COCA COLA BOTTLING CO CONSOLIDATED /DE/
Form 10-K
March 13, 2009

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

Form 10-K

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

For the fiscal year ended December 28, 2008

Commission file number 0-9286

(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 Number)*

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)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $1.00 Par Value	The Nasdaq Stock Market LLC

Securities Registered Pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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. (Check one):

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant s most recently completed second fiscal quarter.

	Market Value as of June 27, 2008
Common Stock, $l.00 Par Value	$181,074,096
Class B Common Stock, $l.00 Par Value	*

* No market exists for the shares of Class B Common Stock, which is neither registered under Section 12 of the Act nor subject to Section 15(d) of the Act. The Class B Common Stock is convertible into Common Stock on a share-for-share basis at the option of the holder.

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

Class	**Outstanding as of February 28, 2009**
Common Stock, $1.00 Par Value	7,141,447
Class B Common Stock, $1.00 Par Value	2,021,882

Documents Incorporated by Reference

Portions of Proxy Statement to be filed pursuant to Section 14 of the Exchange Act with respect to the 2009 Annual Meeting of Stockholders	Part III, Items 10-14

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PART I

Item 1. *Business*

Introduction

Coca-Cola Bottling Co. Consolidated, a Delaware corporation (together with its majority-owned subsidiaries, the Company), produces, markets and distributes nonalcoholic beverages, primarily products of The Coca-Cola Company, Atlanta, Georgia (The Coca-Cola Company) which include some of the most recognized and popular beverage brands in the world. The Company, which was incorporated in 1980, and its predecessors have been in the nonalcoholic beverage manufacturing and distribution business since 1902. Since 2000, the Company has placed significant emphasis on new product innovation and product line extensions as a strategy to increase overall revenue. The Company is the second largest Coca-Cola bottler in the United States.

The Coca-Cola Company currently owns approximately 27.1% of the Company s total outstanding Common Stock and Class B Common Stock on a combined basis. J. Frank Harrison, III, the Company s Chairman of the Board and Chief Executive Officer, currently owns or controls approximately 85% of the combined voting power of the Company s outstanding Common Stock and Class B Common Stock.

General

Nonalcoholic beverage products can be broken down into two categories:

Sparkling beverages primarily beverages with carbonation, including energy drinks; and

Still beverages primarily beverages without carbonation, including bottled water, tea, ready-to-drink coffee, enhanced water, juices and sports drinks.

Sales of sparkling beverages were approximately 83%, 84% and 86% of total net sales for 2008, 2007 and 2006, respectively. Sales of still beverages were approximately 17%, 16% and 14% of total net sales for 2008, 2007 and 2006, respectively.

The Company holds Cola Beverage Agreements and Allied Beverage Agreements under which it produces, distributes and markets, in certain regions, sparkling beverage products of The Coca-Cola Company. The Company also holds Still Beverage Agreements under which it distributes and markets in certain regions still beverages of The Coca-Cola Company such as POWERade, Minute Maid Adult Refreshments and Minute Maid Juices To Go.

The Company holds agreements to produce and market Dr Pepper in some of its regions. The Company also distributes and markets various other products, including Monster Energy products, Cinnabon Premium Coffee Lattes and Sundrop, in one or more of the Company s regions under agreements with the companies that hold and license the use of their trademarks for these beverages. In addition, the Company also produces beverages for other Coca-Cola bottlers. In some instances, the Company distributes beverages without a written agreement.

The Company s principal sparkling beverage is Coca-Cola classic. In each of the last three fiscal years, sales of products bearing the Coca-Cola or Coke trademark have accounted for more than half of the Company s bottle/can volume to retail customers. In total, the products of The Coca-Cola Company accounted for approximately 89%, 89% and 90% of the Company s bottle/can volume to retail customers during fiscal years 2008, 2007 and 2006, respectively.

The Company offers a range of flavors designed to meet the demands of the Company s consumers. The main packaging materials for the Company s beverages are plastic bottles and aluminum cans. In addition, the Company provides restaurants and other immediate consumption outlets with fountain products (post-mix). Fountain products are dispensed through equipment that mixes the fountain syrup with carbonated or still water, enabling fountain retailers to sell finished products to consumers in cups or glasses.

Over the last two and a half years, the Company has developed and begun to market and distribute certain products which it owns. These products include Country Breeze tea, diet Country Breeze tea and Tum-E Yummies, a vitamin C enhanced flavored drink. The Company may market and sell these products nationally.

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The following table sets forth some of the Company s most important products, including both products that The Coca-Cola Company and other beverage companies have licensed to the Company and products that the Company owns.

The Coca-Cola Company Sparkling Beverages (Including Energy Products)	The Coca-Cola Company Still Beverages	Products Licensed by Other Beverage Companies	Company Owned Products
Coca-Cola classic	smartwater	Dr Pepper	Tum-E Yummies
Diet Coke	vitaminwater	Diet Dr Pepper	Country Breeze tea
Coca-Cola Zero	vitaminenergy	Sundrop	diet Country Breeze tea
Sprite	Dasani	Cinnabon Premium Coffee Lattes	
Fanta Flavors	Dasani Flavors	Monster Energy products	
Sprite Zero	Dasani Plus		
Mello Yello	POWERade		
Vault	Minute Maid Adult Refreshments		
Coke Cherry	Minute Maid Juices To Go		
Seagrams Ginger Ale	Nestea		
Coke Zero Cherry	Gold Peak tea		
Diet Coke Plus	FUZE		
Diet Coke Splenda	V8 juice products from Campbell		
Vault Zero			
Fresca			
Pibb Xtra			
Barqs Root Beer			
Tab			
Full Throttle			
NOS©			

Beverage Agreements

The Company holds contracts with The Coca-Cola Company which entitle the Company to produce, market and distribute in its exclusive territory The Coca-Cola Company s nonalcoholic beverages in bottles, cans and five gallon pressurized pre-mix containers. The Company has similar arrangements with Dr Pepper Snapple Group and other beverage companies.

Cola and Allied Beverage Agreements with The Coca-Cola Company. The Company purchases concentrates from The Coca-Cola Company and markets, produces, and distributes its principal sparkling beverage products within its territories under two basic forms of beverage agreements with The Coca-Cola Company: (i) beverage agreements that cover sparkling beverages bearing the trademark Coca-Cola or Coke (the Coca-Cola Trademark Beverages and Cola Beverage Agreements), and (ii) beverage agreements that cover other sparkling beverages of The Coca-Cola Company (the Allied Beverages and Allied Beverage Agreements) (referred to collectively in this report as the Cola and Allied Beverage Agreements), although in some instances the Company distributes sparkling beverages without a written agreement. The Company is a party to Cola Beverage Agreements and to Allied Beverage Agreements for various specified territories.

Cola Beverage Agreements with The Coca-Cola Company.

Exclusivity. The Cola Beverage Agreements provide that the Company will purchase its entire requirements of concentrates or syrups for Coca-Cola Trademark Beverages from The Coca-Cola Company at prices, terms of payment, and other terms and conditions of supply determined from time-to-time by The Coca-Cola Company at its sole discretion. The Company may not produce, distribute, or handle cola products other than those of The Coca-Cola Company. The Company has the exclusive right to manufacture and distribute Coca-Cola Trademark Beverages for sale in authorized containers within its territories. The Coca-Cola Company may determine, at its sole discretion, what types of containers are authorized for use with products of The Coca-Cola Company. The Company may not sell Coca-Cola Trademark Beverages outside its territories.

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Company Obligations. The Company is obligated to:

- maintain such plant and equipment, staff and distribution, and vending facilities as are capable of manufacturing, packaging, and distributing Coca-Cola Trademark Beverages in accordance with the Cola Beverage Agreements and in sufficient quantities to satisfy fully the demand for these beverages in its territories;

- undertake adequate quality control measures and maintain sanitation standards prescribed by The Coca-Cola Company;

- develop, stimulate and satisfy fully the demand for Coca-Cola Trademark Beverages in its territories;

- use all approved means and spend such funds on advertising and other forms of marketing as may be reasonably required to satisfy that objective; and

- maintain such sound financial capacity as may be reasonably necessary to ensure its performance of its obligations to The Coca-Cola Company.

The Company is required to meet annually with The Coca-Cola Company to present its marketing, management, and advertising plans for the Coca-Cola Trademark Beverages for the upcoming year, including financial plans showing that the Company has the consolidated financial capacity to perform its duties and obligations to The Coca-Cola Company. The Coca-Cola Company may not unreasonably withhold approval of such plans. If the Company carries out its plans in all material respects, the Company will be deemed to have satisfied its obligations to develop, stimulate, and satisfy fully the demand for the Coca-Cola Trademark Beverages and to maintain the requisite financial capacity. Failure to carry out such plans in all material respects would constitute an event of default that if not cured within 120 days of written notice of the failure would give The Coca-Cola Company the right to terminate the Cola Beverage Agreements. If the Company, at any time, fails to carry out a plan in all material respects in any geographic segment of its territory, as defined by The Coca-Cola Company, and if such failure is not cured within six months of written notice of the failure, The Coca-Cola Company may reduce the territory covered by that Cola Beverage Agreement by eliminating the portion of the territory in which such failure has occurred.

The Coca-Cola Company has no obligation under the Cola Beverage Agreements to participate with the Company in expenditures for advertising and marketing. As it has in the past, The Coca-Cola Company may contribute to such expenditures and undertake independent advertising and marketing activities, as well as advertising and sales promotion programs which require mutual cooperation and financial support of the Company. The future levels of marketing funding support and promotional funds provided by The Coca-Cola Company may vary materially from the levels provided during the periods covered by the information included in this report.

Acquisition of Other Bottlers. If the Company acquires control, directly or indirectly, of any bottler of Coca-Cola Trademark Beverages, or any party controlling a bottler of Coca-Cola Trademark Beverages, the Company must cause the acquired bottler to amend its agreement for the Coca-Cola Trademark Beverages to conform to the terms of the Cola Beverage Agreements.

Term and Termination. The Cola Beverage Agreements are perpetual, but they are subject to termination by The Coca-Cola Company upon the occurrence of an event of default by the Company. Events of default with respect to each Cola Beverage Agreement include:

- production, sale or ownership in any entity which produces or sells any cola product not authorized by The Coca-Cola Company; or a cola product that might be confused with or is an imitation of the trade dress, trademark, tradename or authorized container of a cola product of The Coca-Cola Company;

insolvency, bankruptcy, dissolution, receivership, or the like;

any disposition by the Company of any voting securities of any bottling company subsidiary without the consent of The Coca-Cola Company; and

any material breach of any of its obligations under that Cola Beverage Agreement that remains unresolved for 120 days after written notice by The Coca-Cola Company.

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If any Cola Beverage Agreement is terminated because of an event of default, The Coca-Cola Company has the right to terminate all other Cola Beverage Agreements the Company holds.

No Assignments. The Company is prohibited from assigning, transferring or pledging its Cola Beverage Agreements or any interest therein, whether voluntarily or by operation of law, without the prior consent of The Coca-Cola Company.

Allied Beverage Agreements with The Coca-Cola Company.

The Allied Beverages are beverages of The Coca-Cola Company or its subsidiaries that are sparkling beverages, but not Coca-Cola Trademark Beverages. The Allied Beverage Agreements contain provisions that are similar to those of the Cola Beverage Agreements with respect to the sale of beverages outside its territories, authorized containers, planning, quality control, transfer restrictions, and related matters but have certain significant differences from the Cola Beverage Agreements.

Exclusivity. Under the Allied Beverage Agreements, the Company has exclusive rights to distribute the Allied Beverages in authorized containers in specified territories. Like the Cola Beverage Agreements, the Company has advertising, marketing, and promotional obligations, but without restriction for most brands as to the marketing of products with similar flavors, as long as there is no manufacturing or handling of other products that would imitate, infringe upon, or cause confusion with, the products of The Coca-Cola Company. The Coca-Cola Company has the right to discontinue any or all Allied Beverages, and the Company has a right, but not an obligation, under the Allied Beverage Agreements to elect to market any new beverage introduced by The Coca-Cola Company under the trademarks covered by the respective Allied Beverage Agreements.

Term and Termination. Allied Beverage Agreements have a term of 10 years and are renewable by the Company for an additional 10 years at the end of each term. Renewal is at the Company s option. The Company currently intends to renew substantially all the Allied Beverage Agreements as they expire. The Allied Beverage Agreements are subject to termination in the event of default by the Company. The Coca-Cola Company may terminate an Allied Beverage Agreement in the event of:

insolvency, bankruptcy, dissolution, receivership, or the like;

termination of a Cola Beverage Agreement by either party for any reason; or

any material breach of any of the Company s obligations under the Allied Beverage Agreement that remains unresolved for 120 days after required prior written notice by The Coca-Cola Company.

Pricing. Pursuant to the beverage agreements, except as provided in the Supplementary Agreement and under the Incidence Pricing Agreement (described below), The Coca-Cola Company establishes the prices charged to the Company for concentrates for Coca-Cola Trademark Beverages, Allied Beverages, still beverages, and post-mix. The Coca-Cola Company has no rights under the beverage agreements to establish the resale prices at which the Company sells its products.

The Company entered into an agreement with The Coca-Cola Company to test an incidence pricing model for 2008 for all Coca-Cola Trademark Beverages and Allied Beverages for which the Company purchases concentrate from The Coca-Cola Company. For 2009, the Company intends to utilize the incidence pricing model and will not revert to purchasing concentrates at standard concentrate prices during 2009.

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Supplementary Agreement Relating to Cola and Allied Beverage Agreements with The Coca-Cola Company.

The Company and The Coca-Cola Company are also parties to a Supplementary Agreement (the Supplementary Agreement) that modifies some of the provisions of the Cola and Allied Beverage Agreements. The Supplementary Agreement provides that The Coca-Cola Company will:

exercise good faith and fair dealing in its relationship with the Company under the Cola and Allied Beverage Agreements;

offer marketing funding support and exercise its rights under the Cola and Allied Beverage Agreements in a manner consistent with its dealings with comparable bottlers;

offer to the Company any written amendment to the Cola and Allied Beverage Agreements (except amendments dealing with transfer of ownership) which it offers to any other bottler in the United States; and

subject to certain limited exceptions, sell syrups and concentrates to the Company at prices no greater than those charged to other bottlers which are parties to contracts substantially similar to the Cola and Allied Beverage Agreements.

The Supplementary Agreement permits transfers of the Company s capital stock that would otherwise be limited by the Cola and Allied Beverage Agreements.

Still Beverage Agreements with The Coca-Cola Company.

The Company purchases and distributes certain still beverages such as isotonics and juice drinks from The Coca-Cola Company, or its designees or joint ventures, and markets, produces, and distributes Dasani water products, pursuant to the terms of marketing and distribution agreements (the Still Beverage Agreements), although in some instances the Company distributes certain still beverages without a written agreement. The Still Beverage Agreements contain provisions that are similar to the Cola and Allied Beverage Agreements with respect to authorized containers, planning, quality control, transfer restrictions, and related matters but have certain significant differences from the Cola and Allied Beverage Agreements.

Exclusivity. Unlike the Cola and Allied Beverage Agreements, which grant the Company exclusivity in the distribution of the covered beverages in its territory, the Still Beverage Agreements grant exclusivity but permit The Coca-Cola Company to test-market the still beverage products in its territory, subject to the Company s right of first refusal, and to sell the still beverages to commissaries for delivery to retail outlets in the territory where still beverages are consumed on-premises, such as restaurants. The Coca-Cola Company must pay the Company certain fees for lost volume, delivery, and taxes in the event of such commissary sales. Approved alternative route to market projects undertaken by the Company, The Coca-Cola Company, and other bottlers of Coca-Cola would, in some instances, permit delivery of certain products of The Coca-Cola Company into the territories of almost all bottlers, in exchange for compensation in most circumstances, despite the terms of the beverage agreements making such territories exclusive. Also, under the Still Beverage Agreements, the Company may not sell other beverages in the same product category.

Pricing. The Coca-Cola Company, at its sole discretion, establishes the prices the Company must pay for the still beverages or, in the case of Dasani, the concentrate or finished good, but has agreed, under certain circumstances for some products, to give the benefit of more favorable pricing if such pricing is offered to other bottlers of Coca-Cola products.

Term. Each of the Still Beverage Agreements has a term of 10 or 15 years and is renewable by the Company for an additional 10 years at the end of each term. The Company currently intends to renew substantially all of the Still Beverage Agreements as they expire.

Other Beverage Agreements with The Coca-Cola Company.

The Company has 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 water products including vitaminwater, smartwater, and vitaminenergy. The agreement has a term of 10 years, and will automatically renew for succeeding 10-year terms, subject to a 12-month nonrenewal notification by the Company. The agreement covers most of the Company s territories, requires the Company to distribute Energy Brands enhanced water products exclusively, and permits Energy Brands to distribute the products in some channels within its territories. In conjunction with the execution of the Energy Brands 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 through August 31, 2010, unless mutually agreed to by the Company and The Coca-Cola Company.

The Company is distributing Campbell Soup Company (Campbell) fruit and vegetable juice beverages under an interim subdistribution agreement with The Coca-Cola Company. The Campbell interim subdistribution agreement may be terminated by either party upon 30 days written notice. The interim agreements covers all of the Company s territories, and permits Campbell and certain other sellers of Campbell beverages to continue distribution in the Company s territories. The Company purchases Campbell beverages from a subsidiary of Campbell under a separate purchase agreement.

Post-Mix Rights and Sales to Other Bottlers. The Company also sells Coca-Cola and other post-mix products of The Coca-Cola Company and post-mix products of Dr Pepper Snapple Group on a non-exclusive basis. In addition, the Company produces some products for sale to other Coca-Cola bottlers. Sales to other bottlers have lower margins but allow the Company to achieve higher utilization of its production equipment and facilities.

Brand Innovation Agreement with The Coca-Cola Company. The Company has entered into an agreement with The Coca-Cola Company regarding brand innovation and distribution collaboration. Under the agreement, the Company granted to The Coca-Cola Company the option to purchase any nonalcoholic beverage brands owned by the Company. The option is exercisable as to each brand at a formula-based price during the two-year period that begins after that brand has achieved a specified level of net operating revenue or, if earlier, beginning five years after the introduction of that brand into the market with a minimum level of net operating revenue, with the exception that with respect to brands owned at the date of the letter agreement, the five-year period does not begin earlier than the date of the letter agreement.

Beverage Agreements with Other Licensors.

The Company has beverage agreements with Dr Pepper Snapple Group for Dr Pepper and Sundrop brands which are similar to those for the Cola and Allied Beverage Agreements. These beverage agreements are perpetual in nature but may be terminated by the Company upon 90 days notice. The price the beverage companies may charge for syrup or concentrate is set by the beverage companies from time to time. These beverage agreements also contain similar restrictions on the use of trademarks, approved bottles, cans and labels and sale of imitations or substitutes as well as termination for cause provisions.

The Company is distributing products of Monster brand energy drinks under a distribution agreement with Hansen Beverage Company, including Monster and Java Monster. The agreement contains provisions that are similar to the Cola and Allied Beverage Agreements with respect to pricing, promotion, planning, territory and trademark restrictions, transfer restrictions, and related matters as well as termination for cause provisions. The agreement has a 20 year term and will renew automatically. The agreement may be terminated without cause by either party. However, any such termination by Hansen Beverage Company requires compensation in the form of severance payments to the Company under the terms of the agreement.

The territories covered by beverage agreements with other licensors are not always aligned with the territories covered by the Cola and Allied Beverage Agreements but are generally within those territory boundaries. Sales of beverages by the Company under these agreements represented approximately 11%, 11% and 10% of the Company s bottle/can volume to retail customers for 2008, 2007 and 2006, respectively.

Markets and Production and Distribution Facilities

The Company currently holds bottling rights from The Coca-Cola Company covering the majority of North Carolina, South Carolina and West Virginia, and portions of Alabama, Mississippi, Tennessee, Kentucky, Virginia,

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Pennsylvania, Georgia and Florida. The total population within the Company s bottling territory is approximately 19.2 million.

The Company currently operates in seven principal geographic markets. Certain information regarding each of these markets follows:

1. *North Carolina*. This region includes the majority of North Carolina, including Raleigh, Greensboro, Winston-Salem, High Point, Hickory, Asheville, Fayetteville, Wilmington, Charlotte and the surrounding areas. The region has an estimated population of 8.5 million. A production/distribution facility is located in Charlotte and 15 sales distribution facilities are located in the region.

2. *South Carolina*. This region includes the majority of South Carolina, including Charleston, Columbia, Greenville, Myrtle Beach and the surrounding areas. The region has an estimated population of 3.5 million. There are 5 sales distribution facilities in the region.

3. *South Alabama*. This region includes a portion of southwestern Alabama, including Mobile and surrounding areas, and a portion of southeastern Mississippi. The region has an estimated population of .9 million. A production/distribution facility is located in Mobile and 4 sales distribution facilities are located in the region.

4. *South Georgia*. This region includes a small portion of eastern Alabama, a portion of southwestern Georgia including Columbus and surrounding areas and a portion of the Florida Panhandle. This region has an estimated population of 1.1 million. There are 4 sales distribution facilities located in the region.

5. *Middle Tennessee*. This region includes a portion of central Tennessee, including Nashville and surrounding areas, a small portion of southern Kentucky and a small portion of northwest Alabama. The region has an estimated population of 2.2 million. A production/distribution facility is located in Nashville and 4 sales distribution facilities are located in the region.

6. *Western Virginia*. This region includes most of southwestern Virginia, including Roanoke and surrounding areas, a portion of the southern piedmont of Virginia, a portion of northeastern Tennessee and a portion of southeastern West Virginia. The region has an estimated population of 1.6 million. A production/distribution facility is located in Roanoke and 4 sales distribution facilities are located in the region.

7. *West Virginia*. This region includes most of the state of West Virginia and a portion of southwestern Pennsylvania. The region has an estimated population of 1.4 million. There are 8 sales distribution facilities located in the region.

The Company is a member of South Atlantic Canners, Inc. (SAC), a manufacturing cooperative located in Bishopville, South Carolina. All eight members of SAC are Coca-Cola bottlers and each member has equal voting rights. The Company receives a fee for managing the day-to-day operations of SAC pursuant to a management agreement. Management fees earned from SAC were $1.4 million, $1.4 million and $1.6 million in 2008, 2007 and 2006, respectively. SAC s bottling lines supply a portion of the Company s volume requirements for finished products. The Company has a commitment with SAC that requires minimum annual purchases of 17.5 million cases of finished products through May 2014. Purchases from SAC by the Company for finished products were $142 million, $149 million and $133 million in 2008, 2007 and 2006, respectively, or 27.8 million cases, 30.6 million cases and 29.3 million cases of finished product, respectively.

Raw Materials

In addition to concentrates obtained from The Coca-Cola Company and other beverage companies for use in its beverage manufacturing, the Company also purchases sweetener, carbon dioxide, plastic bottles, cans, closures and other packaging materials as well as equipment for the production, distribution and marketing of nonalcoholic beverages. Except for sweetener, cans and plastic bottles, the Company purchases its raw materials from multiple suppliers.

The Company purchases substantially all of its plastic bottles (12-ounce, 16-ounce, 20-ounce, half-liter, 1-liter, 2-liter and 300 ml sizes) from manufacturing plants which are owned and operated by Southeastern Container and

Western Container, two entities owned by Coca-Cola bottlers including the Company. The Company currently obtains all of its aluminum cans (8-ounce, 12-ounce and 16-ounce sizes) from one domestic supplier.

None of the materials or supplies used by the Company are currently in short supply, although the supply of specific materials (including plastic bottles, which are formulated using petroleum-based products) could be adversely affected by strikes, weather conditions, governmental controls or national emergency conditions.

Along with all the 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 has negotiated the procurement for the majority of the Company s raw materials (excluding concentrate) since 2004.

The Company is exposed to price risk on commodities such as aluminum, corn, PET resin (an oil based product) and fuel 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 itself.

High fructose corn syrup costs increased significantly during 2008 as a result of increasing demand for corn products around the world for purposes such as ethanol production. The combined impact of increasing costs for plastic bottles and high fructose corn syrup increased cost of sales during 2008. In addition, there is no limit on the price The Coca-Cola Company and other beverage companies can charge for concentrate.

Customers and Marketing

The Company s products are sold and distributed directly to retail stores and other outlets, including food markets, institutional accounts and vending machine outlets. During 2008, 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, primarily through dispensing machines owned either by the Company, retail outlets or third party vending companies. The Company s largest customer, Wal-Mart Stores, Inc., accounted for approximately 19% of the Company s total bottle/can volume to retail customers and the second largest customer, Food Lion, LLC, accounted for approximately 12% of the Company s total bottle/can volume to retail customers. Wal-Mart Stores, Inc. accounted for approximately 14% of the Company s total net sales. The loss of either Wal-Mart Stores, Inc. or Food Lion, LLC as customers would have a material adverse effect on the Company. All of the Company s sales are to customers in the United States.

New product introductions, packaging changes and sales promotions have been the primary sales and marketing practices in the nonalcoholic beverage industry in recent years and have required and are expected to continue to require substantial expenditures. Brand introductions from The Coca-Cola Company in the last three years include Coca-Cola Zero, Vault, Vault Zero, Dasani flavors, Full Throttle, Gold Peak tea products and Dasani Plus. The Company began distribution of three of its own products, Country Breeze tea, diet Country Breeze tea and Tum-E Yummies, in 2007. In addition, the Company also began distribution of NOS© products (energy drinks from FUZE, a subsidiary of The Coca-Cola Company), juice products from FUZE and V8 products from Campbell during 2007. In the fourth quarter of 2007, the Company began distribution of glacéau products, a wholly-owned subsidiary of The Coca-Cola Company that produces branded enhanced beverages including vitaminwater, smartwater and vitaminenergy. The Company entered into a distribution agreement in October 2008 with subsidiaries of Hansen Natural Corporation, the developer, marketer, seller and distributor of Monster Energy drinks, the leading volume brand in the U.S. energy drink category. Under this agreement, the Company began distributing Monster Energy drinks in certain of the Company s territories in November 2008. New packaging introductions include the 20-ounce grip bottle during 2007. New product and packaging introductions have resulted in increased operating costs for the Company due to special marketing efforts, obsolescence of replaced items and, in some cases, higher raw material costs.

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The Company sells its products primarily in nonrefillable bottles and cans, in varying proportions from market to market. There may be as many as 27 different packages for Coca-Cola classic within a single geographic area. Bottle/can volume to retail customers during 2008 was approximately 46% cans, 53% nonrefillable bottles and 1% other containers.

Advertising in various media, primarily television and radio, is relied upon extensively in the marketing of the Company s products. The Coca-Cola Company and Dr Pepper Snapple Group (the Beverage Companies) make substantial expenditures on advertising in the Company s territories. The Company has also benefited from national advertising programs conducted by the Beverage Companies. In addition, the Company expends substantial funds on its own behalf for extensive local sales promotions of the Company s products. Historically, these expenses have been partially offset by marketing funding support which the Beverage Companies provide to the Company in support of a variety of marketing programs, such as point-of-sale displays and merchandising programs. However, the Beverage Companies are under no obligation to provide the Company with marketing funding support in the future.

The substantial outlays which the Company makes for marketing and merchandising programs are generally regarded as necessary to maintain or increase revenue, and any significant curtailment of marketing funding support provided by the Beverage Companies for marketing programs which benefit the Company could have a material adverse effect on the operating and financial results of the Company.

Seasonality

Sales are seasonal with the highest sales volume occurring in May, June, July and August. The Company has adequate production capacity to meet sales demand for sparkling and still beverages during these peak periods. Sales volume can be impacted by weather conditions. See Item 2. Properties for information relating to utilization of the Company s production facilities.

Competition

The nonalcoholic beverage market is highly competitive. The Company s competitors include bottlers and distributors of nationally advertised and marketed products, regionally advertised and marketed products, as well as bottlers and distributors of private label beverages in supermarket stores. The sparkling beverage market (including energy products) comprised 85% of the Company s bottle/can volume to retail customers in 2008. In each region in which the Company operates, between 85% and 95% of sparkling beverage sales in bottles, cans and pre-mix containers are accounted for by the Company and its principal competition, which in each region includes the local bottler of Pepsi-Cola and, in some regions, also includes the local bottler of Dr Pepper, Royal Crown and/or 7-Up products.

The principal methods of competition in the soft drink 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 advertising. The Company believes that it is competitive in its territories with respect to these methods of competition.

Government Regulation

The production and marketing of beverages are subject to the rules and regulations of the United States Food and Drug Administration (FDA) and other federal, state and local health agencies. The FDA also regulates the labeling of containers.

As a manufacturer, distributor and seller of beverage products of The Coca-Cola Company and other soft drink manufacturers in exclusive territories, the Company is subject to antitrust laws of general applicability. However, pursuant to the United States Soft Drink Interbrand Competition Act, soft drink bottlers such as the Company may have an exclusive right to manufacture, distribute and sell a soft drink product in a defined geographic territory if that soft drink product is in substantial and effective competition with other products of the same general class in the market. The Company believes there is such substantial and effective competition in each of the exclusive geographic territories in the United States in which the Company operates.

From time to time, legislation has been proposed in Congress and by certain state and local governments which would prohibit the sale of soft drink products in nonrefillable bottles and cans or require a mandatory deposit as a means of encouraging the return of such containers in an attempt to reduce solid waste and litter. The Company is currently not impacted by this type of proposed legislation.

Soft drink and similar-type taxes have been in place in West Virginia and Tennessee for several years.

The Company has experienced public policy challenges regarding the sale of soft drinks in schools, particularly elementary, middle and high schools. At December 28, 2008, a number of states had regulations restricting the sale of soft drinks and other foods in schools. Many of these restrictions have existed for several years in connection with subsidized meal programs in schools. The focus has more recently turned to the growing health, nutrition and obesity concerns of today s youth. Restrictive legislation, if widely enacted, could have an adverse impact on the Company s products, image and reputation.

The Company is subject to audit by taxing authorities in jurisdictions where it conducts business. These audits may result in assessments that are subsequently resolved with the 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.

Environmental Remediation

The Company does not currently have any material capital expenditure commitments for environmental compliance or environmental remediation for any of its properties. The Company does not believe compliance with federal, state and local provisions that have been enacted or adopted regarding the discharge of materials into the environment, or otherwise relating to the protection of the environment, will have a material effect on its capital expenditures, earnings or competitive position.

Employees

As of February 1, 2009, the Company had approximately 5,300 full-time employees, of whom approximately 425 were union members. The total number of employees, including part-time employees, was approximately 6,200. Approximately 7% of the Company s labor force is currently covered by collective bargaining agreements. Two collective bargaining agreements covering approximately 5% of the Company s employees expired during 2008 and the Company entered into new agreements during 2008. One collective bargaining agreement covering approximately .5% of the Company s employees expires during 2009.

Exchange Act Reports

The Company makes available free of charge through its Internet website, www.cokeconsolidated.com, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such materials are electronically filed with or furnished to the Securities and Exchange Commission (SEC). The SEC maintains an Internet website, www.sec.gov, which contains reports, proxy and information statements, and other information filed electronically with the SEC. Any materials that the Company files with the SEC may also be read and copied at the SEC s Public Reference Room, 100 F Street, N.E., Room 1580, Washington, D. C. 20549.

Information on the operations of the Public Reference Room is available by calling the SEC at 1-800-SEC-0330. The information provided on the Company s website is not part of this report and is not incorporated herein by reference.

Item 1A. ***Risk Factors***

In addition to other information in this Form 10-K, the following risk factors should be considered carefully in evaluating the Company s business. The Company s business, financial condition or results of operations could be materially and adversely affected by any of these risks. Additional risks and uncertainties, including risks and uncertainties not presently known to the Company or that the Company currently deems immaterial, may also impair its business and results of operations.

The Company may not be able to respond successfully to changes in the marketplace.

The Company operates in the highly competitive nonalcoholic beverage industry and faces strong competition from other general and specialty beverage companies. The Company s response to continued and increased customer and competitor consolidations and marketplace competition may result in lower than expected net pricing of the Company s products. The Company s ability to gain or maintain the Company s share of sales or gross margins may be limited by the actions of the Company s competitors, which may have advantages in setting their prices due to lower raw material costs. Competitive pressures in the markets in which the Company operates may cause channel and product mix to shift away from more profitable channels and packages. If the Company is unable to maintain or increase volume in higher-margin products and in packages sold through higher-margin channels (e.g., immediate consumption), pricing and gross margins could be adversely affected. The Company s efforts to improve pricing may result in lower than expected sales volume.

Changes in how significant customers market or promote the Company s products could reduce revenue.

The Company s revenue is impacted by how significant customers market or promote the Company s products. Revenue has been negatively impacted by less aggressive price promotion by some retailers in the future consumption channels over the past several years. If the Company s significant customers change the manner in which they market or promote the Company s products, the Company s revenue and profitability could be adversely impacted.

Changes in public and consumer preferences related to nonalcoholic beverages could reduce demand for the Company s products and reduce profitability.

The Company s business depends substantially on consumer tastes and preferences that change in often unpredictable ways. The success of the Company s business depends in large measure on working with the Beverage Companies to meet the changing preferences of the broad consumer market. Health and wellness trends throughout the marketplace have resulted in a shift from sugar sparkling beverages to diet sparkling beverages, tea, sports drinks, enhanced water and bottled water over the past several years. Failure to satisfy changing consumer preferences could adversely affect the profitability of the Company s business.

The Company s sales can be impacted by the health and stability of the general economy.

Unfavorable changes in general economic conditions, such as a recession or economic slowdown in the geographic markets in which the Company does business, may have the temporary effect of reducing the demand for certain of the Company s products. For example, economic forces may cause consumers to shift away from purchasing higher-margin products and packages sold through immediate consumption and other highly profitable channels. Adverse economic conditions could also increase the likelihood of customer delinquencies and bankruptcies, which would increase the risk of uncollectibility of certain accounts. Each of these factors could adversely affect the Company s revenue, price realization, gross margins and overall financial condition and operating results.

Miscalculation of the Company s need for infrastructure investment could impact the Company s financial results.

Projected requirements of the Company s infrastructure investments may differ from actual levels if the Company s volume growth is not as the Company anticipates. The Company s infrastructure investments are generally long-term in nature; therefore, it is possible that investments made today may not generate the returns expected by the Company due to future changes in the marketplace. Significant changes from the Company s expected returns on cold drink equipment, fleet, technology and supply chain infrastructure investments could adversely affect the Company s consolidated financial results.

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The Company s inability to meet requirements under its beverage agreements could result in the loss of distribution rights.

Approximately 89% of the Company s bottle/can volume to retail customers consists of 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 11% of the Company s bottle/can volume to retail customers consists of products of other beverage companies and the Company s own products. The Company must satisfy various requirements under its beverage agreements. Failure to satisfy these requirements could result in the loss of distribution rights for the respective products.

Material changes in, or the Company s inability to satisfy, the performance requirements for marketing funding support, or decreases from historic levels of marketing funding support, could reduce the Company s profitability.

Material changes in the performance requirements, or decreases in the levels of marketing funding support historically provided, under marketing programs with The Coca-Cola Company and other beverage companies, or the Company s inability to meet the performance requirements for the anticipated levels of such marketing funding support payments, could adversely affect the Company s profitability. The Coca-Cola Company and other beverage companies are under no obligation to continue marketing funding support at historic levels.

Changes in The Coca-Cola Company s and other beverage companies levels of advertising, marketing spending and product innovation could reduce the Company s sales volume.

The Coca-Cola Company s and other beverage companies levels of advertising, marketing spending and product innovation directly impact the Company s operations. While the Company does not believe there will be significant changes in the levels of marketing and advertising by the Beverage Companies, there can be no assurance that historic levels will continue. In addition, if the volume of sugar sparkling beverages continues to decline, the Company s volume growth will continue to be dependent on product innovation by the Beverage Companies, especially The Coca-Cola Company. Decreases in marketing, advertising and product innovation by the Beverage Companies could adversely impact the profitability of the Company.

The inability of the Company s aluminum can or plastic bottle suppliers to meet the Company s purchase requirements could reduce the Company s profitability.

The Company currently obtains all of its aluminum cans from one domestic supplier and all of its plastic bottles from two domestic cooperatives. The inability of these aluminum can or plastic bottle suppliers to meet the Company s requirements for containers could result in short-term shortages until alternative sources of supply can be located. The Company attempts to mitigate these risks by working closely with key suppliers and by purchasing business interruption insurance where appropriate. Failure of the aluminum can or plastic bottle suppliers to meet the Company s purchase requirements could reduce the Company s profitability.

The inability of the Company to offset higher raw material costs with higher selling prices, increased bottle/can volume or reduced expenses could have an adverse impact on the Company s profitability.

Packaging costs, primarily plastic bottles, and high fructose corn syrup cost increased significantly in 2008. In addition, there are no limits on the prices The Coca-Cola Company and other beverage companies can charge for concentrate. If the Company cannot offset higher raw material costs with higher selling prices, increased sales volume or reductions in other costs, the Company s profitability could be adversely affected.

The Company primarily uses supplier pricing agreements and may, at times, use derivative financial instruments to manage the volatility and market risk with respect to certain commodities. Generally, these hedging instruments establish the purchase price for these commodities in advance of the time of delivery. As such, it is possible that these hedging instruments may lock the Company into prices that are ultimately greater than the actual market price at the time of delivery.

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In recent years, there has been consolidation among suppliers of certain of the Company s raw materials. The reduction in the number of competitive sources of supply could have an adverse effect upon the Company s ability to negotiate the lowest costs and, in light of the Company s relatively small in-plant raw material inventory levels, has the potential for causing interruptions in the Company s supply of raw materials.

With the introduction of FUZE, Campbell and glacéau products into the Company s portfolio during 2007 and Monster Energy products during 2008, the Company is becoming increasingly reliant on purchased finished goods from external sources versus the Company s internal production. As a result, the Company is subject to incremental risk including, but not limited to, product availability, price variability, product quality and production capacity shortfalls for externally purchased finished goods.

Sustained increases in fuel prices or the inability of the Company to secure adequate supplies of fuel could have an adverse impact on the Company s profitability.

The Company has experienced significant increases in fuel prices as a result primarily of macro-economic factors beyond the Company s control. The Company uses significant amounts of fuel in the distribution of its products. Events such as natural disasters could impact the supply of fuel and could impact the timely delivery of the Company s products to its customers. While the Company is working to reduce fuel consumption, there can be no assurance that the Company will succeed in limiting future cost increases. Continued upward pressure in these costs could reduce the profitability of the Company s operations.

Sustained increases in workers compensation, employment practices and vehicle accident costs could reduce the Company s profitability.

The Company is generally self-insured for the costs of workers compensation, employment practices and vehicle accident claims. Losses are accrued using assumptions and procedures followed in the insurance industry, adjusted for company-specific history and expectations. Although the Company has actively sought to control increases in these costs, there can be no assurance that the Company will succeed in limiting future cost increases. Continued upward pressure in these costs could reduce the profitability of the Company s operations.

Sustained increases in the cost of employee benefits could reduce the Company s profitability.

The Company s profitability is substantially affected by the cost of pension retirement benefits, postretirement medical benefits and current employees medical benefits. In recent years, the Company has experienced significant increases in these costs as a result of macro-economic factors beyond the Company s control, including increases in health care costs, declines in investment returns on pension assets and changes in discount rates used to calculate pension and related liabilities. A significant decrease in the value of the Company s pension plan assets in 2008 will cause a significant increase in pension plan costs in 2009. Although the Company has actively sought to control increases in these costs, there can be no assurance the Company will succeed in limiting future cost increases, and continued upward pressure in these costs could reduce the profitability of the Company s operations.

Product liability claims brought against the Company or product recalls could negatively affect the Company s business, financial results and brand image.

The Company may be liable if the consumption of the Company s products causes injury or illness. The Company may also be required to recall products if they become contaminated or are damaged or mislabeled. A significant product liability or other product-related legal judgment against the Company or a widespread recall of the Company s products could negatively impact the Company s business, financial results and brand image.

Technology failures could disrupt the Company s operations and negatively impact the Company s business.

The Company increasingly relies on information technology systems to process, transmit and store electronic information. For example, the Company s production and distribution facilities, inventory management and driver handheld devices all utilize information technology to maximize efficiencies and minimize costs. Furthermore, a significant portion of the communication between personnel, customers and suppliers depends on information technology. Like most companies, the Company s information technology systems may be vulnerable to a variety of interruptions due to events beyond the Company s control, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. The Company has technology security initiatives and disaster recovery plans in place to mitigate the Company s risk to these vulnerabilities, but these measures may not be adequate or implemented properly to ensure that the Company s operations are not disrupted.

Changes in interest rates could adversely affect the profitability of the Company.

Approximately 6.3% of the Company s debt and capital lease obligations of $669.1 million as of December 28, 2008 was subject to changes in short-term interest rates. In addition, the Company s pension and postretirement medical benefits costs are subject to changes in interest rates. If interest rates increase in the future, there can be no assurance that future increases in interest expense will not reduce the Company s overall profitability.

The Company s credit rating could be negatively impacted by The Coca-Cola Company.

The Company s credit rating could be significantly impacted by capital management activities of The Coca-Cola Company and/or changes in the credit rating of The Coca-Cola Company. A lower credit rating could significantly increase the Company s interest costs or could have an adverse effect on the Company s ability to obtain additional financing at acceptable interest rates or to refinance existing debt.

Changes in legal contingencies could adversely impact the Company s future profitability.

Changes from expectations for the resolution of outstanding legal claims and assessments could have a material adverse impact on the Company s profitability and financial condition. In addition, the Company s failure to abide by laws, orders or other legal commitments could subject the Company to fines, penalties or other damages.

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

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

Additional taxes resulting from tax audits could adversely impact the Company s future profitability.

An assessment of additional taxes resulting from audits of the Company s tax filings could have an adverse impact on the Company s profitability, cash flows and financial condition.

Natural disasters and unfavorable weather could negatively impact the Company s future profitability.

Natural disasters or unfavorable weather conditions in the geographic regions in which the Company does business could have an adverse impact on the Company s revenue and profitability. For example, prolonged drought conditions in the geographic regions in which the Company does business could lead to restrictions on the use of water, which could adversely affect the Company s ability to manufacture and distribute products and the Company s cost to do so.

Issues surrounding labor relations could adversely impact the Company s future profitability and/or its operating efficiency.

Approximately 7% of the Company s employees are covered by collective bargaining agreements. The inability to renegotiate subsequent agreements on satisfactory terms and conditions could result in work

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interruptions or stoppages, which could have a material impact on the profitability of the Company. Also, the terms and conditions of existing or renegotiated agreements could increase costs, or otherwise affect the Company s ability to fully implement operational changes to improve overall efficiency. Two collective bargaining agreements covering approximately 5% of the Company s employees expired during 2008 and the Company entered into new agreements during 2008. One collective bargaining agreement covering approximately .5% of the Company s employees expires during 2009.

The Company s ability to change distribution methods and business practices could be negatively affected by United States bottler system disputes.

Litigation filed by some United States bottlers of Coca-Cola products indicates that disagreements may exist within the Coca-Cola bottler system concerning distribution methods and business practices. Although the litigation has been resolved, disagreements among various Coca-Cola bottlers could adversely affect the Company s ability to fully implement its business plans in the future.

Management s use of estimates and assumptions could have a material effect on reported results.

The Company s consolidated financial statements and accompanying notes to the consolidated financial statements include estimates and assumptions by management that impact reported amounts. Actual results could materially differ from those estimates.

The Company has experienced public policy challenges regarding the sale of soft drinks in schools, particularly elementary, middle and high schools.

A number of states have regulations restricting the sale of soft drinks and other foods in schools. Many of these restrictions have existed for several years in connection with subsidized meal programs in schools. The focus has more recently turned to the growing health, nutrition and obesity concerns of today s youth. The impact of restrictive legislation, if widely enacted, could have an adverse impact on the Company s products, image and reputation.

Recent volatility in the financial market may negatively impact the Company s ability to access the credit markets.

Recently the capital and credit markets have become increasingly volatile as a result of adverse conditions that have caused the failure and near failure of a number of large financial services companies. If the capital and credit markets continue to experience volatility and availability of funds remains limited, it is possible that the Company s ability to access the credit markets may be limited by these factors at a time when the Company would like, or need to do so. The Company has debt maturities of $119.3 million in May 2009 and $57.4 million in July 2009. The Company anticipates using cash flow generated from operations, its $200 million revolving credit facility ($200 million facility) and potentially other sources, including bank borrowings or issuance of debentures or equity securities, to repay or refinance these debt maturities. The Company currently has, and anticipates it will continue to have, capacity under its $200 million facility and cash on hand to repay or refinance these debt maturities in the event other financing sources are not available. The limitation of availability of funds could have an impact on the Company s ability to refinance the maturing debt and/or react to changing economic and business conditions.

The concentration of the Company s capital stock ownership with the Harrison family limits other stockholders ability to influence corporate matters.

Members of the Harrison family, including the Company s Chairman and Chief Executive Officer, J. Frank Harrison, III, beneficially own shares of Common Stock and Class B Common Stock representing approximately 85% of the total voting power of the Company s outstanding capital stock. In addition, two members of the Harrison family, including Mr. Harrison, III, serve on the Board of Directors of the Company. As a result, members of the Harrison family have the ability to exert substantial influence or actual control over the Company s management and affairs and over substantially all matters requiring action by the Company s stockholders. This concentration of ownership may also have the effect of delaying or preventing a change in control otherwise favored by the Company s other stockholders and could depress the stock price.

Additionally, as a result of the Harrison family s significant beneficial ownership of the Company s outstanding voting stock, the Company has relied on the controlled company exemption from certain corporate governance requirements of The Nasdaq Stock Market LLC. This concentration of control limits other stockholders ability to influence corporate matters and, as a result, the Company may take actions that the Company s stockholders do not view as beneficial.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

The principal properties of the Company include its corporate headquarters, its four production/distribution facilities and its 44 sales distribution centers. The Company owns two production/distribution facilities and 37 sales distribution centers, and leases its corporate headquarters, two other production/distribution facilities and seven sales distribution centers.

The Company leases its 110,000 square foot corporate headquarters and a 65,000 square foot adjacent office building from a related party. The lease has a fifteen year term and expires in December 2021. Rental payments for these facilities were $3.7 million in 2008.

The Company leases its 542,000 square foot Snyder Production Center and an adjacent 105,000 square foot distribution center in Charlotte, North Carolina from a related party for a ten-year term expiring in December 2010. Rental payments under this lease totaled $3.8 million in 2008.

The Company leases its 330,000 square foot production/distribution facility in Nashville, Tennessee. The lease requires monthly payments through December 2009. Rental payments under this lease totaled $.4 million in 2008.

The Company leases a 150,000 square foot warehouse which serves as additional space for its Charlotte, North Carolina distribution center. The lease requires monthly payments through March 2012. Rental payments under this lease totaled $.4 million in 2008.

The Company leases its 130,000 square foot sales distribution center in Lavergne, Tennessee. The lease requires monthly payments through August 2011. Rental payments under this lease totaled $.3 million in 2008.

The Company leases its 50,000 square foot sales distribution center in Charleston, South Carolina. The lease requires monthly payments through January 2017. Rental payments under this lease totaled $.4 million in 2008.

The Company leases its 57,000 square foot sales distribution center in Greenville, South Carolina. The lease requires monthly payments through July 2018. Rental payments under this lease totaled $.6 million in 2008.

The Company s other real estate leases are not material.

The Company owns and operates a 316,000 square foot production/distribution facility in Roanoke, Virginia and a 271,000 square foot production/distribution facility in Mobile, Alabama.

The approximate percentage utilization of the Company s production facilities is indicated below:

Production Facilities

Location	**Percentage Utilization ***
Charlotte, North Carolina	65%
Mobile, Alabama	47%
Nashville, Tennessee	66%
Roanoke, Virginia	71%

* Estimated 2009 production divided by capacity (based on operations of 6 days per week and 20 hours per day).

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The Company currently has sufficient production capacity to meet its operational requirements. In addition to the production facilities noted above, the Company utilizes a portion of the production capacity at SAC, a cooperative located in Bishopville, South Carolina, that owns a 261,000 square foot production facility.

The Company s products are generally transported to sales distribution facilities for storage pending sale. The number of sales distribution facilities by market area as of February 1, 2009 was as follows:

Sales Distribution Facilities

Region	Number of Facilities
North Carolina	15
South Carolina	5
South Alabama	4
South Georgia	4
Middle Tennessee	4
Western Virginia	4
West Virginia	8
Total	44

The Company s facilities are all in good condition and are adequate for the Company s operations as presently conducted.

The Company also operates approximately 3,700 vehicles in the sale and distribution of its beverage products, of which approximately 1,400 are route delivery trucks. In addition, the Company owns approximately 196,000 beverage dispensing and vending machines for the sale of its products in its bottling territories.

Item 3. ***Legal Proceedings***

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 that 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.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 28, 2008.

Executive Officers of the Company

The following is a list of names and ages of all the executive officers of the Company indicating all positions and offices with the Company held by each such person. All officers have served in their present capacities for the past five years except as otherwise stated.

J. FRANK HARRISON, III, age 54, is Chairman of the Board of Directors and Chief Executive Officer of the Company. Mr. Harrison, III was appointed Chairman of the Board of Directors in December 1996. Mr. Harrison, III served as Vice Chairman from November 1987 through December 1996 and was appointed as the Company s Chief Executive Officer in May 1994. He was first employed by the Company in 1977 and has served as a Division Sales Manager and as a Vice President.

WILLIAM B. ELMORE, age 53, is President and Chief Operating Officer and a Director of the Company, positions he has held since January 2001. Previously, he was Vice President, Value Chain from July 1999 and Vice President, Business Systems from August 1998 to June 1999. He was Vice President, Treasurer from June 1996 to

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July 1998. He was Vice President, Regional Manager for the Virginia Division, West Virginia Division and Tennessee Division from August 1991 to May 1996.

HENRY W. FLINT, age 54, is Vice Chairman of the Board of Directors of the Company, a position he has held since April 2007. Previously, he was Executive Vice President and Assistant to the Chairman of the Company, a position to which he was appointed in July 2004. Prior to that, he was a Managing Partner at the law firm of Kennedy Covington Lobdell & Hickman, L.L.P. with which he was associated from 1980 to 2004.

STEVEN D. WESTPHAL, age 54, is Executive Vice President of Operations and Systems, a position to which he was appointed in September 2007. He was Chief Financial Officer from May 2005 to January 2008 and prior to that Vice President and Controller, a position he had held from November 1987.

WILLIAM J. BILLIARD, age 42, is Vice President, Controller and Chief Accounting Officer, a position to which he was appointed on February 20, 2006. Before joining the Company, he was Senior Vice President, Interim Chief Financial Officer and Corporate Controller of Portrait Corporation of America, Inc., a portrait photography studio company, from September 2005 to January 2006 and Senior Vice President, Corporate Controller from August 2001 to September 2005. Prior to that, he served as Vice President, Chief Financial Officer of Tailored Management, a long-term staffing company, from August 2000 to August 2001. Portrait Corporation of America, Inc. filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code in August 2006.

ROBERT G. CHAMBLESS, age 43, is Senior Vice President of Sales, a position he has held since June 2008. Previously, Robert held the position of Vice President Franchise Sales from early 2003 to June 2008 and Region Sales Manager for our Southern Division between 2000 and 2003. Prior to this position, Robert was Sales Manager in our Columbia, SC branch between 1997 and 2000. Robert has been with the Company for 22 years, starting in the Charleston, SC warehouse in 1986.

CLIFFORD M. DEAL, III, age 47, is Vice President and Treasurer, a position he has held since June 1999. Previously, he was Director of Compensation and Benefits from October 1997 to May 1999. He was Corporate Benefits Manager from December 1995 to September 1997 and was Manager of Tax Accounting from November 1993 to November 1995.

NORMAN C. GEORGE, age 53, is President of BYB Brands, Inc, a wholly-owned subsidiary of the Company that distributes and markets Cinnabon Premium Coffee Lattes, Tum-E Yummies and other products developed by the Company, a position he has held since July 2006. Prior to that he was Senior Vice President, Chief Marketing and Customer Officer, a position he was appointed to in September 2001. Prior to that, he was Vice President, Marketing and National Sales, a position he was appointed to in December 1999. Prior to that, he was Vice President, Corporate Sales, a position he had held since August 1998. Previously, he was Vice President, Sales for the Carolinas South Region, a position he held beginning in November 1991.

JAMES E. HARRIS, age 46, is Senior Vice President and Chief Financial Officer, a position he has held since January 28, 2008. He served as a Director of the Company from August 2003 until January 25, 2008 and was a member of the Audit Committee and the Finance Committee. He served as Executive Vice President and Chief Financial Officer of MedCath Corporation, an operator of cardiovascular hospitals, from December 1999 to January 2008. From 1998 to 1999 he was Chief Financial Officer of Fresh Foods, Inc., a manufacturer of fully cooked food products. From 1987 to 1998, he served in several different officer positions with The Shelton Companies, Inc. He also served two years with Ernst & Young LLP as a senior accountant.

KEVIN A. HENRY, age 41, is Chief Human Resources Officer, a position he has held since September 2007 and Senior Vice President of Human Resources, a position he held since February 2001. Prior to joining the Company, he was Senior Vice President, Human Resources at Nationwide Credit Inc., where he was an employee since January 1997. Prior to that, he was Director, Human Resources, at Office Depot Inc. beginning in December 1994.

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UMESH M. KASBEKAR, age 51, is Senior Vice President, Planning and Administration, a position he has held since January 1995. Prior to that, he was Vice President, Planning, a position he was appointed to in December 1988.

MELVIN F. LANDIS, III, age 43, is Senior Vice President, Chief Marketing and Customer Officer, a position he has held since December 2006. Prior to that he was Vice President, Marketing and Corporate Customers from July 2006 to December 2006 and Vice President, Customer Management from July 2004 to June 2006. Prior to joining the Company in July 2004, he was employed at The Clorox Company, a manufacturer and marketer of consumer products, from 1994. While at The Clorox Company, he held a number of positions, including Region Sales Manager, Sales Merchandising Manager Kingsford Charcoal, Director Corporate Trade and Category Management, Team Leader Wal-Mart/Sam s and Senior Director US Grocery Sales.

LAUREN C. STEELE, age 54, is Vice President, Corporate Affairs, a position he has held since May 1989. He is responsible for governmental, media and community relations for the Company.

PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

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 under the symbol COKE. The table below sets forth for the periods indicated the high and low reported sales prices per share of Common Stock. There is no established public trading market for the Class B Common Stock. Shares of Class B Common Stock are convertible on a share-for-share basis into shares of Common Stock.

	Fiscal Year			
	2008		2007	
	High	Low	High	Low
First quarter	$ 62.20	$ 54.38	$ 68.65	$ 52.62
Second quarter	62.13	38.30	58.50	49.78
Third quarter	44.03	31.41	60.95	50.10
Fourth quarter	46.65	35.00	64.19	53.95

A quarterly dividend rate of $.25 per share on both Common Stock and Class B Common Stock was maintained throughout 2007 and 2008. Common Stock and Class B Common Stock have participated equally in dividends since 1994.

Pursuant to the Company s certificate of incorporation, no cash dividend or dividend of property or stock other than stock of the Company, as specifically described in the 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.

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.

The number of stockholders of record of the Common Stock and Class B Common Stock, as of February 28, 2009, was 3,832 and 10, respectively.

On February 27, 2008, the Compensation Committee determined that 20,000 shares of restricted Class B Common Stock, $1.00 par value, vested and should be issued pursuant to a performance-based award to J. Frank Harrison, III, in connection with his services in 2007 as Chairman of the Board of Directors and Chief Executive Officer of the Company.

On March 4, 2009, the Compensation Committee determined that 20,000 shares of restricted Class B Common Stock, $1.00 par value, vested and should be issued pursuant to a performance-based award to J. Frank Harrison, III, in connection with his services in 2008 as Chairman of the Board of Directors and Chief Executive Officer of the Company.

The awards to Mr. Harrison, III, were issued without registration under the Securities Act of 1933 (the Securities Act) in reliance on Section 4(2) of the Securities Act.

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 Common Stock of the Company. The shares of Common Stock were issued to The Coca-Cola Company without registration under Section 3(a)(9) of the Securities Act.

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Presented below is a line graph comparing the yearly percentage change in the cumulative total return on the Company s Common Stock to the cumulative total return of the Standard & Poor s 500 Index and two different peer group indices, the Old Peer Group and the New Peer Group for the period commencing December 26, 2003 and ending December 28, 2008. The Old Peer Group is comprised of Anheuser-Busch Companies, Inc.; Cadbury Schweppes plc (ADS); Coca-Cola Enterprises Inc.; The Coca-Cola Company; Cott Corporation; National Beverage Corp.; PepsiCo, Inc.; Pepsi Bottling Group, Inc. and PepsiAmericas. The New Peer Group is comprised of Dr Pepper Snapple Group, Coca-Cola Enterprises Inc.; The Coca-Cola Company; Cott Corporation; National Beverage Corp.; PepsiCo, Inc.; Pepsi Bottling Group, Inc. and PepsiAmericas. The Company has elected to change its peer group because the Company believes the companies reflected in the New Peer Group are more reflective of the Company s business and therefore provide a more meaningful comparison of stock performance.

The graph assumes that $100 was invested in the Company s Common Stock, the Standard & Poor s 500 Index and each peer group on December 26, 2003 and that all dividends were reinvested on a quarterly basis. Returns for the companies included in each peer group have been weighted on the basis of the total market capitalization for each company.

CUMULATIVE TOTAL RETURN
Based upon an initial investment of $100 on December 26, 2003
with dividends reinvested

	12/26/03	12/31/04	12/30/05	12/29/06	12/28/07	12/26/08
Coca-Cola Bottling Co. Consolidated (CCBCC)	$ 100	$ 110	$ 85	$ 136	$ 118	$ 89
S&P 500	$ 100	$ 111	$ 116	$ 135	$ 142	$ 90
Old Peer Group	$ 100	$ 100	$ 105	$ 118	$ 149	$ 102
New Peer Group	$ 100	$ 97	$ 103	$ 116	$ 146	$ 102

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Item 6. ***Selected Financial Data***

The following table sets forth certain selected financial data concerning the Company for the five years ended December 28, 2008. The data for the five years ended December 28, 2008 is derived from audited consolidated financial statements of the Company. This information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations set forth in Item 7 hereof and is qualified in its entirety by reference to the more detailed consolidated financial statements and notes contained in Item 8 hereof. This information should also be read in conjunction with the Risk Factors set forth in Item 1A.

SELECTED FINANCIAL DATA*

			Fiscal Year**		
In thousands (except per share data)	**2008**	**2007**	**2006**	**2005**	**2004**
Summary of Operations					
Net sales	$ 1,463,615	$ 1,435,999	$ 1,431,005	$ 1,380,172	$ 1,267,227
Cost of sales	848,409	814,865	808,426	761,261	666,534
Selling, delivery and administrative expenses	555,728	539,251	537,915	526,783	516,344
Total costs and expenses	1,404,137	1,354,116	1,346,341	1,288,044	1,182,878
Income from operations	59,478	81,883	84,664	92,128	84,349
Interest expense	39,601	47,641	50,286	49,279	43,983
Minority interest	2,392	2,003	3,218	4,097	3,816
Income before income taxes	17,485	32,239	31,160	38,752	36,550
Income taxes	8,394	12,383	7,917	15,801	14,702
Net income	$ 9,091	$ 19,856	$ 23,243	$ 22,951	$ 21,848
Basic net income per share:					
Common Stock	$ .99	$ 2.18	$ 2.55	$ 2.53	$ 2.41
Class B Common Stock	$ .99	$ 2.18	$ 2.55	$ 2.53	$ 2.41
Diluted net income per share:					
Common Stock	$ .99	$ 2.17	$ 2.55	$ 2.53	$ 2.41
Class B Common Stock	$ .99	$ 2.17	$ 2.54	$ 2.53	$ 2.41
Cash dividends per share:					
Common Stock	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Class B Common Stock	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Other Information					
Weighted average number of common shares outstanding:					
Common Stock	6,644	6,644	6,643	6,643	6,643
Class B Common Stock	2,500	2,480	2,460	2,440	2,420
Weighted average number of common shares outstanding assuming dilution:					

Common Stock	9,160	9,141	9,120	9,083	9,063
Class B Common Stock	2,516	2,497	2,477	2,440	2,420
Year-End Financial Position					
Total assets	$ 1,315,772	$ 1,291,799	$ 1,364,467	$ 1,341,839	$ 1,314,063
Current portion of debt	176,693	7,400	100,000	6,539	8,000
Current portion of obligations under capital leases	2,781	2,602	2,435	1,709	1,826
Obligations under capital leases	74,833	77,613	75,071	77,493	79,202
Long-term debt	414,757	591,450	591,450	691,450	700,039
Stockholders equity	76,309	120,504	93,953	75,134	64,439

* See Management s Discussion and Analysis of Financial Condition and Results of Operations and the accompanying notes to consolidated financial statements for additional information.

** All years presented are 52-week fiscal years except 2004 which was a 53-week year.

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Item 7. ***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 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 three years ended 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 the three years presented in the consolidated financial statements.

Financial Condition an analysis of the Company s financial condition as of the end of the last two years 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 fiscal years presented are the 52-week periods ended December 28, 2008, December 30, 2007 and December 31, 2006. The Company s fiscal year ends on the Sunday closest to December 31 of each year.

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

Our Business and the Nonalcoholic Beverage Industry

The Company produces, markets and distributes nonalcoholic beverages, primarily products of The Coca-Cola Company, which include some of the most recognized and popular beverage brands in the world. The Company is the second largest bottler of products of The Coca-Cola Company in the United States, distributing these products in eleven states primarily in the Southeast. The Company also distributes several other beverage brands. These product offerings include both sparkling and still beverages. Sparkling beverages are primarily carbonated beverages, including energy products. Still beverages are primarily noncarbonated beverages such as bottled water, tea, ready to drink coffee, enhanced water, juices and sports drinks. The Company had net sales of $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 past several years, industry sales of sugar sparkling beverages, other than energy products, have declined. The decline in sales of sugar sparkling beverages has generally been offset by growth in other nonalcoholic beverage product categories. The sparkling beverage category (including energy products) represents 82% of the Company s 2008 bottle/can net sales.

The Company s net sales by product category were as follows:

In thousands	Fiscal Year 2008	2007	2006
Bottle/can sales:			
Sparkling beverages (including energy products)	$ 1,011,656	$ 1,007,583	$ 1,009,652
Still beverages	227,171	201,952	180,004
Total bottle/can sales	1,238,827	1,209,535	1,189,656
Other sales:			
Sales to other Coca-Cola bottlers	128,651	127,478	152,426
Post-mix and other	96,137	98,986	88,923
Total other sales	224,788	226,464	241,349
Total net sales	$ 1,463,615	$ 1,435,999	$ 1,431,005

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, as well as highly effective working relationships with customers and disciplined fact-based decision-making. Revenue management has been and continues to be a key driver which has significant impact on the Company s results of operations.

Product Innovation and Beverage Portfolio Expansion

Sparkling beverage 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, Diet Coke Plus, Dasani Plus, juice products from FUZE (a subsidiary of The Coca-Cola Company) and V8 juice products from Campbell Soup Company (Campbell). The Company also modified its energy product portfolio in 2007 with the addition of NOS© products from FUZE.

In October 2008, the Company entered into a distribution agreement with Hansen Beverage Company (Hansen), the developer, marketer, seller and distributor of Monster Energy drinks, the leading volume brand in the U.S. energy drink 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 is required to pay to the existing distributors of Monster Energy drinks to terminate their existing distribution agreements. The Company has recorded the payment to Hansen as distribution rights and will amortize the amount on a straight-line basis to selling, delivery and administrative (S,D&A) expenses over the 20 year term of the agreement.

In August 2007, the Company entered into a distribution agreement with Energy Brands Inc. (Energy Brands), a wholly-owned subsidiary of The Coca-Cola Company. Energy Brands, also known as glacéau, is a producer and distributor of branded enhanced beverages including vitaminwater, smartwater and vitaminenergy. The distribution agreement is 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

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with The Coca-Cola Company whereby the Company agreed not to introduce new third party brands or certain third party brand extensions in the United States through August 31, 2010 unless mutually agreed to by the Company and The Coca-Cola Company.

The Company has invested in its own brand portfolio with products such as Tum-E Yummies, a vitamin C enhanced flavored drink, Country Breeze tea and diet Country Breeze tea and became the exclusive licensee of Cinnabon Premium Coffee Lattes. These brands enable the Company to participate in strong growth categories and capitalize on distribution channels that include the Company s traditional Coca-Cola franchise territory as well as third party distributors outside the Company s traditional 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 $201.6 million, $194.9 million and $193.8 million in 2008, 2007 and 2006, 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 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 sale delivery for convenience stores, drug stores, small supermarkets and on-premises accounts; and
- full service delivery for its full service vending customers.

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

Productivity

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

On February 2, 2007, the Company initiated a restructuring plan to simplify and streamline its operating management structure, which included a separation of the sales function from the delivery function to provide dedicated focus on each function and enhanced 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 is a summary of key information concerning the Company s financial results for the three years ended December 28, 2008.

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

2008

a $2.0 million pre-tax charge for a mark-to-market adjustment related to the Company s fuel hedging program;

a $14.0 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, while preserving the pension benefits previously earned by Company employees covered by the plan and the expense to settle a strike by the employees covered by this plan;

a $4.6 million pre-tax charge for restructuring expense related to the Company s plan initiated in the third quarter of 2008 to reorganize the structure of its operating units and support services, which resulted in the elimination of approximately 350 positions; and

a $2.6 million credit adjustment to pre-tax income to increase the Company s equity investment in a plastic bottle cooperative.

2007

a $2.8 million pre-tax charge related to a simplification of the Company s operating management structure and reduction in workforce.

2006

a $4.9 million credit to income tax expense related to agreements with two state tax authorities to settle certain prior tax positions.

		Fiscal Year	
In thousands (except per share data)	**2008**	**2007**	**2006**
Net sales	$ 1,463,615	$ 1,435,999	$ 1,431,005
Gross margin	615,206	621,134	622,579
S,D&A expenses	555,728	539,251	537,915
Income from operations	59,478	81,883	84,664
Interest expense	39,601	47,641	50,286
Income before income taxes	17,485	32,239	31,160
Income taxes	8,394	12,383	7,917
Net income	9,091	19,856	23,243
Basic net income per share:			
Common Stock	$ .99	$ 2.18	$ 2.55
Class B Common Stock	$ .99	$ 2.18	$ 2.55
Diluted net income per share:			
Common Stock	$ .99	$ 2.17	$ 2.55
Class B Common Stock	$ .99	$ 2.17	$ 2.54

The Company s net sales grew 2.3% from 2006 to 2008. The net sales increase was primarily due to an increase in average sales price per bottle/can unit of 4.1% offset by a $23.8 million decrease in sales to other Coca-Cola bottlers (bottler sales). The decrease in bottler sales was due to decreased sales of energy drinks.

The Company has seen declines in the demand for sugar sparkling beverages (other than energy products) and bottled water over the past several years and anticipates this trend may continue. The Company anticipates overall bottle/can sales growth will be primarily dependent upon continued growth in diet sparkling products, sports drinks, enhanced water, tea and energy products as well as the introduction of new beverage products and the appropriate pricing of brands and packages within sales channels.

Gross margin dollars decreased 1.2% from 2006 to 2008. The Company s gross margin as a percentage of net sales declined from 43.5% in 2006 to 42.0% in 2008. The decrease in gross margin percentage was primarily due to higher raw material costs and a higher percentage of sales of purchased products which have lower gross margin percentage than manufactured products, partially offset by higher sales price per unit and increases in marketing funding support from The Coca-Cola Company.

S,D&A expenses increased 3.3% from 2006 to 2008. The increase in S,D&A expenses was primarily attributable to the charge in 2008 to freeze the Company s liability to Central States while preserving the pension benefits previously earned by employees covered by the plan, restructuring expense recorded in 2008 and increased fuel costs. Employee benefit plan costs decreased primarily due to the amendment of the principal Company-sponsored pension plan in 2006, offset by increases in the Company s 401(k) Savings Plan contributions.

Net interest expense decreased 21.2% in 2008 compared to 2006. The decrease was primarily due to lower effective interest rates and lower borrowing levels offset by a decrease in interest earned on short-term cash investments. The Company s overall weighted average interest rate was 5.7% for 2008 compared to 6.6% for 2006. Interest earned on short-term cash investments in 2008 was $.1 million compared to $1.4 million in 2006.

Income tax expense increased 6.0% from 2006 to 2008. The lower rate in 2006 reflected the effect from agreements with state taxing authorities. The Company s effective tax rate was 48.0% for 2008 compared to 25.4% for 2006. The effective tax rates differ from statutory rates as a result of adjustments to the reserve for uncertain tax positions, adjustments to the deferred tax asset valuation allowance and other nondeductible items.

Net debt and capital lease obligations were summarized as follows:

In thousands	**Dec. 28, 2008**	**Dec. 30, 2007**	**Dec. 31, 2006**
Debt	$ 591,450	$ 598,850	$ 691,450
Capital lease obligations	77,614	80,215	77,506
Total debt and capital lease obligations	669,064	679,065	768,956
Less: Cash and cash equivalents	45,407	9,871	61,823
Total net debt and capital lease obligations(1)	$ 623,657	$ 669,194	$ 707,133

(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 and Estimates

In the ordinary course of business, the Company has made a number of estimates and assumptions relating to the reporting of results of operations and financial position in the preparation of its 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 believes the following discussion addresses 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 2008. 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 contemplated and prior to making such change.

Allowance for Doubtful Accounts

The Company evaluates the collectibility of its trade accounts receivable based on a number of factors. In circumstances where the Company becomes aware of a customer s inability to meet its financial obligations to the Company, a specific reserve for bad debts is estimated and recorded which reduces the recognized receivable to the estimated amount the Company believes will ultimately be collected. In addition to specific customer identification of potential bad debts, bad debt charges are recorded based on the Company s recent past loss history and an overall assessment of past due trade accounts receivable outstanding.

The Company s review of potential bad debts considers the specific industry in which a particular customer operates, such as supermarket retailers, convenience stores and mass merchandise retailers, and the general economic conditions that currently exist in that specific industry. The Company then considers the effects of concentration of credit risk in a specific industry and for specific customers within that industry.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost and is depreciated on a straight-line basis over the estimated useful lives of such assets. Changes in circumstances such as technological advances, changes to the Company s business model or changes in the Company s capital spending strategy could result in the actual useful lives differing from the Company s current estimates. Factors such as changes in the planned use of manufacturing equipment, cold drink dispensing equipment, transportation equipment, warehouse facilities or software could also result in shortened useful lives. In those cases where the Company determines that the useful life of property, plant and equipment should be shortened, the Company depreciates the net book value in excess of the estimated salvage value over its revised remaining useful life.

The Company evaluates the recoverability of the carrying amount of its property, plant and equipment when events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. If the Company determines that the carrying amount of an asset or asset group is not recoverable based upon the expected undiscounted future cash flows of the asset or asset group, an impairment loss is recorded equal to the excess of the carrying amounts over the estimated fair value of the long-lived assets.

Franchise Rights

The Company considers franchise rights with The Coca-Cola Company and other beverage companies to be indefinite lived because the agreements are perpetual or, in situations where agreements are not perpetual, the Company anticipates the agreements will continue to be renewed upon expiration. The cost of renewals is minimal and the Company has not had any renewals denied. The Company considers franchise rights as indefinite lived intangible assets under the Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS No. 142) and therefore, does not amortize the value of such assets. Instead, franchise rights are tested at least annually for impairment.

Impairment Testing of Franchise Rights and Goodwill

SFAS No. 142 requires testing of intangible assets with indefinite lives and goodwill for impairment at least annually. The Company conducts its annual impairment test as of the first day of the fourth quarter of each fiscal year. The Company also reviews intangible assets with indefinite lives and goodwill for impairment if there are significant changes in business conditions that could result in impairment.

For the annual impairment analysis of franchise rights, the fair value for the Company s franchise rights is estimated using a discounted cash flows approach. This approach involves projecting future cash flows attributable to the franchise rights and discounting those estimated cash flows using an appropriate discount rate. The estimated fair value is compared to the carrying value on an aggregated basis. As a result of this analysis, there was no impairment of the Company s recorded franchise rights in 2008, 2007 or 2006. In addition to the discount rate, the estimated fair value includes a number of assumptions such as projected net sales, cost of sales, operating expenses and income taxes. Changes in the assumptions required to estimate the present value of the cash flows attributable to franchise rights could materially impact the fair value estimate.

The Company has determined that it has one reporting unit for the Company as a whole for purposes of assessing goodwill for potential impairment. For the annual impairment analysis of goodwill, the Company develops an estimated fair value for the reporting unit using an average of three different approaches:

market value, using the Company s stock price plus outstanding debt;

discounted cash flow analysis; and

multiple of earnings before interest, taxes, depreciation and amortization based upon relevant industry data.

The estimated fair value of the reporting unit is then compared to its carrying amount including goodwill. If the estimated fair value exceeds the carrying amount, goodwill will be considered not to be impaired and the second step of the SFAS No. 142 impairment test is not necessary. If the carrying amount including goodwill exceeds its estimated fair value, the second step of the impairment test is performed to measure the amount of the impairment, if any. Based on this analysis, there was no impairment of the Company s recorded goodwill in 2008, 2007 or 2006. The discounted cash flow analysis includes a number of assumptions such as weighted average cost of capital, projected sales volume, net sales, cost of sales and operating expenses. Changes in these assumptions could materially impact the fair value estimates.

The Company uses its overall market capitalization as part of its estimate of fair value of the reporting unit and in assessing the reasonableness of the Company s internal estimates of fair value.

To the extent that actual and projected cash flows decline in the future, or if market conditions deteriorate significantly, the Company may be required to perform an interim impairment analysis that could result in an impairment of franchise rights and goodwill. The Company has determined that there has not been an interim impairment trigger since the first day of the fourth quarter of 2008 annual test date.

Income Tax Estimates

The Company records a valuation allowance to reduce the carrying value of its deferred tax assets if, based on the weight of available evidence, it is determined it is more likely than not that such assets will not ultimately be realized. While the Company considers future taxable income and prudent and feasible tax planning strategies in assessing the need for a valuation allowance, should the Company determine it will not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the valuation allowance will be charged to income in the period in which such determination is made. A reduction in the valuation allowance and corresponding adjustment to income may be required if the likelihood of realizing existing deferred tax assets increases to a more likely than not level. The Company regularly reviews the realizability of deferred tax assets and initiates a review when significant changes in the Company s business occur that could impact the realizability assessment.

In addition to a valuation allowance related to net operating loss carryforwards, the Company records liabilities for uncertain tax positions related to certain state and federal income tax positions. These liabilities reflect the Company s best estimate of the ultimate income tax liability based on currently known facts and information. Material changes in facts or information as well as the expiration of statutes of limitations and/or settlements with individual state or federal jurisdictions may result in material adjustments to these estimates in the future. The Company recorded adjustments to its valuation allowance and reserve for uncertain tax positions in 2006 and 2008 as a result of settlements reached with certain states on a basis more favorable than previously estimated. The Company did not record any adjustment to its valuation allowance and reserve for uncertain tax positions in 2007 as a result of settlements with any states.

The Company adopted the Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) and FASB Staff Position FIN 48-1, Definition of Settlement in FASB Interpretation No. 48 (FSP FIN 48-1) during 2007. See Note 14 of the consolidated financial statements for additional information.

Risk Management Programs

In general, the Company is self-insured for the costs of workers compensation, employment practices, vehicle accident claims and medical claims. The Company uses commercial insurance for claims as a risk reduction strategy to minimize catastrophic losses. Losses are accrued using assumptions and procedures followed in the insurance industry, adjusted for company-specific history and expectations. The Company has standby letters of credit, primarily related to its property and casualty insurance programs. On December 28, 2008, these letters of credit totaled

$19.3 million.

Pension and Postretirement Benefit Obligations

The Company sponsors pension plans covering substantially all full-time nonunion employees and certain union employees who meet eligibility requirements. As discussed below, the Company ceased further benefit accruals under the principal Company-sponsored pension plan effective June 30, 2006. Several statistical and other factors, which attempt to anticipate future events, are used in calculating the expense and liability related to the plans. These factors include assumptions about the discount rate, expected return on plan assets, employee turnover and age at retirement, as determined by the Company, within certain guidelines. In addition, the Company uses subjective factors such as mortality rates to estimate the projected benefit obligation. The actuarial assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of net periodic pension cost recorded by the Company in future periods. The discount rate used in determining the actuarial present value of the projected benefit obligation for the Company s pension plans changed from 6.25% in 2007 to 6.0% in 2008. The discount rate assumption is generally the estimate which can have the most significant impact on net periodic pension cost and the projected benefit obligation for these pension plans. The Company determines an appropriate discount rate annually based on the annual yield on long-term corporate bonds as of the measurement date and reviews the discount rate assumption at the end of each year.

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 annual expense/income for Company-sponsored pension plans changed from $8.1 million in expense in 2006 to $2.3 million in income in 2008.

Annual pension expense is estimated to be $11.5 million in 2009. The large increase in annual pension expense is primarily due to a significant decrease in the fair market value of pension plan assets in 2008.

A .25% increase or decrease in the discount rate assumption would have impacted the projected benefit obligation and net periodic pension cost of the Company-sponsored pension plans as follows:

In thousands	**.25% Increase**		**.25% Decrease**	
(Decrease) increase in:				
Projected benefit obligation at December 28, 2008	$	(7,354)	$	7,804
Net periodic pension cost in 2008		(426)		841

The weighted average expected long-term rate of return of plan assets was 8% for 2006, 2007 and 2008. This rate reflects an estimate of long-term future returns for the pension plan assets. This estimate is primarily a function of the asset classes (equities versus fixed income) in which the pension plan assets are invested and the analysis of past performance of these asset classes over a long period of time. This analysis includes expected long-term inflation and the risk premiums associated with equity and fixed income investments. See Note 17 to the consolidated financial statements for the details by asset type of the Company s pension plan assets at December 28, 2008 and December 30, 2007, and the weighted average expected long-term rate of return of each asset type. The actual return of pension plan assets was a loss of 28.6% for 2008 and a gain of 8.6% for 2007.

The Company sponsors a postretirement health care plan for employees meeting specified qualifying criteria. Several statistical and other factors, which attempt to anticipate future events, are used in calculating the net periodic postretirement benefit cost and postretirement benefit obligation for this plan. These factors include assumptions about the discount rate and the expected growth rate for the cost of health care benefits. In addition, the Company uses subjective factors such as withdrawal and mortality rates to estimate the projected liability under this plan. The actuarial assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. The Company does not pre-fund its postretirement benefits and has the right to modify or terminate certain of these benefits in the future.

The discount rate assumption, the annual health care cost trend and the ultimate trend rate for health care costs are key estimates which can have a significant impact on the net periodic postretirement benefit cost and postretirement obligation in future periods. The Company annually determines the health care cost trend based on recent actual medical trend experience and projected experience for subsequent years.

The discount rate assumptions used to determine the pension and postretirement benefit obligations are based on yield rates available on double-A bonds as of each plan s measurement date. The discount rate used in determining the postretirement benefit obligation was 6.25% in both 2007 and 2008. The discount rate for 2008 was derived using the Citigroup Pension Discount Curve which is a set of yields on hypothetical double-A zero-coupon bonds with maturities up to 30 years. Projected benefit payouts from each plan are matched to the Citigroup Pension Discount Curve and an equivalent flat discount rate is derived and then rounded to the nearest quarter percent.

A .25% increase or decrease in the discount rate assumption would have impacted the projected benefit obligation and service cost and interest cost of the Company s postretirement benefit plan as follows:

In thousands	.25% Increase	.25% Decrease
Increase (decrease) in:		
Postretirement benefit obligation at December 28, 2008	$ (882)	$ 922
Service cost and interest cost in 2008	8	(9)

A 1% increase or decrease in the annual health care cost trend would have impacted the postretirement benefit obligation and service cost and interest cost of the Company s postretirement benefit plan as follows:

In thousands	1% Increase	1% Decrease
Increase (decrease) in:		
Postretirement benefit obligation at December 28, 2008	$ 4,230	$ (3,675)
Service cost and interest cost in 2008	377	(327)

New Accounting Pronouncements

Recently Adopted Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 158, Employers Accounting for Defined Pension and Other Postretirement Plans, which was effective for the year ending December 31, 2006 except for the requirement that 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 impact of the adoption of the change in measurement dates was not material to the consolidated financial statements. See Note 15 and Note 17 of the consolidated financial statements for additional information.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurement. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP) and expands disclosures about fair value measurements. The Statement does not require any new fair value measurements but could change the current practices in measuring current fair value measurements. The Statement was effective at the beginning of the first quarter of 2008 for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value on a recurring basis. The adoption of this Statement did not have a material impact on the consolidated financial statements. See Note 11 to the consolidated financial statements for additional information. In February 2008, FASB issued FASB Staff Position SFAS No. 157-2, Effective Date of FASB Statement No. 157, which defers the application date of the provisions of SFAS No. 157 for all nonfinancial assets and liabilities until the first quarter of 2009 except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company is in the process of evaluating the impact related to the Company s nonfinancial assets and liabilities not valued on a recurring basis.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. This Statement was effective at the beginning of the first quarter of 2008. The Company has not applied the fair value option to any of its outstanding instruments; therefore, the Statement did not have an impact on the consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles. This Statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles in the United States. This Statement was effective on November 15, 2008 and did not have a material impact on the consolidated financial statements.

In October 2008, the FASB issued FSP No. 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active (FSP 157-3). FSP 157-3 clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The adoption of this FSP did not have an impact on the Company s consolidated financial statements.

In December 2008, the FASB issued FASB Staff Position FAS 140-4 and FIN 46(R)-8, Disclosures by Public Entities (Enterprises) About Transfers of Financial Assets and Interest in Variable Interest Entities (FSP 140-4). FSP 140-4 requires additional disclosure about transfers of financial assets and an enterprise s involvement with variable interest entities. FSP 140-4 was effective for the first reporting period ending after December 15, 2008. FSP 140-4 did not have a material impact on the Company s consolidated financial statements.

Recently Issued Pronouncements

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interest in Consolidated Financial Statements an amendment of ARB No. 51. This Statement amends Accounting Research Bulletin No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary (commonly referred to as minority interest) and for the deconsolidation of a subsidiary. The Statement is effective for fiscal years beginning on or after December 15, 2008. The Company anticipates that the adoption of this Statement will not have a material impact on the consolidated financial statements, although changes in financial statement presentation will be required.

In December 2007, the FASB revised SFAS No. 141, Business Combinations (SFAS No. 141(R)). This Statement established principles and requirements for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed and any noncontrolling interest in an acquisition, at their fair values as of the acquisition date. The Statement is effective for fiscal years beginning on or after December 15, 2008. The impact on the Company of adopting SFAS No. 141(R) will depend on the nature, terms and size of business combinations completed after the effective date.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS No. 161). This Statement amends and expands the disclosure requirements of Statement No. 133 to provide an enhanced understanding of why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how they affect an entity s financial position, financial performance and cash flows. The Statement is effective for fiscal years and interim periods beginning on or after November 15, 2008. The adoption of this Statement will not impact the consolidated financial statements other than expanded footnote disclosures related to derivative instruments and related hedged items.

In April 2008, the FASB issued FASB Staff Position No. 142-3, Determination of the Useful Life of Intangible Assets (FSP 142-3). FSP 142-3 amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under SFAS No. 142, Goodwill and Other Intangible Assets. The intent of FSP 142-3 is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure its fair value. FSP 142-3 is effective for fiscal years beginning after December 15, 2008. The Company is in the process of evaluating the impact of FSP 142-3, but does not expect it to have a material impact on the Company s consolidated financial statements.

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

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

Results of Operations

2008 Compared to 2007

A summary of key information concerning the Company s financial results for 2008 and 2007 follows:

	Fiscal Year			
In thousands (except per share data)	**2008**	**2007**	**Change**	**% Change**
Net sales	$ 1,463,615	$ 1,435,999	$ 27,616	1.9
Gross margin	615,206(1)	621,134	(5,928)	(1.0)
S,D&A expenses	555,728(2)(3)(4)	539,251(5)	16,477	3.1
Interest expense	39,601	47,641	(8,040)	(16.9)
Minority interest	2,392	2,003	389	19.4
Income before income taxes	17,485(1)(2)(3)(4)	32,239(5)	(14,754)	(45.8)
Income taxes	8,394	12,383	(3,989)	(32.2)
Net income	9,091(1)(2)(3)(4)	19,856(5)	(10,765)	(54.2)
Basic net income per share:				
Common Stock	$ .99	$ 2.18	(1.19)	(54.6)
Class B Common Stock	$ .99	$ 2.18	(1.19)	(54.6)
Diluted net income per share:				
Common Stock	$ .99	$ 2.17	(1.18)	(54.4)
Class B Common Stock	$ .99	$ 2.17	(1.18)	(54.4)

(1) Results in 2008 included a change in estimate of $2.6 million (pre-tax), or $1.3 million after tax, regarding the Company s equity investment in a plastic bottle cooperative, which was reflected as a reduction in cost of sales.

(2) Results in 2008 included restructuring costs of $4.6 million (pre-tax), or $2.4 million after tax, related to the Company s plan to reorganize the structure of its operating units and support services and resulted in the elimination of approximately 350 positions, which were reflected in S,D&A expenses.

(3) Results in 2008 included a charge of $14.0 million (pre-tax), or $7.3 million after tax, to freeze the Company s liability to the Central States pension plan and to settle a strike by employees covered by this plan, while preserving the pension benefits previously earned by these employees, which was reflected in S,D&A expenses.

(4) Results in 2008 included a charge of $2.0 million (pre-tax), or $1.0 million after tax, related to the Company s fuel hedging program, which was reflected in S,D&A expenses.

(5) Results for 2007 included restructuring costs of $2.8 million (pre-tax), or $1.7 million after tax, related to the simplification of the Company s operating management structure to improve operating efficiencies across its business, which were reflected in S,D&A expenses.

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Net Sales

Net sales increased $27.6 million, or 1.9%, to $1.46 billion in 2008 compared to $1.44 billion in 2007. The increase in net sales was a result of the following:

Amount (In millions)		Attributable to:
$	26.3	3.2% increase in bottle/can sales price per unit (in response to increases in product costs) primarily due to increased sales of enhanced water, which have higher per unit prices, and higher per unit prices of sparkling products other than energy products, offset by decreases in sales of higher price packages in higher margin channels (primarily convenience) and lower sales price per unit for bottled water
	3.3	4.8% increase in post-mix sales price per unit (in response to increases in product costs)
	3.0	.6% decrease in bottle/can volume primarily due to a decrease in sparkling products other than energy products and bottled water volume offset by an increase in enhanced water volume (higher per unit prices of enhanced products resulted in increased sales despite volume decrease)
	2.6	2.0% increase in bottler sales volume primarily due to increase in sparkling products (excluding energy) offset by decreases in tea products volume
	(8.1)	10.4% decrease in post-mix volume
	(1.4)	1.1% decrease in bottler sales price per unit primarily due to a decrease in energy drink volume as a percentage of total volume (energy drinks have a higher sales price per unit)
	1.9	Other
$	27.6	Total increase in net sales

In 2008, the Company s bottle/can sales to retail customers accounted for 85% of the Company s total net sales. Bottle/can net pricing is based on the invoice price charged to customers reduced by promotional allowances. Bottle/can net pricing per unit is impacted by the price charged per package, the volume generated in each package and the channels in which those packages are sold. The increase in the Company s bottle/can net price per unit in 2008 compared to 2007 was primarily due to sales price increases in all product categories, except water and energy, and increases in sales volume of enhanced water which has a higher sales price per unit, partially offset by decreases in sales of higher price packages (primarily in the convenience store channel) and a lower sales price per unit for bottled water.

Product category sales volume in 2008 and 2007 as a percentage of total bottle/can sales volume and the percentage change by product category were as follows:

	Bottle/Can Sales Volume		Bottle/Can Sales Volume
Product Category	**2008**	**2007**	**% Increase (Decrease)**
Sparkling beverages (including energy products)	84.6%	85.1%	(1.3)
Still beverages	15.4%	14.9%	2.3

Total bottle/can volume	100.0%	100.0%	(0.6)

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 2008, 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 2008. The Company s second largest customer, Food Lion, LLC, accounted for approximately 12% of the Company s total bottle/can volume in 2008. All of the Company s sales are to customers in the United States.

The Company recorded delivery fees in net sales of $6.7 million in both 2008 and 2007. 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 increased 4.1%, or $33.5 million, to $848.4 million in 2008 compared to $814.9 million in 2007.

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

Amount (In millions)		Attributable to:
$	38.2	Increase in costs primarily due to an increase in purchased products and an increase in raw material costs such as high fructose corn syrup and plastic bottles
	6.6	.6% decrease in bottle/can volume primarily due to a decrease in sparkling products other than energy products and bottled water volume offset by an increase in enhanced water volume (higher per unit costs of enhanced products resulted in increased cost despite volume decrease)
	2.5	2.0% increase in bottler sales volume primarily due to increase in sparkling products (excluding energy) offset by decreases in tea products volume
	(5.5)	10.4% decrease in post-mix volume
	(4.6)	Increase in marketing funding support received primarily from The Coca-Cola Company
	(2.6)	Increase in equity investment in a plastic bottle cooperative
	(1.8)	Decrease in bottler cost per unit primarily due to a decrease in energy drink volume as a percentage of total volume (energy drinks have a higher cost per unit)
	0.7	Other
$	33.5	Total increase in cost of sales

The Company recorded an increase in its equity investment in a plastic bottle cooperative in the second quarter of 2008 which resulted in a pre-tax credit of $2.6 million. This increase was made based on information received from the cooperative during the quarter and reflected a higher share of the cooperative s retained earnings compared to the amount previously recorded by the Company. The Company classifies its equity in earnings of the cooperative in cost of sales consistent with the classification of purchases from the cooperative.

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 $51.8 million in 2008 compared to

$47.2 million in 2007.

Gross Margin

Gross margin dollars decreased 1.0%, or $5.9 million, to $615.2 million in 2008 compared to $621.1 million in 2007. Gross margin as a percentage of net sales decreased to 42.0% in 2008 from 43.3% in 2007.

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

Amount (In millions)		Attributable to:
$	(38.2)	Increase in costs primarily due to an increase in purchased products and an increase in raw material costs such as high fructose corn syrup and plastic bottles
	26.3	3.2% increase in bottle/can sales price per unit (in response to increases in product costs) primarily due to increased sales of enhanced water, which have higher per unit prices, and higher per unit prices of sparkling products other than energy products, offset by decreases in sales of higher price packages in higher margin channels (primarily convenience) and a lower sales price per unit for bottled water
	4.6	Increase in marketing funding support received primarily from The Coca-Cola Company
	(3.6)	.6% decrease in bottle/can volume primarily due to a decrease in sparkling products other than energy products and bottled water volume offset by an increase in enhanced water volume
	3.3	4.8% increase in post-mix sales price per unit (in response to increases in product costs)
	(1.4)	1.1% decrease in bottler sales price per unit primarily due to a decrease in energy drink volume as a percentage of total volume (energy drinks have a higher sales price per unit)
	(2.6)	10.4% decrease in post-mix volume
	2.6	Increase in equity investment in a plastic bottle cooperative
	3.1	Other
$	(5.9)	Total decrease in gross margin

The decrease in gross margin percentage was primarily due to increased raw material costs, increased sales of purchased products, a lower percentage of sales of higher margin packages and a lower sales price per unit for bottled water, partially offset by higher sales prices per unit for other products, increased marketing funding support and the increase in the equity investment in a plastic bottle cooperative.

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 increased by $16.5 million, or 3.1%, to $555.7 million in 2008 from $539.3 million in 2007.

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

Amount (In millions)		Attributable to:
$	14.0	Charge to freeze the Company s liability to a multi-employer pension plan and settle a strike by employees covered by this plan
	7.9	Increase in fuel and other energy costs related to the movement of finished goods from sales distribution centers to customer locations
	(3.2)	Decrease in employee benefit costs primarily due to lower pension plan costs and health insurance costs offset by increases in the Company s 401(k) Savings Plan contributions
	3.1	Increase in property and casualty insurance costs
	(2.6)	Decrease in marketing costs
	1.9	Increase in restructuring costs
	(1.7)	Decrease in depreciation costs due to decreased capital expenditures
	(2.9)	Other
$	16.5	Total increase 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 $201.6 million and $194.9 million in 2008 and 2007, respectively.

The net impact of the fuel hedges was to increase fuel costs by $.8 million in 2008 and decrease fuel costs by $.9 million in 2007. Included in the 2008 increase was a $2.0 million charge for a mark-to-market adjustment related to fuel hedging contracts for 2009 diesel fuel purchases.

On February 2, 2007, the Company initiated plans to simplify its management structure and reduce its workforce in order to improve operating efficiencies across the Company s business. The restructuring expenses consisted primarily of one-time termination benefits and other associated costs, primarily relocation expenses for certain employees. The Company incurred $2.8 million in restructuring expenses in 2007.

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 2008 for one-time termination benefits. The plan was completed in 2008 and the majority of cash expenditures occurred in 2008.

The Company entered into a new agreement with a collective bargaining unit in the third quarter of 2008. The collective bargaining unit represents approximately 270 employees, or approximately 4% of the Company s total workforce. The new agreement allows the Company to freeze its liability to 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 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 is the present value amount, using a discount rate of 7%, that will be paid under the agreement and has been 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 the 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.

Primarily due to the performance of the Company s pension plan investments during 2008, the Company s expense related to the two Company-sponsored pension plans will increase from a $2.3 million credit in 2008 to an estimated $11.5 million expense in 2009.

On February 20, 2009, the Company announced that it would suspend matching contributions to its Retirement Savings Plan (401(k) plan) effective April 1, 2009. The Company anticipates this suspension will reduce benefit costs in 2009 by approximately $7 million.

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Interest Expense

Net interest expense decreased 16.9%, or $8.0 million in 2008 compared to 2007. The decrease in interest expense in 2008 was primarily due to lower interest rates and lower levels of borrowing offset by a $2.6 million decrease in interest earned on short-term investments. The Company s overall weighted average interest rate decreased to 5.7% during 2008 from 6.7% in 2007. See the Liquidity and Capital Resources Hedging Activities Interest Rate Hedging section of M,D&A for additional information.

Based on current interest rates, the Company would expect that interest expense for 2009 would be lower if the 2009 debt maturities were refinanced on a short-term basis with the $200 million revolving credit facility ($200 million facility) than if refinanced with longer term bonds. The difference between these refinancing alternatives would be contingent on both short-term and long-term interest rates; however, the Company estimates the impact of the difference between refinancing alternatives on interest expense to be in the range of approximately $1 million to $2 million in 2009.

Minority Interest

The Company recorded minority interest of $2.4 million in 2008 compared to $2.0 million in 2007 related to the portion of Piedmont owned by The Coca-Cola Company. The increased amount in 2008 was due to higher net income at Piedmont.

Income Taxes

The Company s effective income tax rate for 2008 was 48.0% compared to 38.4% in 2007. The higher effective income tax rate for 2008 resulted primarily from an increase in the Company s reserve for uncertain tax positions. See Note 14 of the consolidated financial statements for additional information.

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.

2007 Compared to 2006

A summary of key information concerning the Company s financial results for 2007 and 2006 follows:

	Fiscal Year			
In thousands (except per share data)	**2007**	**2006**	**Change**	**% Change**
Net sales	$ 1,435,999	$ 1,431,005	$ 4,994	.3
Gross margin	621,134	622,579	(1,445)	(.2)
S,D&A expenses	539,251(1)	537,915	1,336	.2
Interest expense	47,641	50,286	(2,645)	(5.3)
Minority interest	2,003	3,218	(1,215)	(37.8)
Income before income taxes	32,239(1)	31,160	1,079	3.5
Income taxes	12,383	7,917(2)	4,466	56.4
Net income	19,856(1)	23,243(2)	(3,387)	(14.6)
Basic net income per share:				
Common Stock	$ 2.18	$ 2.55	$ (.37)	(14.5)

Class B Common Stock	$	2.18	$	2.55	$	(.37)	(14.5)
Diluted net income per share:							
Common Stock	$	2.17	$	2.55	$	(.38)	(14.9)
Class B Common Stock	$	2.17	$	2.54	$	(.37)	(14.6)

(1) Results for 2007 included restructuring costs of $2.8 million (pre-tax), or $1.7 million after tax, related to the simplification of the Company s operating management structure to improve operating efficiencies across its business, which were reflected in S,D&A expenses.

(2) Results for 2006 included a favorable adjustment of $4.9 million related to agreements with two state taxing authorities to settle certain prior tax positions resulting in the reduction of the valuation allowance on related deferred tax assets and the reduction of the liability for uncertain tax positions, which was reflected as a reduction of income tax expense.

Net Sales

Net sales increased $5.0 million, or .3%, to $1.44 billion in 2007 compared to $1.43 billion in 2006.

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

Amount (In millions)	Attributable to:
$ (16.4)	10.8% decrease in volume of bottler sales primarily due to a decrease in volume of energy drinks offset partially by an increase in volume of tea products
13.9	2.1% increase in bottle/can sales price per unit primarily due to higher net pricing for sparkling beverages offset by lower net pricing for bottled water
(8.5)	6.2% decrease in bottler sales price per unit primarily due to a decrease in energy drink volume as a percentage of total volume (energy drinks have higher sales price per unit)
6.0	Increase in bottle/can sales due to an increase in still beverage volume as a percentage of total volume (still beverages generally have higher sales price per unit)
4.2	5.8% increase in sales price per unit of post-mix
3.1	Increase in delivery fees to certain customers
2.7	Other
$ 5.0	Total increase in net sales

In 2007, the Company s bottle/can volume to retail customers accounted for 84% of the Company s total net sales. The increase in the Company s bottle/can net price per unit in 2007 compared to 2006 was primarily due to higher prices for sparkling beverages offset by a decrease in net pricing of bottled water in the supermarket channel. During 2006 and the first half of 2007, the Company produced the energy drink, Full Throttle, for many of the Coca-Cola bottlers in the eastern half of the United States. During the second half of 2007, most of these Coca-Cola bottlers found an alternative source for the product.

Product category sales volume in 2007 and 2006 as a percentage of total bottle/can sales volume and the percentage change by product category were as follows:

Product Category	Bottle/Can Sales Volume 2007	Bottle/Can Sales Volume 2006	Bottle/Can Sales Volume % Increase (Decrease)
Sparkling beverages (including energy products)	85.1%	86.7%	(1.8)
Still beverages	14.9%	13.3%	12.1
Total bottle/can volume	100.0%	100.0%	

Beginning in the first quarter of 2007, the Company began distribution of Enviga and Gold Peak, new tea products from The Coca-Cola Company, and distribution of two of its own products, Respect and Tum-E Yummies. Respect is an all-natural, vitamin enhanced beverage, while Tum-E Yummies is a vitamin C enhanced flavored drink. Beginning in the second quarter of 2007, the Company began distribution of Diet Coke Plus, a vitamin enhanced cola, and Dasani Plus, an enhanced water beverage, two new products from The Coca-Cola Company. Beginning in the third quarter of 2007, the Company began distribution of NOS© products (energy drinks from FUZE), juice products from FUZE, V8 juice products from Campbell and Country Breeze tea products. In the fourth quarter of 2007, the Company began distribution of Energy Brands Inc. products. Energy Brands Inc., also known as glacéau, is a wholly-owned subsidiary of The Coca-Cola Company that produces branded enhanced beverages including vitaminwater, smartwater and vitaminenergy.

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 2007, 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

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during 2007. The Company s second largest customer, Food Lion, LLC, accounted for approximately 12% of the Company s total bottle/can volume in 2007. All of the Company s sales are to customers in the United States.

The Company recorded delivery fees in net sales of $6.7 million and $3.6 million in 2007 and 2006, respectively. These fees are used to offset a portion of the Company s delivery and handling costs.

Cost of Sales

Cost of sales increased .8%, or $6.4 million, to $814.9 million in 2007 compared to $808.4 million in 2006. The increase in cost of sales was principally attributable to the following:

Amount (In millions)		**Attributable to:**
$	43.7	Increase in raw material costs (primarily aluminum packaging, sweetener and concentrate costs)
	(15.9)	10.8% decrease in bottler sales volume primarily due to a decrease in volume of energy drinks offset partially by an increase in volume of tea products
	(14.0)	Increase in marketing funding support received primarily from The Coca-Cola Company
	(9.5)	6.2% decrease in bottler sales cost per unit primarily due to a decrease in energy drink volume as a percentage of total volume (energy drinks have higher cost per unit)
	5.3	Increase in bottle/can cost due to an increase in still beverage volume as a percentage of total volume (still beverages generally have higher cost per unit)
	(3.9)	Decrease in manufacturing overhead costs
	0.7	Other
$	6.4	Total increase in cost of sales

Beginning in the first quarter of 2007, the majority of the Company s aluminum packaging requirements did not have any ceiling price protection. The cost of aluminum cans increased approximately 18% in 2007. High fructose corn syrup costs also increased significantly during 2007 as a result of increasing demand for corn products around the world such as for ethanol production. The cost of high fructose corn syrup increased approximately 21% in 2007.

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 $47.2 million for 2007 compared to $33.2 million for 2006.

Gross Margin

Gross margin dollars decreased .2%, or $1.4 million, to $621.1 million in 2007 compared to $622.6 million in 2006. Gross margin as a percentage of net sales decreased to 43.3% in 2007 from 43.5% in 2006.

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

Amount (In millions)		Attributable to:
$	(43.7)	Increase in raw material costs (primarily aluminum packaging, sweetener and concentrate costs)
	13.9	2.1% increase in bottle/can sales price per unit primarily due to higher net pricing for sparkling beverages offset by lower net pricing for water
	14.0	Increase in marketing funding support received primarily from The Coca-Cola Company
	3.9	Decrease in manufacturing overhead costs
	4.2	5.8% increase in sales price per unit of post-mix
	3.1	Increase in delivery fees to certain customers
	3.2	Other
$	(1.4)	Total decrease in gross margin

The decrease in gross margin percentage was primarily due to higher raw material costs, partially offset by higher bottle/can sales price per unit, increases in marketing funding support from The Coca-Cola Company and reduced manufacturing overhead costs.

S,D&A Expenses

S,D&A expenses increased by $1.3 million, or .2%, to $539.3 million in 2007 from $537.9 million in 2006.

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

Amount (In millions)		Attributable to:
$	5.4	Increase in employee related expenses primarily related to wage increases
	2.8	Restructuring costs related to the simplification of the Company s operating management structure and reduction in workforce in order to improve operating efficiencies
	(1.9)	Decrease in property and casualty claims and insurance costs
	(1.6)	Decrease in employee benefit costs primarily due to the amendment of the principal Company-sponsored pension plan, net of increases in the Company s 401(k) Savings Plan contributions and health insurance expenses
	(1.6)	Gain on sale of aviation equipment
	(1.8)	Other
$	1.3	Total increase 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 $194.9 million and $193.8 million in 2007 and 2006, respectively.

On February 2, 2007, the Company initiated plans to simplify its management structure and reduce its workforce in order to improve operating efficiencies across the Company s business. The restructuring expenses consisted primarily of one-time termination benefits and other associated costs, primarily relocation expenses for certain employees. The Company incurred $2.8 million in restructuring expenses in 2007.

In February 2006, the Company announced an amendment to its principal Company-sponsored pension plan to cease further benefit accruals under the plan effective June 30, 2006. Net periodic pension expense decreased to $.2 million in 2007 from $8.1 million in 2006. The Company also announced in February 2006 plans to enhance its 401(k) Savings Plan for eligible employees beginning in the first quarter of 2007. The Company s expense related to its 401(k) Savings Plan increased to $8.5 million in 2007 from $4.7 million in 2006.

Interest Expense

Net interest expense decreased 5.3%, or $2.6 million in 2007 compared to 2006. The decrease in interest expense in 2007 was primarily due to an increase in interest earned on short-term investments. Interest earned on short-term investments in 2007 was $2.7 million compared to $1.4 million in 2006. The overall weighted average interest rate was 6.7% for 2007 compared to 6.6% for 2006. See the Liquidity and Capital Resources Hedging Activities Interest Rate Hedging section of M,D&A for additional information.

Minority Interest

The Company recorded minority interest of $2.0 million in 2007 compared to $3.2 million in 2006 related to the portion of Piedmont owned by The Coca-Cola Company. The decreased amount in 2007 was due to lower net income at Piedmont.

Income Taxes

The Company s effective income tax rate for 2007 was 38.4% compared to 25.4% in 2006. The lower effective tax rate in 2006 compared to 2007 resulted primarily from agreements reached with state taxing authorities in 2006. See Note 14 of the consolidated financial statements for additional information.

The adoption of FIN 48 and FSP FIN 48-1 effective January 1, 2007, did not have a material impact on the consolidated financial statements. See Note 14 of the consolidated financial statements for additional information related to the implementation of FIN 48 and FSP FIN 48-1.

In 2006, the Company reached agreements with state taxing authorities to settle certain prior tax positions for which the Company had previously provided reserves due to uncertainty of resolution. As a result, the Company reduced the valuation allowance on related deferred tax assets by $2.6 million and reduced the liability for uncertain tax positions by $2.3 million in 2006. This $4.9 million adjustment was reflected as a reduction of income tax expense in 2006. Also during 2006, the Company increased the liability for uncertain tax positions by $.5 million to reflect an interest accrual and an adjustment of the reserve for uncertain tax positions. The net effect of adjustments to the valuation allowance and liability for uncertain tax positions during 2006 was a reduction in income tax expense of $4.4 million.

Financial Condition

Total assets increased to $1.32 billion at December 28, 2008 from $1.29 billion at December 30, 2007 primarily due to increases in cash and cash equivalents and accounts receivable, trade offset by a decrease in property, plant and equipment, net. Property, plant and equipment, net decreased primarily due to lower levels of capital spending over the past several years.

Net working capital, defined as current assets less current liabilities, decreased by $136.8 million to a negative $97.8 million at December 28, 2008 from December 30, 2007.

Significant changes in net working capital from December 30, 2007 to December 28, 2008 were as follows:

An increase in current portion of long-term debt of $169.3 million primarily due to the reclassification from long-term debt to current of $176.7 million of debentures which mature in May 2009 and July 2009.

An increase in cash and cash equivalents of $35.5 million primarily due to cash flow from operations.

An increase in accounts receivable, trade of $7.4 million due to the timing of collection of payments.

An increase in accounts payable to The Coca-Cola Company of $23.7 million primarily due to timing of payments.

A decrease in accounts payable, trade of $8.9 million primarily due to the timing of payments.

Debt and capital lease obligations were $669.1 million as of December 28, 2008 compared to $679.1 million as of December 30, 2007. Debt and capital lease obligations as of December 28, 2008 and December 30, 2007 included $77.6 million and $80.2 million, respectively, of capital lease obligations related primarily to Company facilities.

The Company recorded a minimum pension liability adjustment of $5.4 million, net of tax, as of December 31, 2006 as a result of the plan curtailment discussed in Note 17 to the consolidated financial statements. The Company adopted the provisions of SFAS No. 158 at the end of 2006. Pension and postretirement liabilities were adjusted to reflect the excess of the projected benefit obligation (pension) and the accumulated postretirement benefit obligation (postretirement medical) over available plan assets. The total SFAS No. 158 adjustment to increase benefit liabilities was $2.6 million, net of tax, with a corresponding adjustment to other comprehensive loss. The Company increased the pension liability by $73.1 million with a corresponding increase in other comprehensive loss, net of tax, in 2008 primarily as a result of the decrease in the value of the pension plan assets during 2008. Contributions to the Company s pension plans were $.2 million in 2008. There were no contributions to the Company s pension plans in 2007. The Company anticipates that contributions to the principal Company-sponsored pension plan in 2009 will be in the range of $8 million to $12 million.

Liquidity and Capital Resources

Capital Resources

The Company s sources of capital include cash flow from operations, available credit facilities and the issuance of debt and equity securities. Management believes the Company has sufficient financial 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 December 28, 2008, the Company had $200 million available under its $200 million facility to meet its cash requirements. The $200 million facility contains two financial covenants: a fixed charge coverage ratio of greater than 1.5:1 and a debt to operating cash flow ratio of less than 6:1, each as defined in the credit agreement. The Company is currently in compliance with these covenants. To the extent the Company finances the debt maturities in May 2009 and July 2009 with borrowing under the $200 million facility, the Company believes it will continue to be in compliance with these financial covenants.

As mentioned above, the Company has debt maturities of $119.3 million in May 2009 and $57.4 million in July 2009. The Company anticipates using cash flow generated from operations, its $200 million facility and potentially other sources, including bank borrowings or issuance of debentures or equity securities, to repay or refinance these debt maturities. The Company currently has, and anticipates it will continue to have, capacity under its $200 million facility and cash on hand to repay or refinance these debt maturities in the event other financing sources are not available. 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 December 28, 2008, $591.5 million of the Company s total outstanding balance of debt and capital lease obligations of $669.1 million was financed through publicly offered debt. The Company had capital lease obligations of $77.6 million as of December 28, 2008. There were no amounts outstanding on the $200 million facility as of December 28, 2008.

Cash Sources and Uses

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

A summary of cash activity for 2008 and 2007 follows:

In millions	Fiscal Year 2008	2007
Cash sources		
Cash provided by operating activities (excluding income tax payments)	$ 103.6	$ 116.9
Proceeds from the termination of interest rate swap agreements	5.1	
Proceeds from the sale of property, plant and equipment	4.2	8.6
Other		.1
Total cash sources	$ 112.9	$ 125.6
Cash uses		
Capital expenditures	$ 47.9	$ 48.2
Investment in plastic bottle manufacturing cooperative	1.0	3.4
Investment in distribution agreement	2.3	
Payment of debt and capital lease obligations	10.0	95.1
Income tax payments	7.0	21.4
Dividends	9.1	9.1
Other	.1	.4
Total cash uses	$ 77.4	$ 177.6
Increase (decrease) in cash	$ 35.5	$ (52.0)

Based on current projections, which include a number of assumptions such as the Company s pre-tax earnings, the Company anticipates its cash requirements for income taxes will be between $11 million and $16 million in 2009.

Investing Activities

Additions to property, plant and equipment during 2008 were $47.9 million compared to $48.2 million in 2007. Capital expenditures during 2008 were funded with cash flows from operations and borrowings from the Company s revolving credit facility. The Company anticipates that additions to property, plant and equipment in 2009 will be in the range of $45 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 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 charge coverage ratio of greater than 1.5:1 and a debt to operating cash flow ratio of less than 6:1, each as defined in the credit agreement. 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 would be excluded from the calculations of the financial covenants to the extent they are recognized before March 29, 2009 and do not exceed $15 million. See Note 17 of the consolidated financial statements for additional details on the withdrawal. The Company is currently in compliance with these covenants. There were no amounts outstanding under the $200 million facility at December 28, 2008 and December 30, 2007.

The Company had borrowed periodically under uncommitted lines of credit. These uncommitted lines of credit were made available at the discretion of participating banks at rates negotiated at the time of borrowing. The

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uncommitted lines of credit were temporarily terminated by the participating banks in late fall of 2008. In January 2009, one of the participating banks reinstated their uncommitted line of credit for $65 million. On December 30, 2007, $7.4 million was outstanding under uncommitted lines of credit.

The Company filed a $300 million shelf registration for debt and equity securities in November 2008. The Company currently has the full $300 million available for use under this shelf registration which, subject to the Company s ability to consummate a transaction on acceptable terms, could be used for long-term financing or refinancing of debt maturities.

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 December 28, 2008, 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. There were no changes in these credit ratings from the prior year.

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

Off-Balance Sheet Arrangements

The Company is a member of two manufacturing cooperatives and has guaranteed $39.9 million of debt and related lease obligations for these entities as of December 28, 2008. In addition, the Company has an equity ownership in each of the entities. The members of both cooperatives consist solely of Coca-Cola bottlers. The Company does not anticipate either of these cooperatives will fail to fulfill their commitments. The Company further believes each of these cooperatives has sufficient assets, including production equipment, facilities and working capital, and the ability to adjust selling prices of their products to adequately mitigate the risk of material loss from the Company s guarantees. As of December 28, 2008, the Company s maximum exposure, if the entities borrowed up to their borrowing capacity, would have been $65.6 million including the Company s equity interest. See Note 13 of 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 December 28, 2008:

	Payments Due by Period				
In thousands	**Total**	**2009**	**2010-2011**	**2012-2013**	**2014 and Thereafter**
Contractual obligations:					
Total debt, net of interest	$ 591,450	$ 176,693	$	$ 150,000	$ 264,757
Capital lease obligations, net of interest	77,614	2,781	6,153	7,043	61,637
Estimated interest on debt and capital lease obligations(1)	253,505	32,602	55,512	47,359	118,032
Purchase obligations(2)	507,298	93,655	187,310	187,310	39,023
Other long-term liabilities(3)	109,595	7,478	14,532	13,807	73,778
Operating leases	16,259	3,258	4,257	2,281	6,463
Long-term contractual arrangements(4)	26,960	7,007	11,647	7,607	699
Postretirement obligations	36,832	2,291	4,811	5,200	24,530
Purchase orders(5)	32,093	32,093			
Total contractual obligations	$ 1,651,606	$ 357,858	$ 284,222	$ 420,607	$ 588,919

(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, athletic 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 performed.

The Company has $10.5 million of unrecognized income tax benefits including accrued interest as of December 28, 2008 (included in other long-term liabilities in the above table) of which $9.4 million would affect the Company s effective tax rate if recognized. It is expected that the amount of unrecognized tax benefits may change in the next 12 months. During this period, it is reasonably possible that tax audits could reduce unrecognized tax benefits. The Company cannot reasonably estimate the change in the amount of unrecognized tax benefits until further information is made available during the progress of the audits. See Note 14 of the consolidated financial statements for additional information.

The Company is a member of Southeastern Container, a plastic bottle manufacturing cooperative, from which the Company is obligated to purchase at least 80% of its requirements of plastic bottles for certain designated territories.

This obligation is not included in the Company s table of contractual obligations and commercial commitments since there are no minimum purchase requirements.

As of December 28, 2008, the Company has $19.3 million of standby letters of credit, primarily related to its property and casualty insurance programs. See Note 13 of the consolidated financial statements for additional information related to commercial commitments, guarantees, legal and tax matters.

The Company contributed $.2 million to one of its Company-sponsored pension plans in 2008. The Company anticipates that it will be required to make contributions to its two Company-sponsored pension plans in 2009. Based on information currently available, the Company estimates cash contributions in 2009 will be in the range of $8 million to $12 million. Postretirement medical care payments are expected to be approximately $2.3 million in 2009. See Note 17 to the consolidated financial statements for additional information related to pension and postretirement obligations.

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Hedging Activities

Interest Rate Hedging

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

In September 2008, the Company terminated six interest rate swap agreements with a notional amount of $225 million it had outstanding. The Company received $6.2 million in cash proceeds including $1.1 million for previously accrued interest receivable. After accounting for the previously accrued interest receivable, the Company will amortize a gain of $5.1 million over the remaining term of the underlying debt.

During 2008, 2007 and 2006, interest expense was reduced by $2.2 million, $1.7 million and $1.7 million, respectively, due to amortization of the deferred gains on previously terminated interest rate swap agreements and forward interest rate agreements. Interest expense will be reduced by the amortization of these deferred gains in 2009 through 2013 as follows: $2.1 million, $1.2 million, $1.3 million, $1.2 million and $.6 million, respectively.

The Company s interest rate derivative contracts were with several different financial institutions to minimize the concentration of credit risk. The Company had master agreements with the counterparties to its derivative financial agreements that provide for net settlement of derivative transactions.

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 5.9% as of December 28, 2008 compared to 6.2% as of December 30, 2007. The Company s overall weighted average interest rate on its debt and capital lease obligations, decreased to 5.7% in 2008 from 6.7% in 2007. Approximately 6.3% of the Company s debt and capital lease obligations of $669.1 million as of December 28, 2008 was maintained on a floating rate basis and was subject to changes in short-term interest rates.

Assuming no changes in the Company s capital structure, if market interest rates average 1% higher for the next twelve months than the interest rates as of December 28, 2008, interest expense for the next twelve months would increase by approximately $.4 million. This amount is determined by calculating the effect of a hypothetical interest rate increase of 1% on outstanding floating rate debt and capital lease obligations as of December 28, 2008. 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.

Fuel Hedging

During the first quarter of 2007, the Company began using derivative instruments to hedge the majority of the Company s vehicle fuel purchases. These derivative instruments relate to diesel fuel and unleaded gasoline used in the Company s delivery fleet. Derivative instruments used include puts, calls and caps which effectively establish a limit on the Company s price of fuel within periods covered by the instruments. 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 reflected as an adjustment of fuel costs.

The net impact of the fuel hedges was to increase fuel costs by $.8 million in 2008 and decrease fuel costs by $.9 million in 2007.

In October 2008, the Company entered into derivative contracts to hedge the majority of its diesel fuel purchases for 2009 establishing an upper and lower limit on the Company s price of diesel fuel. During the fourth quarter of 2008, the Company recorded a pre-tax mark-to-market loss of $2.0 million related to these 2009 contracts.

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In February 2009, the Company entered into derivative contracts to hedge the majority of its diesel purchases for 2010 establishing an upper limit to the Company s price of diesel fuel.

CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, 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 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 the risk of loss with respect to funds deposited with banks is minimal;
- 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 ability to issue $300 million of securities under acceptable terms under its shelf registration statement;
- the Company s belief that certain franchise rights are perpetual or will be renewed upon expiration;
- the Company s key priorities which are revenue management, product innovation and beverage portfolio expansion, distribution cost management and productivity;
- the Company s expectation that new product introductions, packaging changes and sales promotions will continue to require substantial expenditures;
- the Company s belief that there is substantial and effective competition in each of the exclusive geographic territories in the United States in which it operates for the purposes of the United States Soft Drink Interbrand Competition Act;
- 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 December 28, 2008;

the Company s belief that it may market and sell nationally certain products it has developed and owns;

the Company s belief that cash requirements for income taxes will be in the range of $11 million to $16 million in 2009;

the Company s anticipation that pension expense related to the two Company-sponsored pension plans is estimated to be approximately $11.5 million in 2009;

the Company s anticipation that the suspension of the Retirement Saving Plan (401(k) plan) will reduce benefit costs by approximately $7 million in 2009;

the Company s belief that cash contributions in 2009 to its two Company-sponsored pension plans will be in the range of $8 million to $12 million;

the Company s belief that postretirement benefit payments are expected to be approximately $2.3 million in 2009;

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the Company s expectation that additions to property, plant and equipment in 2009 will be in the range of $45 million to $60 million;

the Company s belief that compliance with environmental laws will not have a material adverse effect on its capital expenditures, earnings or competitive position;

the Company s belief that the demand for sugar sparkling beverages (other than energy products) may continue to decline;

the Company s expectation that its overall bottle/can revenue will be primarily dependent upon continued growth in diet sparkling products, sports drinks, enhanced water and energy products, the introduction of new products and the pricing of brands and packages within channels;

the Company s belief that the majority of its deferred tax assets will be realized;

the Company s intention to renew substantially all the Allied Beverage Agreements and Still Beverage Agreements as they expire;

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

the Company s belief that innovation of new brands and packages will continue to be critical to the Company s overall revenue;

the Company s beliefs that the growth prospects of Company-owned or exclusive licensed brands appear promising and the cost of developing, marketing and distributing these brands may be significant;

the Company s expectation that unrecognized tax benefits may be reduced over the next 12 months as a result of tax audits;

the Company s expectation that it will use cash flow generated from operations, its $200 million facility and potentially other sources, including bank borrowings or issuance of debentures or equity securities, to repay or refinance debentures maturing in May 2009 and July 2009;

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 the reorganization of its operating units and support services and its workforce reduction plan was completed by the end of 2008, that the majority of cash expenditures were incurred in 2008 and the Company s anticipation of substantial annual savings from the plan;

the Company s belief that it is competitive in its territories with respect to the principal methods of competition in the nonalcoholic beverage industry; and

the Company s estimate that a 10% increase in the market price of certain commodities over the current market prices would cumulatively increase costs during the next 12 months by approximately $22 million assuming flat volume.

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 under Item 1A. Risk Factors.

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

Item 7A. *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 are major financial institutions with which the Company also has other financial relationships. The Company did not have any interest rate hedging products as of December 28, 2008. 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 6.3% of the Company s debt and capital lease obligations of $669.1 million as of December 28, 2008 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 December 28, 2008, interest expense for the next twelve months would increase by approximately $.4 million. This amount was determined by calculating the effect of the hypothetical interest rate on our 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 Prices

The Company is also subject to commodity price risk arising from price movements for certain other 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 $22 million assuming flat volume.

The Company uses derivative instruments to hedge the majority of the Company s vehicle fuel purchases. These derivative instruments relate to diesel fuel and unleaded gasoline used in the Company s delivery fleet. Instruments used include puts, calls and caps which effectively establish a limit on the Company s price of fuel within periods covered by the instruments. 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 reflected as an adjustment of fuel costs.

Effect 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 volumes purchased by consumers.

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Item 8. ***Financial Statements and Supplementary Data***

COCA-COLA BOTTLING CO. CONSOLIDATED

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year		
In thousands (except per share data)	**2008**	**2007**	**2006**
Net sales	$ 1,463,615	$ 1,435,999	$ 1,431,005
Cost of sales	848,409	814,865	808,426