructuring expense related to the Company s plan initiated in Q3 2008 to reorganize the structure of its operating units and support services, which resulted in the elimination of approximately 350 positions;

a $2.6 million adjustment to increase equity investment in a plastic bottle cooperative in YTD 2008; and

a $.6 million pre-tax unfavorable mark-to-market adjustment and $1.2 million pre-tax favorable mark-to-market adjustment to S,D&A expenses related to the Company s 2008 fuel hedging program in Q3 2008 and YTD 2008, respectively.

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The following overview provides a summary of key information concerning the Company s financial results for Q3 2009 and YTD 2009 compared to Q3 2008 and YTD 2008.

	Third Quarter			%
In Thousands (Except Per Share Data)	2009	2008	Change	Change
Net sales	$374,556	$381,563	$ (7,007)	(1.8)
Gross margin	157,320	155,827	1,493	1.0
S,D&A expenses	131,024	149,384	(18,360)	(12.3)
Income from operations	26,296	6,443	19,853	NM*
Interest expense	8,866	9,406	(540)	(5.7)
Income (loss) before income taxes	17,430	(2,963)	20,393	NM*
Income tax provision (benefit)	1,043	(523)	1,566	NM*
Net income (loss)	16,387	(2,440)	18,827	NM*
Net income (loss) attributable to the Company	15,428	(3,145)	18,573	NM*
Basic net income (loss) per share:				
Common Stock	$ 1.68	$ (.34)	$ 2.02	NM*
Class B Common Stock	$ 1.68	$ (.34)	$ 2.02	NM*
Diluted net income (loss) per share:				
Common Stock	$ 1.68	$ (.34)	$ 2.02	NM*
Class B Common Stock	$ 1.67	$ (.34)	$ 2.01	NM*

* Not Meaningful

	First Nine Months			%
In Thousands (Except Per Share Data)	2009	2008	Change	Change
Net sales	$1,088,566	$1,115,240	$(26,674)	(2.4)
Gross margin	464,576	467,625	(3,049)	(0.7)
S,D&A expenses	386,461	421,300	(34,839)	(8.3)
Income from operations	78,115	46,325	31,790	68.6
Interest expense	28,059	29,789	(1,730)	(5.8)
Income before income taxes	50,056	16,536	33,520	NM*
Income tax provision	11,928	7,135	4,793	67.2
Net income	38,128	9,401	28,727	NM*
Net income attributable to the Company	36,146	7,675	28,471	NM*
Basic net income per share:				
Common Stock	$ 3.94	$ 0.84	$ 3.10	NM*
Class B Common Stock	$ 3.94	$ 0.84	$ 3.10	NM*
Diluted net income per share:				
Common Stock	$ 3.93	$ 0.84	$ 3.09	NM*
Class B Common Stock	$ 3.92	$ 0.83	$ 3.09	NM*

* Not Meaningful

The Company s net sales decreased 1.8% in Q3 2009 compared to Q3 2008. The decrease in net sales was primarily due to a 1.2% decrease in bottle/can volume and a 1.8% decrease in average sales price per bottle/can unit. The decrease in bottle/can volume was primarily due to a volume decrease in bottled water. The decrease in average sales price per bottle/can unit was primarily due to lower per unit prices in sparkling products except energy products partially offset by higher per unit prices in energy products. The Company s net sales decreased 2.4% in YTD 2009 compared to YTD 2008. The decrease in net sales was primarily due to a 6.0% decrease in

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bottle/can volume partially offset by a 2.3% increase in average sales price per bottle/can unit. The decrease in bottle/can volume was primarily due to a decrease in volume in all product categories except energy products. The increase in average sales price per bottle/can unit was primarily due to increased sales prices in all product categories except enhanced water products.

Gross margin dollars increased 1.0% in Q3 2009 compared to Q3 2008. The Company s gross margin percentage increased to 42.0% for Q3 2009 from 40.8% for Q3 2008. The increase in gross margin dollars and gross margin percentage was primarily due to an increase in marketing funding support received primarily from The Coca-Cola Company partially offset by lower bottle/can sales price per unit. Gross margin dollars decreased .7% in YTD 2009 compared to YTD 2008. The Company s gross margin percentage increased to 42.7% for YTD 2009 from 41.9% 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 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.

S,D&A expenses decreased 12.3% in Q3 2009 from Q3 2008 and 8.3% in YTD 2009 from YTD 2008. The decreases in S,D&A expenses in Q3 2009 from Q3 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 increased employee benefit costs and increased bonus expense. During Q3 2008, the Company recorded a charge that resulted from a new collective bargaining agreement that allowed the Company to freeze its liability for the union pension plan. During Q3 2008, the Company also recorded restructuring expense related to the Company s plan to reorganize the structure of its operating units and support services.

Net interest expense decreased 5.7% in Q3 2009 compared to Q3 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 debt. The Company s overall weighted average interest rate was 5.7% during both YTD 2009 and YTD 2008.

Net debt and capital lease obligations were summarized as follows:

In Thousands	Sept. 27, 2009	December 28, 2008	Sept. 28, 2008
Debt	$552,882	$591,450	$591,450
Capital lease obligations	64,006	77,614	78,280
Total debt and capital lease obligations	616,888	669,064	669,730
Less: Cash and cash equivalents	25,062	45,407	20,583
Total net debt and capital lease obligations [1]	$591,826	$623,657	$649,147

[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 FASB issued new guidance 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 new guidance does not require any new fair value measurements but could change the Company s current practices in measuring fair value. The new guidance 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 additional guidance which deferred the application date of the provisions of new guidance 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 new guidance did not have a material impact on the Company s 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 issued new guidance which 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 new guidance was effective for Q1 2009. The impact on the Company of adopting this new guidance will depend on the nature, terms and size of business combinations completed after the effective date.

In December 2007, the FASB issued new guidance to establish new accounting and new reporting standards for the noncontrolling interest in a subsidiary (commonly referred to previously as minority interest) and for the deconsolidation of a subsidiary. This new guidance 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 new guidance did not have a significant impact on the Company s consolidated financial statements.

In March 2008, the FASB issued new guidance which amends and expands the disclosure requirements relative to derivative instruments 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 new guidance was effective for Q1 2009. The adoption of this new guidance did not impact the Company s 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 new guidance which amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets. The intent of the new guidance 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. The new guidance was effective for Q1 2009. The Company does not expect this new guidance 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 new guidance which requires a seller of credit derivatives to provide certain disclosures for each credit derivative (or group of similar credit derivatives). The new guidance also requires guarantors to disclose the current status of payment/performance risk of guarantees and clarifies the effective date of the new guidance relative to derivative instruments discussed above. The adoption of this new guidance did not have a material impact on the Company s consolidated financial statements.

In April 2009, the FASB issued new 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. The new guidance was effective for interim and annual periods ending after June 15, 2009. The adoption of this new guidance did not have a material impact on the Company s consolidated financial statements.

In April 2009, the FASB issued new guidance which amends the other-than-temporary impairment guidance for debt securities to make the other-than-temporary impairment guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities. The new guidance was effective for interim and annual periods ending after June 15, 2009. The adoption of this new guidance did not have a material impact on the Company s consolidated financial statements.

In April 2009, the FASB issued new guidance which requires disclosures about the fair value of financial instruments in interim reporting periods of publicly traded companies as well as in annual financial statements. The new guidance was effective for interim periods ending after June 15, 2009. The adoption of this new guidance did not have a material impact on the Company s consolidated financial statements.

In May 2009, the FASB issued new guidance relative to subsequent events which does not result in significant changes in the subsequent events that an entity reports in its financial statements. The new guidance 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. The new guidance was effective for the Company in the second quarter of 2009, and the required disclosure has been included in Note 1 to the consolidated financial statements. The adoption of this new guidance did not have a significant impact on the Company s consolidated financial statements.

In June 2009, the FASB issued guidance which established the FASB Accounting Standards Codification . The FASB Accounting Standards Codification (Codification) became the source of authoritative United States GAAP recognized by the FASB to be applied by nongovernmental entities. The Codification did not change GAAP. The Codification was effective for interim and annual periods ending after September 15, 2009. Pursuant to the provision of the Codification, the Company updated references to GAAP in the Company s consolidated financial statements. The Codification did not change GAAP and therefore did not impact the Company s consolidated financial statements other than the change in references.

Recently Issued Pronouncements

In December 2008, the FASB issued new guidance which 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. The new guidance is effective for fiscal years ending after December 15, 2009. The adoption of this new guidance 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 new guidance which 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. The new guidance is effective for annual reporting periods that begin after November 15, 2009. The Company does not expect this new guidance to have a material impact on the Company s consolidated financial statements.

In June 2009, the FASB issued new guidance which replaced 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. The new guidance is effective for annual reporting periods that begin after November 15, 2009. The Company is in the process of evaluating the impact of this new guidance on the Company s consolidated financial statements.

In August 2009, FASB issued new guidance on measuring the fair value of liabilities. The new guidance clarifies that the quoted price for the identical liability, when traded as an asset in an active market, is a Level 1 measurement for that liability when no adjustment to the quoted price is required. The new guidance also gives guidance on valuation techniques in the absence of a Level 1 measurement. The new guidance is effective for the Company in the fourth quarter of 2009. The Company does not expect this new guidance to have a material impact on the Company s consolidated financial statements.

Results of Operations

Q3 2009 Compared to Q3 2008 and YTD 2009 Compared to YTD 2008

Net Sales

Net sales decreased $7.0 million, or 1.8%, to $374.6 million in Q3 2009 compared to $381.6 million in Q3 2008. Net sales decreased $26.7 million, or 2.4% to $1,088.6 million in YTD 2009 compared to $1,115.2 million in YTD 2008.

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

Q3 2009 (In Millions)		Attributable to:
$	(5.2)	1.2% decrease in bottle/can volume primarily due to a volume decrease in bottled water
	(2.1)	1.8% decrease in bottle/can sales price per unit primarily due to lower per unit prices in sparkling products except energy products partially offset by higher per unit prices in energy products
	1.0	3.2% increase in sales volume sold to other Coca-Cola bottlers primarily due to an increase in volume of sparkling products
	(1.4)	7.0% decrease in post-mix volume
	1.1	6.2% increase in post-mix sales price per unit
	(0.4)	Other
$	(7.0)	Total decrease in net sales

YTD 2009 (In Millions)		Attributable to:
$	(55.0)	6.0% decrease in bottle/can volume primarily due to a volume decrease in all product categories except energy products
	22.4	2.3% increase in bottle/can sales price per unit primarily due to higher per unit prices in all product categories except enhanced water products
	(4.8)	8.4% decrease in post-mix volume
	4.0	4.3% increase in sales price per unit for sales to other Coca-Cola bottlers primarily due to increases in all product categories
	3.4	6.5% increase in post-mix sales price per unit
	3.3	Other
$	(26.7)	Total decrease in net sales

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 decrease in the Company s bottle/can net pricing per unit in Q3 2009 compared to Q3 2008 was primarily due to sales price decreases in sparkling products except energy products partially offset by sales price increases in energy products. The increase in the Company s bottle/can net pricing per unit in 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 Q3 2009 and Q3 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:

	Bottle/Can Sales Volume		Bottle/Can Sales Volume % Increase
Product Category	Q3 2009	Q3 2008	(Decrease)
Sparkling beverages (including energy products)	84.6%	82.7%	1.2
Still beverages	15.4%	17.3%	(12.1)

Total bottle/can sales volume	100.0%	100.0%	(1.2)

Product Category	Bottle/Can Sales Volume YTD 2009	YTD 2008	Bottle/Can Sales Volume % (Decrease)
Sparkling beverages (including energy products)	85.0%	84.5%	(4.3)
Still beverages	15.0%	15.5%	(14.7)
Total bottle/can sales volume	100.0%	100.0%	(6.0)

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 $5.9 million and $4.7 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 3.8%, or $8.5 million, to $217.2 million in Q3 2009 compared to $225.7 million in Q3 2008. Cost of sales decreased 3.6%, or $23.6 million, to $624.0 million in YTD 2009 compared to $647.6 million in YTD 2008.

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

Q3 2009 (In Millions)	Attributable to:
$ (3.9)	Increase in marketing funding support received primarily from The Coca-Cola Company
(3.7)	1.2% decrease in bottle/can volume primarily due to a volume decrease in bottled water
(1.4)	Decrease in cost due to the Company s aluminum hedging program
1.0	3.2% increase in sales volume sold to other Coca-Cola bottlers primarily due to an increase in volume of sparkling products
(1.0)	7.0% decrease in post-mix volume
0.9	Increase in raw material costs primarily due to increases in high fructose corn syrup
(0.4)	Other
$ (8.5)	Total decrease in cost of sales

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YTD 2009 (In Millions)	Attributable to:
$ (31.7)	6.0% decrease in bottle/can volume primarily due to a volume decrease in all product categories except energy products
12.8	Increase in raw material costs such as concentrate and high fructose corn syrup partially offset by a decrease in purchased products
(5.3)	Decrease in cost due to the Company s aluminum hedging program
(3.2)	8.4% decrease in post-mix volume
2.6	Increase in equity investment in a plastic bottle cooperative in 2008
1.0	Decrease in marketing funding support received primarily from The Coca-Cola Company
0.2	Other
$ (23.6)	Total decrease in cost of sales

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 $41.1 million for YTD 2009 compared to $42.1 million for YTD 2008.

The net impact of the Company s aluminum hedging program was to decrease aluminum cost by $1.4 million and $5.3 million in Q3 2009 and YTD 2009, respectively.

Gross Margin

Gross margin dollars increased 1.0%, or $1.5 million, to $157.3 million in Q3 2009 compared to $155.8 million in Q3 2008. Gross margin as a percentage of net sales increased to 42.0% for Q3 2009 from 40.8% for Q3 2008. Gross margin dollars decreased $3.0 million, or .7%, to $464.6 million in YTD 2009 compared to $467.6 million in YTD 2008. Gross margin as a percentage of net sales increased to 42.7% in YTD 2009 from 41.9% in YTD 2008.

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

Q3 2009 (In Millions)	Attributable to:
$ 3.9	Increase in marketing funding support received primarily from The Coca-Cola Company
(2.1)	1.8% decrease in bottle/can sales price per unit primarily due to lower per unit prices in sparkling products except energy products partially offset by higher per unit prices in energy products
(1.5)	1.2% decrease in bottle/can volume primarily due to a volume decrease in bottled water
1.4	Increase in gross margin due to the Company s aluminum hedging program
1.1	6.2% increase in post-mix sales price per unit
(0.9)	Increase in raw material costs primarily due to increases in high fructose corn syrup
(0.4)	7.0% decrease in post-mix volume
	Other
$ 1.5	Total increase in gross margin

YTD 2009 (In Millions)	Attributable to:
$ (23.3)	6.0% decrease in bottle/can volume primarily due to a volume decrease in all product categories except energy products
22.4	2.3% increase in bottle/can sales price per unit primarily due to higher per unit prices in all product categories except enhanced water products
(12.8)	Increase in raw material costs such as concentrate and high fructose corn syrup partially offset by a decrease in purchased products
5.3	Increase in gross margin due to the Company s aluminum hedging program
4.0	4.3% increase in sales price per unit for sales to other Coca-Cola bottlers primarily due to increases in all product categories
3.4	6.5% increase in post-mix sales price per unit
(2.6)	Increase in equity investment in a plastic bottle cooperative in 2008
(1.0)	Decrease in marketing funding support received primarily from The Coca-Cola Company
(1.6)	8.4% decrease in post-mix volume
3.2	Other
$ (3.0)	Total decrease in gross margin

The increase in gross margin percentage in Q3 2009 compared to Q3 2008 was primarily due to an increase in marketing funding support partially offset by lower bottle/can sales prices per unit. 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.

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 $18.4 million, or 12.3%, to $131.0 million in Q3 2009 from $149.4 million in Q3 2008. S,D&A expenses decreased by $34.8 million, or 8.3%, to $386.5 million in YTD 2009 from $421.3 million in YTD 2008.

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

Q3 2009 (In Millions)	Attributable to:
$ (13.8)	Charge to exit from multi-employer pension plan in Q3 2008
4.0	Increase in employee benefit costs primarily due to higher pension plan costs
(4.0)	Decrease in restructuring costs
(3.4)	Decrease in fuel and other energy costs related to the movement of finished goods from sales distribution centers to customer locations
2.8	Increase in accrued bonus and incentive expense due to the Company s financial performance
(2.3)	Decrease in property and casualty insurance expenses
(1.7)	Decrease in depreciation expense due to a change in estimate of the useful lives of certain cold drink dispensing equipment in 2009 and lower levels of capital spending
(1.1)	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
0.9	Increase in bad debt expense
0.2	Other
$ (18.4)	Total decrease in S,D&A expenses

YTD 2009 (In Millions)	Attributable to:
$ (13.8)	Charge to exit from multi-employer pension plan in Q3 2008
(12.0)	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
(10.8)	Decrease in fuel and other energy costs related to the movement of finished goods from sales distribution centers to customer locations
9.5	Increase in employee benefit costs primarily due to higher pension plan costs
5.5	Increase in accrued bonus and incentive expense and stock performance expense due to the Company s financial performance
(5.4)	Decrease in depreciation expense due to a change in estimate of the useful lives of certain cold drink dispensing equipment in Q1 2009 and lower levels of capital spending
(4.0)	Decrease in restructuring costs
1.5	Increase in bad debt expense
(1.5)	Decrease in property and casualty insurance expenses
(1.3)	Decrease in marketing expenses
(2.5)	Other
$ (34.8)	Total decrease in S,D&A expenses

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

$138.7 million and $152.5 million in YTD 2009 and YTD 2008, respectively.

The net impact of the Company s fuel hedging program was to decrease fuel costs by $2.0 million and $1.2 million in YTD 2009 and YTD 2008, respectively.

Primarily due to the performance of the Company s pension plan investments during 2008, the pension 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 Q3 2008 to a $2.5 million expense in Q3 2009 and by $8.9 million from a $1.5 million credit in YTD 2008 to a $7.4 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 Q3 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, 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 Company maintains the option to match its employees 401(k) Savings Plan contributions based on the financial results for 2009. In Q3 2009, the Company decided to match its employees contributions for the period of April 1, 2009 through August 31, 2009. The Company accrued for a payment of $3.6 million to the 401(k) Savings Plan for the five month period. This payment was made in the fourth quarter of 2009.

Interest Expense

Net interest expense decreased 5.7%, or $0.5 million, in Q3 2009 compared to Q3 2008 and decreased 5.8%, or $1.7 million, in YTD 2009 and YTD 2008. The decrease in interest expense in YTD 2009 was primarily due to lower debt. The Company s overall weighted average interest rate was 5.7% during both YTD 2009 and YTD 2008. See the Liquidity and Capital Resources Hedging Activities Interest Rate Hedging section of M,D&A for additional information.

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Income Taxes

The Company s effective income tax rate for YTD 2009 was 24.8% compared to 48.2% 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 Q3 2009 compared to $.7 million in Q3 2008 and $2.0 million in YTD 2009 compared to $1.7 million in YTD 2008 related to the portion of Piedmont owned by The Coca-Cola Company.

Financial Condition

Total assets of $1.3 billion at September 27, 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, prepaid expenses and other current assets and other 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. Other assets increased primarily due to unamortized cost and mark-to-market adjustments related to the Company s hedging programs.

Net working capital, defined as current assets less current liabilities, increased by $171.4 million from a net liability to positive working capital of $73.6 million at September 27, 2009 from December 28, 2008 and increased by $187.5 million at September 27, 2009 from September 28, 2008.

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

- A decrease in current portion of long-term debt of $176.7 million primarily due to the payment of $119.3 million of debentures on May 1, 2009 and the payment of $57.4 million of debentures on July 1, 2009 primarily from $55.0 million in borrowings on the Company s $200 million revolving credit facility ($200 million facility) which is not due until March 2012. In April 2009, the Company issued $110 million of unsecured 7% Senior Notes due 2019.

- An increase in other accrued liabilities of $6.7 million primarily due to an increase in employee benefit plan accruals and accrued income taxes.

- A decrease in accounts payable, trade of $9.8 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 $14.0 million and $8.3 million, respectively, primarily due to the timing of payments.

- A decrease in cash and cash equivalents of $20.3 million primarily due to the net reduction of debt of $38.6 million.

- An increase in prepaid expenses and other current assets of $4.3 million primarily due to transactions related to the Company s hedging programs.

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

- A decrease in current portion of long-term debt of $176.7 million primarily due to the payment of $119.3 million of debentures on May 1, 2009 and the payment of $57.4 million of debentures on July 1, 2009 primarily from $55.0 million in borrowings on the Company s $200 million facility which is not due until March 2012. In April 2009, the Company issued $110 million of unsecured 7% Senior Notes due 2019.

- An increase in cash and cash equivalents of $4.5 million primarily due to cash flow from operations.

- A decrease in accounts receivable, trade, net of $9.3 million primarily due to decreased sales.

- An increase in prepaid expenses and other current assets of $6.1 million primarily due to transactions related to the Company s hedging programs.

- An increase in accounts receivable from and an increase in accounts payable to The Coca-Cola Company of $4.8 million and $5.3 million, respectively, primarily due to the timing of payments.

- An increase in accrued compensation payable of $5.6 million primarily due to increased bonus and incentive accruals.

Debt and capital lease obligations were $616.9 million as of September 27, 2009 compared to $669.1 million as of December 28, 2008 and $669.7 million as of September 28, 2008. Debt and capital lease obligations as of September 27, 2009 included $64.0 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 September 27, 2009, the Company had $170 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 and has been throughout 2009.

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 September 27, 2009, $522.9 million of the Company s total outstanding balance of debt and capital lease obligations of $616.9 million was financed through publicly offered debt. The Company had capital lease

obligations of $64.0 million as of September 27, 2009. There was $30.0 million outstanding on the $200 million facility as of September 27, 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, income tax payments and pension payments.

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

	First Nine Months	
In Millions	2009	2008
Cash Sources		
Cash provided by operating activities (excluding income tax and pension payments)	$ 82.2	$66.8
Proceeds from $200 million facility	30.0	
Proceeds from issuance of debt	108.1	
Proceeds from termination of interest rate swap agreements		5.1
Proceeds from the sale of property, plant and equipment	4.9	1.2
Total cash sources	$225.2	$73.1
Cash Uses		
Capital expenditures	$ 29.8	$41.2
Investment in a plastic bottle manufacturing cooperative		1.0
Investment in restricted cash	4.5	
Payment of lines of credit, net		7.4
Payment of debt and capital lease obligations	179.1	1.9
Debt issuance costs	1.0	
Dividends	6.9	6.9
Income tax payments	13.8	3.7
Pension payments	10.1	.2
Other	.3	.1
Total cash uses	$245.5	$62.4
Increase (decrease) in cash	$ (20.3)	$10.7

Investing Activities

Additions to property, plant and equipment during YTD 2009 were $29.8 million compared to $41.2 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 $50 million to $60 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. 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. On September 27, 2009, the Company had $30.0 million outstanding under the $200 million facility. There were no amounts outstanding under the $200 million facility at December 28, 2008 and September 28, 2008.

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 September 27, 2009, the Company s credit ratings were as follows:

	Long-Term Debt
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.

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Off-Balance Sheet Arrangements

The Company is a member of two manufacturing cooperatives and has guaranteed $38.4 million of debt and related lease obligations for these entities as of September 27, 2009. In addition, the Company has an equity ownership interest 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 September 27, 2009, the Company s maximum exposure, if the entities borrowed up to their borrowing capacity, would have been $69.3 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 September 27, 2009:

		Payments Due by Period			
In Thousands	Total	Oct. 2009- Sept. 2010	Oct. 2010- Sept. 2012	Oct. 2012- Sept. 2014	After Sept. 2014
Contractual obligations:					
Total debt, net of interest	$ 552,882	$	$ 30,000	$150,000	$372,882
Capital lease obligations, net of interest	64,006	3,759	7,926	9,004	43,317
Estimated interest on long-term debt and capital lease obligations [1]	212,617	32,850	65,448	50,343	63,976
Purchase obligations [2]	437,057	93,655	187,310	156,092	
Other long-term liabilities [3]	106,901	7,357	14,647	13,449	71,448
Operating leases	20,543	3,740	5,539	3,139	8,125
Long-term contractual arrangements [4]	22,539	6,818	10,345	4,962	414
Postretirement obligations	37,138	1,891	4,811	5,200	25,236
Purchase orders [5]	32,746	32,746			
Total contractual obligations	$1,486,429	$182,816	$326,026	$392,189	$585,398

(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 $3.0 million of unrecognized income tax benefits including accrued interest as of September 27, 2009 (included in other long-term liabilities in the table above) of which all 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; however, the Company does not expect the change to have a significant impact on the consolidated financial statements. See Note 15 to the consolidated financial statements for additional information.

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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 September 27, 2009, the Company has $25.6 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 contributed $10.1 million to its two Company-sponsored pension plans in YTD 2009 and does not anticipate making any additional contribution for the remainder of 2009. 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 is amortizing 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 September 27, 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 $1.8 million and $1.3 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 5.5% as of September 27, 2009 compared to 5.9% as of December 28, 2008 and 5.9% as of September 28, 2008. Approximately 9.6% of the Company s debt and capital lease obligations of $616.9 million as of September 27, 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 increase fuel costs by $.6 million in both Q3 2009 and Q3 2008. The net impact of the Company s fuel hedging program was to decrease fuel costs by $2.0 million and $1.2 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 the second quarter of 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 $1.4 million and $5.3 million in Q3 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 September 27, 2009;

the Company s anticipation that it will not contribute additional payments to the two Company-sponsored pension plans for the remainder of 2009;

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 $50 million to $60 million;

the Company s beliefs and estimates regarding the impact of the adoption of certain new accounting guidance;

the Company s belief 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 change over the next 12 months as a result of tax audits but will not have a significant impact on the consolidated financial statements;

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;

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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. Except as required by law, 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 September 27, 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 9.6% of the Company s debt and capital lease obligations of $616.9 million as of September 27, 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 September 27, 2009, interest expense for the following twelve months would increase by approximately $.6 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 $29 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 September 27, 2009 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II OTHER INFORMATION

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, packaging and products 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 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 6. Exhibits.

Exhibit Number	Description
4.1	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).

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SIGNATURES

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

COCA-COLA BOTTLING CO. CONSOLIDATED
(REGISTRANT)

Date: November 6, 2009	By:	/s/ James E. Harris James E. Harris Principal Financial Officer of the Registrant and Senior Vice President and Chief Financial Officer
Date: November 6, 2009	By:	/s/ William J. Billiard William J. Billiard Principal Accounting Officer of the Registrant and Vice President, Controller and Chief Accounting Officer

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