

COCA COLA BOTTLING CO CONSOLIDATED /DE/
Form 10-Q
May 11, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended April 1, 2012

Commission File Number 0-9286

COCA-COLA BOTTLING CO. CONSOLIDATED

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

56-0950585
(I.R.S. Employer Identification No.)

4100 Coca-Cola Plaza, Charlotte, North Carolina 28211
(Address of principal executive offices) (Zip Code)

(704) 557-4400
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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Yes No

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

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

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

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

Class	Outstanding at April 30, 2012
Common Stock, \$1.00 Par Value	7,141,447
Class B Common Stock, \$1.00 Par Value	2,088,842

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QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED APRIL 1, 2012

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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)

	First Quarter	
	2012	2011
Net sales	\$ 377,185	\$ 359,629
Cost of sales	221,591	210,468
Gross margin	155,594	149,161
Selling, delivery and administrative expenses	136,961	129,982
Income from operations	18,633	19,179
Interest expense, net	9,071	8,769
Income before income taxes	9,562	10,410
Income tax expense	4,467	3,941
Net income	5,095	6,469
Less: Net income attributable to noncontrolling interest	530	556
Net income attributable to Coca-Cola Bottling Co. Consolidated	\$ 4,565	\$ 5,913
Basic net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:		
Common Stock	\$.50	\$.64
Weighted average number of Common Stock shares outstanding	7,141	7,141
Class B Common Stock	\$.50	\$.64
Weighted average number of Class B Common Stock shares outstanding	2,073	2,051
Diluted net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:		
Common Stock	\$.49	\$.64
Weighted average number of Common Stock shares outstanding assuming dilution	9,254	9,232
Class B Common Stock	\$.49	\$.64
Weighted average number of Class B Common Stock shares outstanding assuming dilution	2,113	2,091
Cash dividends per share:		
Common Stock	\$.25	\$.25
Class B Common Stock	\$.25	\$.25

See Accompanying Notes to Consolidated Financial Statements.

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Coca-Cola Bottling Co. Consolidated

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

In Thousands

	First Quarter	
	2012	2011
Net income	\$ 5,095	\$ 6,469
Other comprehensive income, net of tax:		
Foreign currency translation adjustment	(1)	(4)
Defined benefit plans amortization included in pension costs:		
Actuarial loss	420	314
Prior service costs	3	2
Postretirement benefits amortization included in benefits costs:		
Actuarial loss	372	321
Prior service costs	(230)	(260)
Transition asset		(3)
Other comprehensive income, net of tax	564	370
Comprehensive income	5,659	6,839
Less: Comprehensive income attributable to noncontrolling interest	530	556
Comprehensive income attributable to Coca-Cola Bottling Co. Consolidated	\$ 5,129	\$ 6,283

See Accompanying Notes to Consolidated Financial Statements

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Coca-Cola Bottling Co. Consolidated

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

In Thousands (Except Share Data)

	April 1, 2012	Jan. 1 2012	April 3, 2011
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 57,649	\$ 90,758	\$ 30,382
Restricted cash		3,000	3,500
Accounts receivable, trade, less allowance for doubtful accounts of \$1,523, \$1,521 and \$1,442, respectively	123,927	105,515	110,809
Accounts receivable from The Coca-Cola Company	20,823	8,439	15,256
Accounts receivable, other	12,258	15,874	8,450
Inventories	75,895	66,158	72,606
Prepaid expenses and other current assets	20,988	22,069	27,306
 Total current assets	 311,540	 311,813	 268,309
 Property, plant and equipment, net	 308,936	 312,789	 319,682
Leased property under capital leases, net	58,315	59,804	64,188
Other assets	52,861	49,604	51,457
Franchise rights	520,672	520,672	520,672
Goodwill	102,049	102,049	102,049
Other identifiable intangible assets, net	4,335	4,439	4,748
 Total	 \$ 1,358,708	 \$ 1,361,170	 \$ 1,331,105

See Accompanying Notes to Consolidated Financial Statements.

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Coca-Cola Bottling Co. Consolidated

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

In Thousands (Except Share Data)

	April 1, 2012	Jan. 1, 2012	April 3, 2011
LIABILITIES AND EQUITY			
Current Liabilities:			
Current portion of debt	\$ 120,000	\$ 120,000	\$ 3,946
Current portion of obligations under capital leases	4,780	4,574	3,946
Accounts payable, trade	47,508	42,203	41,997
Accounts payable to The Coca-Cola Company	41,660	34,150	34,744
Other accrued liabilities	71,696	66,922	69,809
Accrued compensation	12,334	29,218	13,730
Accrued interest payable	12,462	5,448	10,061
Total current liabilities	310,440	302,515	174,287
Deferred income taxes	139,676	142,260	144,972
Pension and postretirement benefit obligations	124,426	138,156	113,291
Other liabilities	116,658	114,302	112,242
Obligations under capital leases	68,232	69,480	72,925
Long-term debt	403,260	403,219	523,101
Total liabilities	1,162,692	1,169,932	1,140,818
Commitments and Contingencies (Note 14)			
Equity:			
Common Stock, \$1.00 par value:			
Authorized 30,000,000 shares;			
Issued 10,203,821 shares	10,204	10,204	10,204
Class B Common Stock, \$1.00 par value:			
Authorized 10,000,000 shares;			
Issued 2,716,956, 2,694,636 and 2,694,636 shares, respectively	2,715	2,693	2,693
Capital in excess of par value	107,600	106,201	106,140
Retained earnings	156,540	154,277	138,489
Accumulated other comprehensive loss	(80,256)	(80,820)	(63,063)
	196,803	192,555	194,463
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	135,549	131,301	133,209
Noncontrolling interest	60,467	59,937	57,078
Total equity	196,016	191,238	190,287

Total	\$ 1,358,708	\$ 1,361,170	\$ 1,331,105
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See Accompanying Notes to Consolidated Financial Statements.

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Coca-Cola Bottling Co. Consolidated

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

In Thousands (Except Share Data)

	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 Jan. 2, 2011	\$ 10,204	\$ 2,671	\$ 104,835	\$ 134,872	\$ (63,433)	\$ (61,254)	\$ 127,895	\$ 56,522	\$ 184,417
Net income				5,913			5,913	556	6,469
Other comprehensive income, net of tax					370		370		370
Cash dividends paid									
Common (\$.25 per share)				(1,785)			(1,785)		(1,785)
Class B Common (\$.25 per share)				(511)			(511)		(511)
Issuance of 22,320 shares of Class B Common Stock		22	1,305				1,327		1,327
Balance on April 3, 2011	\$ 10,204	\$ 2,693	\$ 106,140	\$ 138,489	\$ (63,063)	\$ (61,254)	\$ 133,209	\$ 57,078	\$ 190,287
Balance on Jan. 1, 2012	\$ 10,204	\$ 2,693	\$ 106,201	\$ 154,277	\$ (80,820)	\$ (61,254)	\$ 131,301	\$ 59,937	\$ 191,238
Net income				4,565			4,565	530	5,095
Other comprehensive income, net of tax					564		564		564
Cash dividends paid									
Common (\$.25 per share)				(1,785)			(1,785)		(1,785)
Class B Common (\$.25 per share)				(517)			(517)		(517)
Issuance of 22,320 shares of Class B Common Stock		22	1,399				1,421		1,421
Balance on April 1, 2012	\$ 10,204	\$ 2,715	\$ 107,600	\$ 156,540	\$ (80,256)	\$ (61,254)	\$ 135,549	\$ 60,467	\$ 196,016

See Accompanying Notes to Consolidated Financial Statements.

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Coca-Cola Bottling Co. Consolidated

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

In Thousands

	First Quarter	
	2012	2011
<u>Cash Flows from Operating Activities</u>		
Net income	\$ 5,095	\$ 6,469
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	15,545	14,826
Amortization of intangibles	104	123
Deferred income taxes	971	839
Loss on sale of property, plant and equipment	155	353
Amortization of debt costs	578	569
Amortization of deferred gain related to terminated interest rate agreements	(307)	(304)
Stock compensation expense	627	668
Increase in current assets less current liabilities	(22,917)	(12,923)
Increase in other noncurrent assets	(3,666)	(5,601)
Increase (decrease) in other noncurrent liabilities	(14,056)	2,340
Other	(3)	(6)
Total adjustments	(22,969)	884
Net cash provided by (used in) operating activities	(17,874)	7,353
<u>Cash Flows from Investing Activities</u>		
Additions to property, plant and equipment	(14,896)	(19,502)
Proceeds from the sale of property, plant and equipment	63	22
Change in restricted cash	3,000	
Net cash used in investing activities	(11,833)	(19,480)
<u>Cash Flows from Financing Activities</u>		
Cash dividends paid	(2,302)	(2,296)
Principal payments on capital lease obligations	(1,042)	(941)
Other	(58)	(126)
Net cash used in financing activities	(3,402)	(3,363)
Net decrease in cash	(33,109)	(15,490)
Cash at beginning of period	90,758	45,872
Cash at end of period	\$ 57,649	\$ 30,382
Significant non-cash investing and financing activities:		
Issuance of Class B Common Stock in connection with stock award	\$ 1,421	\$ 1,327
Capital lease obligations incurred		18,552

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 intercompany accounts and transactions have been eliminated.

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

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

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

The accounting policies followed in the presentation of interim financial results are consistent with those followed on an annual basis. These policies are presented in Note 1 to the consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended January 1, 2012 filed with the United States Securities and Exchange Commission.

Presentation of Comprehensive Income

In June 2011, the Financial Accounting Standards Board (FASB) amended its guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The Company elected to report components of comprehensive income in two separate but consecutive statements. The new guidance was effective for the quarter ended April 1, 2012 and was applied retrospectively. The Company s adoption of the new guidance resulted in a change in the presentation of the Company s consolidated financial statements but did not have any impact on the Company s results of operations, financial position or liquidity.

Revision of Prior Period Financial Statements

In connection with the preparation of the consolidated financial statements for the second quarter of 2011, the Company identified an error in the treatment of accrued additions for property, plant and equipment in the Consolidated Statements of Cash Flows. This error affected the Consolidated Statements of Cash Flows presented in the first quarter of 2011 and resulted in an understatement of net cash provided by operating activities and net cash used in investing activities for this impacted period. In accordance with accounting guidance presented in ASC 250-10 (SEC Staff Accounting Bulletin No. 99, Materiality), the Company

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

1. Significant Accounting Policies

assessed the materiality of the error and concluded that the error was not material to any of the Company's previously issued financial statements taken as a whole. The Company has revised the previously issued financial statements to correct the effect of this error. This revision did not affect the Company's Consolidated Statements of Operations or Consolidated Balance Sheets for this period.

The following tables present the effect of this correction on the Company's Consolidated Statements of Cash Flows for the first quarter of 2011:

	First Quarter Ended April 3, 2011 (In Thousands)		
	As Previously Reported	Adjustment	As Revised
<u>Cash Flows from Operating Activities</u>			
(Increase) decrease in current assets less current liabilities	\$ (23,356)	\$ 10,433	\$ (12,923)
Total adjustments	(9,549)	10,433	884
Net cash provided by (used in) operating activities	(3,080)	10,433	7,353
<u>Cash Flows from Investing Activities</u>			
Additions to property, plant and equipment	(9,069)	(10,433)	(19,502)
Net cash used in investing activities	(9,047)	(10,433)	(19,480)

2. Seasonality of Business

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

3. Piedmont Coca-Cola Bottling Partnership

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

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

3. Piedmont Coca-Cola Bottling Partnership

Noncontrolling interest as of April 1, 2012, January 1, 2012 and April 3, 2011 primarily represents the portion of Piedmont owned by The Coca-Cola Company. The Coca-Cola Company's interest in Piedmont was 22.7% for all periods presented.

4. Inventories

Inventories were summarized as follows:

In Thousands	April 1, 2012	Jan. 1, 2012	April 3, 2011
Finished products	\$ 45,503	\$ 33,394	\$ 43,163
Manufacturing materials	10,563	14,061	10,967
Plastic shells, plastic pallets and other inventories	19,829	18,703	18,476
Total inventories	\$ 75,895	\$ 66,158	\$ 72,606

5. Property, Plant and Equipment

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

In Thousands	April 1, 2012	Jan. 1, 2012	April 3, 2011	Estimated Useful Lives
Land	\$ 12,537	\$ 12,537	\$ 12,751	
Buildings	118,623	118,603	119,339	10-50 years
Machinery and equipment	136,692	138,268	140,347	5-20 years
Transportation equipment	155,894	153,252	150,624	4-17 years
Furniture and fixtures	41,606	41,170	37,902	4-10 years
Cold drink dispensing equipment	314,838	312,221	313,522	5-15 years
Leasehold and land improvements	75,129	74,500	71,380	5-20 years
Software for internal use	72,265	70,648	71,419	3-10 years
Construction in progress	2,230	3,796	4,580	
Total property, plant and equipment, at cost	929,814	924,995	921,864	
Less: Accumulated depreciation and amortization	620,878	612,206	602,182	
Property, plant and equipment, net	\$ 308,936	\$ 312,789	\$ 319,682	

Depreciation and amortization expense was \$15.5 million and \$14.8 million in the first quarter of 2012 (Q1 2012) and the first quarter of 2011 (Q1 2011), respectively. These amounts included amortization expense for leased property under capital leases.

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

6. Leased Property Under Capital Leases

Leased property under capital leases was summarized as follows:

In Thousands	April 1, 2012	Jan. 1, 2012	April 3, 2011	Estimated Useful Lives
Leased property under capital leases	\$ 95,509	\$ 95,509	\$ 95,428	3-20 years
Less: Accumulated amortization	37,194	35,705	31,240	
Leased property under capital leases, net	\$ 58,315	\$ 59,804	\$ 64,188	

As of April 1, 2012, real estate represented \$58.2 million of the leased property under capital leases and \$39.8 million of this real estate is leased from related parties as described in Note 19 to the consolidated financial statements.

In Q1 2011, the Company entered into leases for two sales distribution centers. Each lease has a term of fifteen years with various monthly rental payments. The two leases added \$18.6 million, at inception, to the leased property under capital leases balance.

The Company's outstanding obligations for capital leases were \$73.0 million, \$74.1 million and \$76.9 million as of April 1, 2012, January 1, 2012 and April 3, 2011, respectively.

7. Franchise Rights and Goodwill

There was no change in the carrying amounts of franchise rights and goodwill in the periods presented. The Company performs its annual impairment test of franchise rights and goodwill as of the first day of the fourth quarter. During Q1 2012, the Company did not experience any triggering events or changes in circumstances that indicated the carrying amounts of the Company's franchise rights or goodwill exceeded fair values. As such, the Company has not recognized any impairments of franchise rights or goodwill.

8. Other Identifiable Intangible Assets

Other identifiable intangible assets were summarized as follows:

In Thousands	April 1, 2012	Jan. 1, 2012	April 3, 2011	Estimated Useful Lives
Other identifiable intangible assets	\$ 8,557	\$ 8,557	\$ 8,675	1-20 years
Less: Accumulated amortization	4,222	4,118	3,927	
Other identifiable intangible assets, net	\$ 4,335	\$ 4,439	\$ 4,748	

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

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

9. Other Accrued Liabilities

Other accrued liabilities were summarized as follows:

In Thousands	April 1, 2012	Jan. 1, 2012	April 3, 2011
Accrued marketing costs	\$ 15,981	\$ 16,743	\$ 9,598
Accrued insurance costs	19,239	18,880	17,133
Accrued taxes (other than income taxes)	1,774	1,636	1,731
Accrued income taxes	2,856		6,925
Employee benefit plan accruals	11,737	12,348	10,475
Checks and transfers yet to be presented for payment from zero balance cash accounts	12,332	8,608	14,847
All other accrued liabilities	7,777	8,707	9,100
Total other accrued liabilities	\$ 71,696	\$ 66,922	\$ 69,809

10. Debt

Debt was summarized as follows:

In Thousands	Maturity	Interest Rate	Interest Paid	April 1, 2012	Jan. 1, 2012	April 3, 2011
Senior Notes	2012	5.00%	Semi-annually	\$ 150,000	\$ 150,000	\$ 150,000
Senior Notes	2015	5.30%	Semi-annually	100,000	100,000	100,000
Senior Notes	2016	5.00%	Semi-annually	164,757	164,757	164,757
Senior Notes	2019	7.00%	Semi-annually	110,000	110,000	110,000
Unamortized discount on Senior Notes	2019			(1,497)	(1,538)	(1,656)
				523,260	523,219	523,101
Less: Current portion of debt				120,000	120,000	
Long-term debt				\$ 403,260	\$ 403,219	\$ 523,101

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

10. Debt

On September 21, 2011, the Company entered into a new \$200 million five-year unsecured revolving credit agreement (\$200 million facility) replacing the existing \$200 million five-year unsecured revolving credit facility, dated March 8, 2007 scheduled to mature in March 2012. The new \$200 million facility has a scheduled maturity date of September 21, 2016 and up to \$25 million is available for the issuance of letters of credit. Borrowings under the agreement will bear interest at a floating base rate or a floating Eurodollar rate plus an interest rate spread, dependent on the Company's credit rating at the time of borrowing. The Company must pay an annual facility fee of .175% of the lenders aggregate commitments under the facility. The \$200 million facility contains two financial covenants: a cash flow/fixed charges ratio (fixed charges coverage ratio) and a funded indebtedness/cash flow ratio (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 1.0 or higher. The operating cash flow ratio requires the Company to maintain a debt to operating cash flow ratio of 6.0 to 1.0 or lower. The Company is currently in compliance with these covenants. These covenants do not currently, and the Company does not anticipate they will, restrict its liquidity or capital resources. On April 1, 2012, January 1, 2012 and April 3, 2011, the Company had no outstanding borrowings on either \$200 million facility.

On February 10, 2010, the Company entered into an agreement for an uncommitted line of credit. Under this agreement, the Company may borrow up to a total of \$20 million for periods of 7 days, 30 days, 60 days or 90 days at the discretion of the participating bank. On April 1, 2012, January 1, 2012 and April 3, 2011, the Company had no outstanding borrowings under the uncommitted line of credit.

The Company has \$150 million of senior notes which mature in November 2012. The Company expects to use a combination of available cash on hand, borrowings on the \$20 million uncommitted line of credit and borrowings under the \$200 million facility to repay these notes when due. The Company has classified \$30 million of these senior notes due November 2012 as long-term, representing the portion the Company expects to be paid from borrowings under the \$200 million facility.

As of April 1, 2012, January 1, 2012 and April 3, 2011, the Company had a weighted average interest rate of 5.9% for its outstanding debt and capital lease obligations. The Company's overall weighted average interest rate on its debt and capital lease obligations was 6.1% for Q1 2012 compared to 6.0% for Q1 2011. As of April 1, 2012, none of the Company's debt and capital lease obligations of \$596.3 million were subject to changes in short-term interest rates.

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

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

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

11. Derivative Financial Instruments

Interest

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

On September 18, 2008, the Company terminated six outstanding interest rate swap agreements with a notional amount of \$225 million receiving \$6.2 million in cash proceeds including \$1.1 million for previously accrued interest receivable. After accounting for the previously accrued interest receivable, the Company began amortizing a gain of \$5.1 million over the remaining term of the underlying debt. As of April 1, 2012, the remaining amount to be amortized was \$1.3 million. All of the Company's interest rate swap agreements were LIBOR-based.

During both Q1 2012 and Q1 2011, the Company amortized deferred gains related to terminated interest rate swap agreements and forward interest rate agreements, which reduced interest expense by \$.3 million.

The Company had no interest rate swap agreements outstanding at April 1, 2012, January 1, 2012 and April 3, 2011.

Commodities

The Company is subject to the risk of loss arising from adverse changes in commodity prices. In the normal course of business, the Company manages these risks through a variety of strategies, including the use of derivative instruments. The Company does not use derivative instruments for trading or speculative purposes. All derivative instruments are recorded at fair value as either assets or liabilities in the Company's consolidated balance sheets. These derivative instruments are not designated as hedging instruments under GAAP and are used as economic hedges to manage commodity price risk. At April 1, 2012, the Company had no derivative instruments to hedge its projected diesel fuel, unleaded gasoline and aluminum purchase requirements. Derivative instruments are marked to market on a monthly basis and recognized in earnings consistent with the expense classification of the underlying hedged item. Settlements of derivative agreements are included in cash flows from operating activities on the Company's consolidated statements of cash flows.

The Company uses several different financial institutions for commodity derivative instruments to minimize the concentration of credit risk. While the Company is exposed to credit loss in the event of nonperformance by these counterparties, the Company does not anticipate nonperformance by these parties.

The Company has master agreements with the counterparties to its derivative financial agreements that provide for net settlement of derivative transactions.

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11. Derivative Financial Instruments

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

The following table summarizes Q1 2012 and Q1 2011 net gains and losses on the Company's fuel and aluminum derivative financial instruments and the classification, either as cost of sales or selling, delivery and administrative (S,D&A) expenses, of such net gains and losses in the consolidated statements of operations:

In Thousands	Classification of Gain (Loss)	First Quarter	
		2012	2011
Fuel hedges contract premium and contract settlement	S,D&A expenses	\$	\$ 171
Fuel hedges mark-to-market adjustment	S,D&A expenses		(146)
Aluminum hedges contract premium and contract settlement	Cost of sales		521
Aluminum hedges mark-to-market adjustment	Cost of sales		(508)
Total Net Gain		\$	\$ 38

The following table summarizes the fair values and classification in the consolidated balance sheets of derivative instruments held by the Company as of April 1, 2012, January 1, 2012 and April 3, 2011:

In Thousands	Balance Sheet Classification	April 1,	Jan. 1,	April 3,
		2012	2012	2011
Fuel hedges at fair market value	Prepaid expenses and other current assets	\$	\$	\$ 25
Unamortized cost of fuel hedging agreements	Prepaid expenses and other current assets			631
Aluminum hedges at fair market value	Prepaid expenses and other current assets			6,158
Unamortized cost of aluminum hedging agreements	Prepaid expenses and other current assets			2,029
Total		\$	\$	\$ 8,843

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12. Fair Value of Financial Instruments

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

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

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

Public Debt Securities

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

Non-Public Variable Rate Debt

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

Deferred Compensation Plan Assets/Liabilities

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

Derivative Financial Instruments

The fair values for the Company's fuel hedging and aluminum hedging agreements are based on current settlement values. The fair values of the fuel hedging and aluminum hedging agreements at each balance sheet date represent the estimated amounts the Company would have received or paid upon termination of these agreements. Credit risk related to the derivative financial instruments is managed by requiring high standards for its counterparties and periodic settlements. The Company considers nonperformance risk in determining the fair value of derivative financial instruments.

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

In Thousands	April 1, 2012		Jan. 1, 2012		April 3, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Public debt securities	\$ (523,260)	\$ (574,264)	\$ (523,219)	\$ (576,127)	\$ (523,101)	\$ (564,527)
Deferred compensation plan assets	11,324	11,324	10,709	10,709	9,934	9,934
Deferred compensation plan liabilities	(11,324)	(11,324)	(10,709)	(10,709)	(9,934)	(9,934)
Fuel hedging agreements					25	25
Aluminum hedging agreements					6,158	6,158

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Notes to Consolidated Financial Statements (Unaudited)

12. Fair Value of Financial Instruments

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

GAAP requires that assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

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

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

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

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

In Thousands	April 1, 2012		Jan. 1, 2012		April 3, 2011	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
Assets						
Deferred compensation plan assets	\$ 11,324		\$ 10,709		\$ 9,934	
Fuel hedging agreements		\$		\$		\$ 25
Aluminum hedging agreements						6,158
Liabilities						
Public debt securities	574,264		576,127		564,527	
Deferred compensation plan liabilities	11,324		10,709		9,934	

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 were based upon NYMEX rates that are observable and quoted periodically over the full term of the agreement and are considered Level 2 items.

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

The Company does not have Level 3 assets or liabilities. Also, there were no transfers of assets or liabilities between Level 1 and Level 2 for Q1 2012 and Q1 2011.

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Notes to Consolidated Financial Statements (Unaudited)

13. Other Liabilities

Other liabilities were summarized as follows:

In Thousands	April 1, 2012	Jan. 1, 2012	April 3, 2011
Accruals for executive benefit plans	\$ 98,937	\$ 96,242	\$ 93,142
Other	17,721	18,060	19,100
Total other liabilities	\$ 116,658	\$ 114,302	\$ 112,242

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 \$36.1 million, \$38.3 million and \$34.5 million as of April 1, 2012, January 1, 2012 and April 3, 2011, respectively. The Company holds no assets as collateral against these guarantees, the fair value of which was immaterial. The guarantees relate to the debt and lease obligations of SAC and Southeastern, which resulted primarily from the purchase of production equipment and facilities. These guarantees expire at various dates through 2021. The members of both cooperatives consist solely of Coca-Cola bottlers. The Company does not anticipate either of these cooperatives will fail to fulfill its commitments. The Company further believes each of these cooperatives has sufficient assets, including production equipment, facilities and working capital, and the ability to adjust selling prices of its products to adequately mitigate the risk of material loss from the Company's guarantees. In the event either of these cooperatives fails to fulfill its commitments under the related debt and lease obligations, the Company would be responsible for payments to the lenders up to the level of the guarantees. If these cooperatives had borrowed up to their aggregate borrowing capacity, the Company's maximum exposure under these guarantees on April 1, 2012 would have been \$23.9 million for SAC and \$25.3 million for Southeastern and the Company's maximum total exposure, including its equity investment, would have been \$28.0 million for SAC and \$44.8 million for Southeastern.

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

The Company has an equity ownership in each of the entities in addition to the guarantees of certain indebtedness and records its investment in each under the equity method. As of April 1, 2012, SAC had total assets of approximately \$46 million and total debt of approximately \$22 million. SAC had total revenues for Q1 2012 of approximately \$44 million. As of April 1, 2012, Southeastern had total assets of approximately \$368 million and total debt of approximately \$172 million. Southeastern had total revenue for Q1 2012 of approximately \$169 million.

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14. Commitments and Contingencies

The Company has standby letters of credit, primarily related to its property and casualty insurance programs. On April 1, 2012, these letters of credit totaled \$20.8 million. The Company was required to maintain \$4.5 million of restricted cash for letters of credit beginning in the second quarter of 2009 which was reduced to \$3.5 million in the second quarter of 2010 and to \$3.0 million in the second quarter of 2011. The requirement to maintain restricted cash for these letters of credit was eliminated in Q1 2012.

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 April 1, 2012 amounted to \$20.9 million and expire at various dates through 2020.

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.

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Notes to Consolidated Financial Statements (Unaudited)

15. Income Taxes

The Company's effective tax rate, as calculated by dividing income tax expense by income before income taxes, for Q1 2012 and Q1 2011 was 46.7% and 37.9%, respectively. The Company's effective tax rate, as calculated by dividing income tax expense by the difference of income before income taxes minus net income attributable to noncontrolling interest, for Q1 2012 and Q1 2011 was 49.5% and 40.0%, respectively.

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

In Thousands	First Quarter	
	2012	2011
Statutory expense	\$ 3,347	\$ 3,675
State income taxes, net of federal effect	413	458
Valuation allowance adjustment	701	
Noncontrolling interest - Piedmont	(303)	(254)
Manufacturing deduction benefit	(275)	(318)
Meals and entertainment	233	135
Adjustment for uncertain tax positions	146	153
Other, net	205	92
Income tax expense	\$ 4,467	\$ 3,941

As of April 1, 2012, the Company had \$4.8 million of uncertain tax positions, including accrued interest, of which \$2.4 million would affect the Company's effective tax rate if recognized. As of January 1, 2012, the Company had \$4.7 million of uncertain tax positions, including accrued interest, of which \$2.3 million would affect the Company's effective tax rate if recognized. As of April 3, 2011, the Company had \$5.0 million of uncertain tax positions, including accrued interest, of which \$2.6 million would affect the Company's effective tax rate if recognized. While it is expected that the amount of uncertain tax positions may change in the next 12 months, the Company does not expect any change to have a significant impact on the consolidated financial statements.

The Company recognizes potential interest and penalties related to uncertain tax positions in income tax expense. As of April 1, 2012, January 1, 2012, and April 3, 2011, the Company had \$.5 million, \$.4 million and \$.5 million, respectively, of accrued interest related to uncertain tax positions. Income tax expense included interest expense of approximately \$35,000 in Q1 2012 and an interest expense of approximately \$.1 million in Q1 2011.

Tax years from 2008 remain open to examination by the Internal Revenue Service, and various tax years from 1993 remain open to examination by certain state tax jurisdictions to which the Company is subject due to loss carryforwards.

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

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16. Accumulated Other Comprehensive Loss

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

A summary of accumulated other comprehensive loss for Q1 2012 and Q1 2011 is as follows:

In Thousands	Jan. 1, 2012	Pre-tax Activity	Tax Effect	April 1, 2012
Net pension activity:				
Actuarial loss	\$ (64,789)	\$ 693	\$ (273)	\$ (64,369)
Prior service costs	(44)	5	(2)	(41)
Net postretirement benefits activity:				
Actuarial loss	(21,244)	613	(241)	(20,872)
Prior service costs	5,251	(379)	149	5,021
Foreign currency translation adjustment	6	(2)	1	5
Total	\$ (80,820)	\$ 930	\$ (366)	\$ (80,256)
In Thousands	Jan. 2, 2011	Pre-tax Activity	Tax Effect	April 3, 2011
Net pension activity:				
Actuarial loss	\$ (51,822)	\$ 518	\$ (204)	\$ (51,508)
Prior service costs	(43)	4	(2)	(41)
Net postretirement benefits activity:				
Actuarial loss	(17,875)	530	(209)	(17,554)
Prior service costs	6,292	(429)	169	6,032
Transition asset	11	(5)	2	8
Foreign currency translation adjustment	4	(6)	2	
Total	\$ (63,433)	\$ 612	\$ (242)	\$ (63,063)

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Notes to Consolidated Financial Statements (Unaudited)

17. Capital Transactions

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

No cash dividend or dividend of property or stock other than stock of the Company, as specifically described in the Company's certificate of incorporation, may be declared and paid on the Class B Common Stock unless an equal or greater dividend is declared and paid on the Common Stock. During Q1 2012 and Q1 2011, dividends of \$.25 per share were declared and paid on both the 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 April 29, 2008, the stockholders of the Company approved a Performance Unit Award Agreement for J. Frank Harrison, III, the Company's Chairman of the Board of Directors and Chief Executive Officer, consisting of 400,000 performance units (Units). Each Unit represents the right to receive one share of the Company's Class B Common Stock, subject to certain terms and conditions. The Units are subject to vesting in annual increments over a ten-year period starting in fiscal year 2009. The number of Units that vest each year equals the product of 40,000 multiplied by the overall goal achievement factor (not to exceed 100%) under the Company's Annual Bonus Plan.

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

Compensation expense for the Performance Unit Award Agreement recognized in Q1 2012 was \$.6 million, which was based upon a share price of \$62.74 on March 30, 2012. Compensation expense for the Performance Unit Award Agreement recognized in Q1 2011 was \$.7 million, which was based upon a share price of \$66.79 on April 1, 2011.

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Notes to Consolidated Financial Statements (Unaudited)

17. Capital Transactions

On March 6, 2012 and March 8, 2011, the Compensation Committee determined that 40,000 shares of the Company's Class B Common Stock should be issued in each year pursuant to a Performance Unit Award Agreement to J. Frank Harrison, III, in connection with his services in 2011 and 2010, respectively, as Chairman of the Board of Directors and Chief Executive Officer of the Company. As permitted under the terms of the Performance Unit Award Agreement, 17,680 of such shares were settled in cash in each year to satisfy tax withholding obligations in connection with the vesting of the performance units.

The increase in the total number of shares outstanding in Q1 2012 and Q1 2011 was due to the issuance of the 22,320 shares of Class B Common Stock related to the Performance Unit Award Agreement in each year.

18. Benefit Plans

Pension Plans

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

The components of net periodic pension cost were as follows:

In Thousands	First Quarter	
	2012	2011
Service cost	\$ 28	\$ 25
Interest cost	3,124	3,085
Expected return on plan assets	(2,973)	(2,922)
Amortization of prior service cost	5	4
Recognized net actuarial loss	693	518
Net periodic pension cost	\$ 877	\$ 710

The Company contributed \$13.7 million to its Company-sponsored pension plans during Q1 2012. The Company has made additional payments of \$2.1 million subsequent to the end of Q1 2012.

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18. Benefit Plans

Postretirement Benefits

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

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

In Thousands	First Quarter	
	2012	2011
Service cost	\$ 316	\$ 242
Interest cost	781	708
Amortization of unrecognized transitional assets		(5)
Recognized net actuarial loss	613	530
Amortization of prior service cost	(379)	(429)
Net periodic postretirement benefit cost	\$ 1,331	\$ 1,046

401(k) Savings Plan

The Company provides a 401(k) Savings Plan for substantially all of its full-time employees who are not part of collective bargaining agreements. The Company matched the first 3% of participants' contributions for 2011. The Company maintained the option to increase the matching contributions an additional 2%, for a total of 5%, based on the financial results for 2011. The 2% matching contributions were accrued in each quarter during 2011 for a total accrual of \$2.8 million. Based on the Company's financial results, the Company decided to increase the matching contributions for the additional 2% for the entire year of 2011. The Company made this additional contribution payment for 2011 in Q1 2012.

During Q1 2012, the Company decided to change the Company's matching from fixed to discretionary and no longer automatically matches the first 3% of participants' contributions. The Company maintains the option to make matching contributions for eligible participants of up to 5% based on the Company's financial results for 2012 and future years.

The total expense for this benefit, using an estimate for the 5% matching contributions in Q1 2012, was \$2.1 million in both Q1 2012 and Q1 2011.

Multi-Employer Benefits

The Company entered into a new agreement in the third quarter of 2008 after one of its collective bargaining contracts expired in July 2008. The new agreement allowed the Company to freeze its liability to Southeast and Southwest Areas Pension Plan (Central States), a multi-employer defined benefit pension fund, while preserving the pension benefits previously earned by the employees. As a result of freezing the Company's liability to Central States, the Company recorded a charge of \$13.6 million in 2008. The Company paid \$3.0 million in 2008 to the Southern States Savings and Retirement Plan (Southern States) under the agreement to

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18. Benefit Plans

freeze the Central States liability. The remaining \$10.6 million was the present value amount, using a discount rate of 7% that will be paid to Central States over the next 20 years and was recorded in other liabilities. Including the \$3.0 million paid to Southern States in 2008, the Company has paid \$6.2 million from the fourth quarter of 2008 through Q1 2012 and will pay approximately \$1 million annually over the next 17 years.

19. Related Party Transactions

The Company's business consists primarily of the production, marketing and distribution of nonalcoholic beverages of The Coca-Cola Company, which is the sole owner of the secret formulas under which the primary components (either concentrate or syrup) of its soft drink products are manufactured. As of April 1, 2012, The Coca-Cola Company had a 26.9% interest in the Company's total outstanding Common Stock, representing 5.1% of the total voting power of the Company's Common Stock and Class B Common Stock voting together as a single class. The Coca-Cola Company does not own any shares of the Company's Class B Common Stock.

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

In Millions	First Quarter	
	2012	2011
Payments by the Company for concentrate, syrup, sweetener and other purchases	\$ 99.3	\$ 90.9
Marketing funding support payments to the Company	(10.1)	(10.6)
Payments by the Company net of marketing funding support	\$ 89.2	\$ 80.3
Payments by the Company for customer marketing programs	\$ 15.0	\$ 11.6
Payments by the Company for cold drink equipment parts	2.3	2.0
Fountain delivery and equipment repair fees paid to the Company	3.0	2.8
Presence marketing funding support provided by The Coca-Cola Company on the Company's behalf	1.4	1.0
Payments to the Company to facilitate the distribution of certain brands and packages to other Coca-Cola bottlers	.7	.6

The Company has a production arrangement with Coca-Cola Refreshments USA Inc. (CCR) to buy and sell finished products at cost. CCR is a wholly-owned subsidiary of The Coca-Cola Company. Sales to CCR under this arrangement were \$14.9 million and \$13.0 million in Q1 2012 and Q1 2011, respectively. Purchases from CCR under this arrangement were \$6.9 million and \$5.3 million in Q1 2012 and Q1 2011, respectively. In addition, CCR distributes one of the Company's own brands (Tum-E Yummies). Total sales to CCR for this brand were \$4.7 million and \$3.0 million in Q1 2012 and Q1 2011, respectively.

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Notes to Consolidated Financial Statements (Unaudited)

19. Related Party Transactions

Along with all other Coca-Cola bottlers in the United States, the Company is a member in Coca-Cola Bottlers Sales and Services Company, LLC (CCBSS), which was formed in 2003 for the purposes of facilitating various procurement functions and distributing certain specified beverage products of The Coca-Cola Company with the intention of enhancing the efficiency and competitiveness of the Coca-Cola bottling system in the United States. CCBSS negotiates the procurement for the majority of the Company s raw materials (excluding concentrate). The Company pays an administrative fee to CCBSS for its services. Administrative fees to CCBSS for its services were \$.1 million in both Q1 2012 and Q1 2011. Amounts due from CCBSS for rebates on raw materials were \$3.6 million, \$5.2 million and \$2.5 million as of April 1, 2012, January 1, 2012 and April 3, 2011, respectively. CCR is also a member of CCBSS.

The Company is a member of SAC, a manufacturing cooperative. SAC sells finished products to the Company and Piedmont at cost. Purchases from SAC by the Company and Piedmont for finished products were \$33.9 million and \$31.1 million in Q1 2012 and Q1 2011, respectively. The Company also manages the operations of SAC pursuant to a management agreement. Management fees earned from SAC were \$.4 million in both Q1 2012 and Q1 2011. The Company has also guaranteed a portion of debt for SAC. Such guarantee amounted to \$21.8 million as of April 1, 2012. The Company s equity investment in SAC was \$4.1 million, \$4.1 million and \$6.8 million as of April 1, 2012, January 1, 2012 and April 3, 2011, 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 \$20.3 million in Q1 2012 and \$18.7 million in Q1 2011. In connection with its participation in one of these entities, Southeastern, the Company has guaranteed a portion of the entity s debt. Such guarantee amounted to \$14.3 million as of April 1, 2012. The Company s equity investment in one of these entities, Southeastern, was \$19.5 million, \$17.9 million and \$17.9 million as of April 1, 2012, January 1, 2012 and April 3, 2011, respectively.

The Company holds no assets as collateral against SAC or Southeastern guarantees, the fair value of which is immaterial.

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 April 1, 2012 nor was there any impairment in 2011.

The Company leases from Harrison Limited Partnership One (HLP) the Snyder Production Center (SPC) and an adjacent sales facility, which are located in Charlotte, North Carolina. HLP is directly and indirectly owned by trusts of which J. Frank Harrison, III, Chairman of the Board of Directors and Chief Executive Officer of the Company, and Deborah H. Everhart, a director of the Company, are trustees and beneficiaries. Morgan H. Everett, a director of the Company, is a permissible, discretionary beneficiary of the trusts that directly or indirectly own HLP. The lease expires on December 31, 2020. The principal balance outstanding under this capital lease as of April 1, 2012 was \$25.4 million. Rental payments related to this lease were \$.9 million in both Q1 2012 and Q1 2011.

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Coca-Cola Bottling Co. Consolidated

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19. Related Party Transactions

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 April 1, 2012 was \$26.6 million. Rental payments related to the lease were \$1.0 million in both Q1 2012 and Q1 2011.

20. Net Sales by Product Category

Net sales by product category were as follows:

In Thousands	First Quarter	
	2012	2011
Bottle/can sales:		
Sparkling beverages (including energy products)	\$ 256,717	\$ 243,028
Still beverages	50,904	48,273
Total bottle/can sales	307,621	291,301
Other sales:		
Sales to other Coca-Cola bottlers	33,465	36,100
Post-mix and other	36,099	32,228
Total other sales	69,564	68,328
Total net sales	\$ 377,185	\$ 359,629

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

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21. Net Income Per Share

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

In Thousands (Except Per Share Data)	First Quarter	
	2012	2011
Numerator for basic and diluted net income per Common Stock and Class B Common Stock share:		
Net income attributable to Coca-Cola Bottling Co. Consolidated	\$ 4,565	\$ 5,913
Less dividends:		
Common Stock	1,785	1,785
Class B Common Stock	517	511
 Total undistributed earnings	 \$ 2,263	 \$ 3,617
 Common Stock undistributed earnings basic	 \$ 1,754	 \$ 2,810
Class B Common Stock undistributed earnings basic	509	807
 Total undistributed earnings basic	 \$ 2,263	 \$ 3,617
 Common Stock undistributed earnings diluted	 \$ 1,746	 \$ 2,798
Class B Common Stock undistributed earnings diluted	517	819
 Total undistributed earnings diluted	 \$ 2,263	 \$ 3,617
Numerator for basic net income per Common Stock share:		