

COCA COLA BOTTLING CO CONSOLIDATED /DE/

Form 10-Q

May 12, 2011

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

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

**For the quarterly period ended April 3, 2011
Commission File Number 0-9286
COCA-COLA BOTTLING CO. CONSOLIDATED**

(Exact name of registrant as specified in its charter)

Delaware

56-0950585

(State or other jurisdiction of incorporation or organization)

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

4100 Coca-Cola Plaza, Charlotte, North Carolina 28211

(Address of principal executive offices) (Zip Code)

(704) 557-4400

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

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

Class	Outstanding at April 29, 2011
Common Stock, \$1.00 Par Value	7,141,447
Class B Common Stock, \$1.00 Par Value	2,066,522

**COCA-COLA BOTTLING CO. CONSOLIDATED
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED APRIL 3, 2011
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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Coca-Cola Bottling Co. Consolidated

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

In Thousands (Except Per Share Data)

	First Quarter	
	2011	2010
Net sales	\$ 359,629	\$ 347,498
Cost of sales	210,468	200,795
Gross margin	149,161	146,703
Selling, delivery and administrative expenses	129,982	129,044
Income from operations	19,179	17,659
Interest expense, net	8,769	8,810
Income before income taxes	10,410	8,849
Income tax expense	3,941	3,714
Net income	6,469	5,135
Less: Net income attributable to the noncontrolling interest	556	475
Net income attributable to Coca-Cola Bottling Co. Consolidated	\$ 5,913	\$ 4,660
Basic net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:		
Common Stock	\$.64	\$.51
Weighted average number of Common Stock shares outstanding	7,141	7,141
Class B Common Stock	\$.64	\$.51
Weighted average number of Class B Common Stock shares outstanding	2,051	2,029
Diluted net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:		
Common Stock	\$.64	\$.51
Weighted average number of Common Stock shares outstanding assuming dilution	9,232	9,210
Class B Common Stock	\$.64	\$.50
Weighted average number of Class B Common Stock shares outstanding assuming dilution	2,091	2,069
Cash dividends per share:		
Common Stock	\$.25	\$.25
Class B Common Stock	\$.25	\$.25

See Accompanying Notes to Consolidated Financial Statements.

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

	April 3, 2011	Jan. 2, 2011	April 4, 2010
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 30,382	\$ 45,872	\$ 48,325
Restricted cash	3,500	3,500	4,500
Accounts receivable, trade, less allowance for doubtful accounts of \$1,442, \$1,300 and \$2,056, respectively	110,809	96,787	111,397
Accounts receivable from The Coca-Cola Company	15,256	12,081	17,008
Accounts receivable, other	8,450	15,829	11,026
Inventories	72,606	64,870	64,734
Prepaid expenses and other current assets	27,306	25,760	32,590
 Total current assets	 268,309	 264,699	 289,580
 Property, plant and equipment, net	 319,682	 322,143	 321,488
Leased property under capital leases, net	64,188	46,856	50,375
Other assets	51,457	46,332	46,796
Franchise rights	520,672	520,672	520,672
Goodwill	102,049	102,049	102,049
Other identifiable intangible assets, net	4,748	4,871	5,227
 Total	 \$ 1,331,105	 \$ 1,307,622	 \$ 1,336,187

See Accompanying Notes to Consolidated Financial Statements.

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

	April 3, 2011	Jan. 2, 2011	April 4, 2010
<u>LIABILITIES AND EQUITY</u>			
<u>Current Liabilities:</u>			
Current portion of debt	\$	\$	\$ 20,000
Current portion of obligations under capital leases	3,946	3,866	3,851
Accounts payable, trade	41,997	41,878	36,869
Accounts payable to The Coca-Cola Company	34,744	25,058	43,542
Other accrued liabilities	69,809	69,471	65,279
Accrued compensation	13,730	30,944	12,813
Accrued interest payable	10,061	5,523	10,062
Total current liabilities	174,287	176,740	192,416
Deferred income taxes	144,972	143,962	159,591
Pension and postretirement benefit obligations	113,291	114,163	89,356
Other liabilities	112,242	109,882	108,980
Obligations under capital leases	72,925	55,395	58,319
Long-term debt	523,101	523,063	552,952
Total liabilities	1,140,818	1,123,205	1,161,614
Commitments and Contingencies (Note 14)			
<u>Equity:</u>			
Common Stock, \$1.00 par value:			
Authorized 30,000,000 shares;			
Issued 10,203,821 shares	10,204	10,204	10,204
Class B Common Stock, \$1.00 par value:			
Authorized 10,000,000 shares;			
Issued 2,694,636, 2,672,316 and 2,672,316 shares, respectively	2,693	2,671	2,671
Capital in excess of par value	106,140	104,835	104,758
Retained earnings	138,489	134,872	110,364
Accumulated other comprehensive loss	(63,063)	(63,433)	(45,449)
	194,463	189,149	182,548
Less-Treasury stock, at cost:			
Common 3,062,374 shares	60,845	60,845	60,845
Class B Common 628,114 shares	409	409	409
Total equity of Coca-Cola Bottling Co. Consolidated	133,209	127,895	121,294
Noncontrolling interest	57,078	56,522	53,279

Total equity	190,287	184,417	174,573
Total	\$ 1,331,105	\$ 1,307,622	\$ 1,336,187

See Accompanying Notes to Consolidated Financial Statements.

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

	Class		Capital	Accumulated			Total	Noncontrolling	Total
	Common	Class B	in	Retained	Other	Treasury	Equity	Interest	Equity
	Stock	Common	Excess of	Earnings	Comprehensive	Stock	of		
		Stock	Par		Loss		CCBCC		
			Value						
Balance on Jan. 3, 2010	\$ 10,204	\$ 2,649	\$ 103,464	\$ 107,995	\$ (46,767)	\$ (61,254)	\$ 116,291	\$ 52,804	\$ 169,095
Comprehensive income:									
Net income				4,660			4,660	475	5,135
Ownership share of Southeastern OCI					15		15		15
Foreign currency translation adjustments, net of tax					(4)		(4)		(4)
Pension and postretirement benefit adjustments, net of tax					1,307		1,307		1,307
Total comprehensive income							5,978	475	6,453
Cash dividends paid									
Common (\$.25 per share)				(1,785)			(1,785)		(1,785)
Class B Common (\$.25 per share)				(506)			(506)		(506)
Issuance of 22,320 shares of Class B Common Stock		22	1,294				1,316		1,316
Balance on April 4, 2010	\$ 10,204	\$ 2,671	\$ 104,758	\$ 110,364	\$ (45,449)	\$ (61,254)	\$ 121,294	\$ 53,279	\$ 174,573
	\$ 10,204	\$ 2,671	\$ 104,835	\$ 134,872	\$ (63,433)	\$ (61,254)	\$ 127,895	\$ 56,522	\$ 184,417

Balance on Jan. 2, 2011										
Comprehensive income:										
Net income			5,913			5,913		556		6,469
Foreign currency translation adjustments, net of tax			(4)			(4)				(4)
Pension and postretirement benefit adjustments, net of tax			374			374				374
Total comprehensive income						6,283		556		6,839
Cash dividends paid										
Common (\$.25 per share) Class B			(1,785)			(1,785)				(1,785)
Common (\$.25 per share) Issuance of 22,320 shares of Class B			(511)			(511)				(511)
Common Stock	22	1,305				1,327				1,327
Balance on April 3, 2011	\$ 10,204	\$ 2,693	\$ 106,140	\$ 138,489	\$ (63,063)	\$ (61,254)	\$ 133,209	\$ 57,078		\$ 190,287

See Accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
In Thousands

	First Quarter	
	2011	2010
<u>Cash Flows from Operating Activities</u>		
Net income	\$ 6,469	\$ 5,135
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	14,826	14,537
Amortization of intangibles	123	123
Deferred income taxes	839	1,146
Loss on sale of property, plant and equipment	353	444
Amortization of debt costs	569	582
Amortization of deferred gain related to terminated interest rate agreements	(304)	(302)
Stock compensation expense	668	585
Increase in current assets less current liabilities	(23,356)	(19,321)
Increase in other noncurrent assets	(5,601)	(766)
Increase in other noncurrent liabilities	2,340	3,561
Other	(6)	(6)
Total adjustments	(9,549)	583
Net cash provided by (used in) operating activities	(3,080)	5,718
<u>Cash Flows from Investing Activities</u>		
Additions to property, plant and equipment	(9,069)	(7,977)
Proceeds from the sale of property, plant and equipment	22	1,062
Net cash used in investing activities	(9,047)	(6,915)
<u>Cash Flows from Financing Activities</u>		
Proceeds from lines of credit, net		20,000
Borrowings (payments) under revolving credit facility		15,000
Cash dividends paid	(2,296)	(2,291)
Principal payments on capital lease obligations	(941)	(937)
Other	(126)	(20)
Net cash provided by (used in) financing activities	(3,363)	31,752
Net increase (decrease) in cash	(15,490)	30,555
Cash at beginning of period	45,872	17,770
Cash at end of period	\$ 30,382	\$ 48,325

Significant non-cash investing and financing activities:

Issuance of Class B Common Stock in connection with stock award	\$ 1,327	\$ 1,316
Capital lease obligations incurred	18,552	

See Accompanying Notes to Consolidated Financial Statements.

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

1. Significant Accounting Policies

The consolidated financial statements include the accounts of Coca-Cola Bottling Co. Consolidated and its majority owned subsidiaries (the Company). All significant intercompany accounts and transactions have been eliminated. The consolidated financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results for the interim periods presented. All such adjustments are of a normal, recurring nature. The consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (GAAP) for interim financial reporting and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by GAAP. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

The accounting policies followed in the presentation of interim financial results are consistent with those followed on an annual basis. These policies are presented in Note 1 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended January 2, 2011 filed with the United States Securities and Exchange Commission.

2. Seasonality of Business

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

3. Piedmont Coca-Cola Bottling Partnership

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

Noncontrolling interest as of April 3, 2011, January 2, 2011 and April 4, 2010 primarily represents the portion of Piedmont owned by The Coca-Cola Company. The Coca-Cola Company's interest in Piedmont was 22.7% for all periods presented.

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Notes to Consolidated Financial Statements (Unaudited)

4. Inventories

Inventories were summarized as follows:

In Thousands	April 3, 2011	Jan. 2, 2011	April 4, 2010
Finished products	\$43,163	\$36,484	\$38,336
Manufacturing materials	10,967	10,619	8,528
Plastic shells, plastic pallets and other inventories	18,476	17,767	17,870
Total inventories	\$72,606	\$64,870	\$64,734

5. Property, Plant and Equipment

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

In Thousands	April 3, 2011	Jan. 2, 2011	April 4, 2010	Estimated Useful Lives
Land	\$ 12,751	\$ 12,965	\$ 12,671	
Buildings	119,339	119,471	111,387	10-50 years
Machinery and equipment	140,347	136,821	130,097	5-20 years
Transportation equipment	150,624	147,960	152,012	4-17 years
Furniture and fixtures	37,902	37,120	34,484	4-10 years
Cold drink dispensing equipment	313,522	312,176	313,333	6-15 years
Leasehold and land improvements	71,380	69,996	65,350	5-20 years
Software for internal use	71,419	70,891	67,366	3-10 years
Construction in progress	4,580	8,733	6,388	
Total property, plant and equipment, at cost	921,864	916,133	893,088	
Less: Accumulated depreciation and amortization	602,182	593,990	571,600	
Property, plant and equipment, net	\$319,682	\$322,143	\$321,488	

Depreciation and amortization expense was \$14.8 million and \$14.5 million in the first quarter of 2011 (Q1 2011) and the first quarter of 2010 (Q1 2010), respectively. These amounts included amortization expense for leased property under capital leases.

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Notes to Consolidated Financial Statements (Unaudited)

6. Leased Property Under Capital Leases

Leased property under capital leases was summarized as follows:

In Thousands	April 3, 2011	Jan. 2, 2011	April 4, 2010	Estimated Useful Lives
Leased property under capital leases	\$95,428	\$76,877	\$76,877	3-20 years
Less: Accumulated amortization	31,240	30,021	26,502	
Leased property under capital leases, net	\$64,188	\$46,856	\$50,375	

As of April 3, 2011, real estate represented \$63.9 million of the leased property under capital leases and \$44.1 million of this real estate is leased from related parties as described in Note 19 to the consolidated financial statements.

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

The Company's outstanding obligations for capital leases were \$76.9 million, \$59.2 million and \$62.2 million as of April 3, 2011, January 2, 2011 and April 4, 2010, respectively.

7. Franchise Rights and Goodwill

There was no change in the carrying amounts of franchise rights and goodwill in the periods presented. The Company performs its annual impairment test of franchise rights and goodwill as of the first day of the fourth quarter. During Q1 2011, the Company did not experience any triggering events or changes in circumstances that indicated the carrying amounts of the Company's franchise rights or goodwill exceeded fair values. As such, the Company has not recognized any impairments of franchise rights or goodwill.

8. Other Identifiable Intangible Assets

Other identifiable intangible assets were summarized as follows:

In Thousands	April 3, 2011	Jan. 2, 2011	April 4, 2010	Estimated Useful Lives
Other identifiable intangible assets	\$8,675	\$8,675	\$8,665	1-20 years
Less: Accumulated amortization	3,927	3,804	3,438	
Other identifiable intangible assets, net	\$4,748	\$4,871	\$5,227	

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

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Notes to Consolidated Financial Statements (Unaudited)

9. Other Accrued Liabilities

Other accrued liabilities were summarized as follows:

In Thousands	April 3, 2011	Jan. 2, 2011	April 4, 2010
Accrued marketing costs	\$ 9,598	\$ 15,894	\$ 9,047
Accrued insurance costs	17,133	18,005	18,561
Accrued taxes (other than income taxes)	1,731	2,023	1,793
Accrued income taxes	6,925	4,839	
Employee benefit plan accruals	10,475	9,790	9,827
Checks and transfers yet to be presented for payment from zero balance cash accounts	14,847	8,532	18,640
All other accrued liabilities	9,100	10,388	7,411
Total other accrued liabilities	\$69,809	\$69,471	\$65,279

10. Debt

Debt was summarized as follows:

In Thousands	Maturity	Interest Rate	Interest Paid	April 3, 2011	Jan. 2, 2011	April 4, 2010
Revolving Credit Facility	2012		Varies	\$	\$	\$ 30,000
Line of Credit			Varies			20,000
Senior Notes	2012	5.00%	Semi-annually	150,000	150,000	150,000
Senior Notes	2015	5.30%	Semi-annually	100,000	100,000	100,000
Senior Notes	2016	5.00%	Semi-annually	164,757	164,757	164,757
Senior Notes	2019	7.00%	Semi-annually	110,000	110,000	110,000
Unamortized discount on Senior Notes	2019			(1,656)	(1,694)	(1,805)
				523,101	523,063	572,952
Less: Current portion of debt						20,000
Long-term debt				\$523,101	\$523,063	\$552,952

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

10. Debt

On March 8, 2007, the Company entered into a \$200 million revolving credit facility (\$200 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 interest period. The Company must pay an annual facility fee of .10% of the lenders' aggregate commitments under the facility. Both the interest rate spread and the facility fee are determined from a commonly-used pricing grid based on the Company's long-term senior unsecured debt rating. The \$200 million facility contains two financial covenants: a fixed charges coverage ratio and a debt to operating cash flow ratio, each as defined in the credit agreement. The fixed charges coverage ratio requires the Company to maintain a consolidated cash flow to fixed charges ratio of 1.5 to 1 or higher. The operating cash flow ratio requires the Company to maintain a debt to cash flow ratio of 6.0 to 1 or lower. The Company is currently in compliance with these covenants. These covenants do not currently, and the Company does not anticipate they will, restrict its liquidity or capital resources. On April 3, 2011 and January 2, 2011, the Company had no outstanding borrowings on the \$200 million facility. On April 4, 2010, the Company had \$30 million of outstanding borrowings on the \$200 million facility.

On February 10, 2010, the Company entered into an agreement for an uncommitted line of credit. Under this agreement, the Company may borrow up to a total of \$20 million for periods of 7 days, 30 days, 60 days or 90 days at the discretion of the participating banks. On April 3, 2011 and January 2, 2011, the Company had no outstanding borrowings under the uncommitted line of credit. On April 4, 2010, the Company had \$20 million of outstanding borrowings on the uncommitted line of credit.

The Company had a weighted average interest rate of 5.9%, 5.8% and 5.4% for its debt and capital lease obligations as of April 3, 2011, January 2, 2011 and April 4, 2010, respectively. The Company's overall weighted average interest rate on its debt and capital lease obligations was 6.0% for Q1 2011 compared to 5.7% for Q1 2010. As of April 3, 2011, none of the Company's debt and capital lease obligations of \$600 million were subject to changes in short-term interest rates.

The Company's public debt is not subject to financial covenants but does limit the incurrence of certain liens and encumbrances as well as the incurrence of indebtedness by the Company's subsidiaries in excess of certain amounts. All of the outstanding long-term debt has been issued by the Company with none being issued by any of the Company's subsidiaries. There are no guarantees of the Company's debt.

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

Interest

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

On September 18, 2008, the Company terminated six outstanding interest rate swap agreements with a notional amount of \$225 million receiving \$6.2 million in cash proceeds including \$1.1 million for previously accrued interest receivable. After accounting for the previously accrued interest receivable, the Company began amortizing a gain of \$5.1 million over the remaining term of the underlying debt. As of April 3, 2011, the remaining amount to be amortized was \$2.2 million. All of the Company's interest rate swap agreements were LIBOR-based.

During both Q1 2011 and Q1 2010, the Company amortized deferred gains related to terminated interest rate swap agreements and forward interest rate agreements by \$.3 million, which was recorded as a reduction to interest expense. The Company had no interest rate swap agreements outstanding at April 3, 2011, January 2, 2011 and April 4, 2010.

Commodities

The Company is subject to the risk of loss arising from adverse changes in commodity prices. In the normal course of business, the Company manages these risks through a variety of strategies, including the use of derivative instruments. The Company does not use derivative instruments for trading or speculative purposes. All derivative instruments are recorded at fair value as either assets or liabilities in the Company's consolidated balance sheets. These derivative instruments are not designated as hedging instruments under GAAP and are used as economic hedges to manage commodity price risk. Currently the Company has derivative instruments to hedge some or all of its projected diesel fuel, unleaded gasoline and aluminum purchase requirements. These derivative instruments are marked to market on a monthly basis and recognized in earnings consistent with the expense classification of the underlying hedged item. Settlements of derivative agreements are included in cash flows from operating activities on the Company's consolidated statements of cash flows.

The Company uses several different financial institutions for commodity derivative instruments to minimize the concentration of credit risk. While the Company is exposed to credit loss in the event of nonperformance by these counterparties, the Company does not anticipate nonperformance by these parties. The Company has master agreements with the counterparties to its derivative financial agreements that provide for net settlement of derivative transactions.

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

11. Derivative Financial Instruments

The Company used derivative instruments to hedge substantially all of the diesel fuel purchases for 2010 and is using derivative instruments to hedge all of the Company's projected diesel fuel and unleaded gasoline purchases for the second, third and fourth quarters of 2011. These derivative instruments relate to diesel fuel and unleaded gasoline used by the Company's delivery fleet and other vehicles. The Company used derivative instruments to hedge approximately 75% of its aluminum purchase requirements in 2010 and is using derivative instruments to hedge approximately 75% of the Company's projected aluminum purchase requirements for 2011.

The following table summarizes Q1 2011 and Q1 2010 net gains and losses on the Company's fuel and aluminum derivative financial instruments and the classification, either as cost of sales or selling, delivery and administrative (S,D&A) expenses, of such net gains and losses in the consolidated statements of operations:

In Thousands	Classification of Gain (Loss)	First Quarter	
		2011	2010
Fuel hedges – contract premium and contract settlement	S,D&A expenses	\$ 171	\$(110)
Fuel hedges – mark-to-market adjustment	S,D&A expenses	(146)	(291)
Aluminum hedges – contract premium and contract settlement	Cost of sales	521	(23)
Aluminum hedges – mark-to-market adjustment	Cost of sales	(508)	536
Total Net Gain		\$ 38	\$ 112

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

11. Derivative Financial Instruments

The following table summarizes the fair values and classification in the consolidated balance sheets of derivative instruments held by the Company as of April 3, 2011, January 2, 2011 and April 4, 2010:

In Thousands	Balance Sheet Classification	Apr. 3, 2011	Jan. 2, 2011	Apr. 4, 2010
Fuel hedges at fair market value	Prepaid expenses and other current assets	\$ 25	\$ 171	\$1,325
Unamortized cost of fuel hedging agreements	Prepaid expenses and other current assets	631		674
Aluminum hedges at fair market value	Prepaid expenses and other current assets	6,158	6,666	5,017
Unamortized cost of aluminum hedging agreements	Prepaid expenses and other current assets	2,029	2,453	1,369
Total		\$8,843	\$9,290	\$8,385
Aluminum hedges at fair market value	Other assets	\$	\$	\$5,971
Unamortized cost of aluminum hedging agreements	Other assets			2,029
Total		\$	\$	\$8,000

The following table summarizes the Company's outstanding derivative agreements as of April 3, 2011:

In Millions	Notional Amount	Latest Maturity
Fuel hedging agreements	\$20.9	December 2011
Aluminum hedging agreements	23.0	December 2011

12. Fair Value of Financial Instruments

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

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

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

Public Debt Securities

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

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12. Fair Value of Financial Instruments

Non-Public Variable Rate Debt

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

Deferred Compensation Plan Assets/Liabilities

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

Derivative Financial Instruments

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

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

In Thousands	Apr. 3, 2011		Jan. 2, 2011		Apr. 4, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Public debt securities	\$(523,101)	\$(564,527)	\$(523,063)	\$(564,671)	\$(522,952)	\$(556,459)
Non-public variable rate debt					(50,000)	(50,000)
Deferred compensation plan assets	9,934	9,934	9,780	9,780	9,098	9,098
Deferred compensation plan liabilities	(9,934)	(9,934)	(9,780)	(9,780)	(9,098)	(9,098)
Fuel hedging agreements	25	25	171	171	1,325	1,325
Aluminum hedging agreements	6,158	6,158	6,666	6,666	10,988	10,988

The fair values of the fuel hedging and aluminum hedging agreements at April 3, 2011, January 2, 2011 and April 4, 2010 represented the estimated amount the Company would have received upon termination of these agreements.

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

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

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

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

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12. Fair Value of Financial Instruments

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

In Thousands	Apr. 3, 2011		Jan. 2, 2011		Apr. 4, 2010	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
Assets						
Deferred compensation plan assets	\$9,934		\$9,780		\$9,098	
Fuel hedging agreements		\$ 25		\$ 171		\$ 1,325
Aluminum hedging agreements		6,158		6,666		10,988
Liabilities						
Deferred compensation plan liabilities	9,934		9,780		9,098	

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

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

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

The Company does not have Level 3 assets or liabilities. Also, there were no transfers of assets or liabilities between Level 1 and Level 2 for any of the periods presented.

13. Other Liabilities

Other liabilities were summarized as follows:

In Thousands	Apr. 3, 2011	Jan. 2, 2011	Apr. 4, 2010
Accruals for executive benefit plans	\$ 93,142	\$ 90,906	\$ 87,787
Other	19,100	18,976	21,193
Total other liabilities	\$112,242	\$109,882	\$108,980

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14. Commitments and Contingencies

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

The Company guarantees a portion of SAC's and Southeastern's debt and lease obligations. The amounts guaranteed were \$34.5 million, \$29.0 million and \$39.0 million as of April 3, 2011, January 2, 2011 and April 4, 2010, respectively. The Company has not recorded any liability associated with these guarantees and holds no assets as collateral against these guarantees. The guarantees relate to the debt and lease obligations of SAC and Southeastern, which resulted primarily from the purchase of production equipment and facilities. These guarantees expire at various dates through 2021. The members of both cooperatives consist solely of Coca-Cola bottlers. The Company does not anticipate either of these cooperatives will fail to fulfill its commitments. The Company further believes each of these cooperatives has sufficient assets, including production equipment, facilities and working capital, and the ability to adjust selling prices of their products which adequately mitigate the risk of material loss from the Company's guarantees. In the event either of these cooperatives fails to fulfill its commitments under the related debt and lease obligations, the Company would be responsible for payments to the lenders up to the level of the guarantees. If these cooperatives had borrowed up to their borrowing capacity, the Company's maximum exposure under these guarantees on April 3, 2011 would have been \$25.2 million for SAC and \$25.2 million for Southeastern and the Company's maximum total exposure, including its equity investment, would have been \$31.9 million for SAC and \$43.2 million for Southeastern.

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

The Company has an equity ownership in each of the entities in addition to the guarantees of certain indebtedness and records its investment in each under the equity method. As of April 3, 2011, SAC had total assets of approximately \$44 million and total debt of approximately \$18 million. SAC had total revenues for Q1 2011 of approximately \$42 million. As of April 3, 2011, Southeastern had total assets of approximately \$376 million and total debt of approximately \$194 million. Southeastern had total revenue for Q1 2011 of approximately \$159 million.

The Company has standby letters of credit, primarily related to its property and casualty insurance programs. On April 3, 2011, these letters of credit totaled \$23.2 million. The Company was required to maintain \$4.5 million of restricted cash for letters of credit beginning in the second quarter of 2009 which was reduced to \$3.5 million in the second quarter of 2010. As of April 3, 2011, the Company maintained \$3.5 million of restricted cash for these letters of credit.

The Company participates in long-term marketing contractual arrangements with certain prestige properties, athletic venues and other locations. The future payments related to these contractual arrangements as of April 3, 2011 amounted to \$19.3 million and expire at various dates through 2020.

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14. Commitments and Contingencies

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

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

15. Income Taxes

The Company's effective tax rate, as calculated by dividing income tax expense by income before income taxes, for Q1 2011 and Q1 2010 was 37.9% and 42.0%, respectively. The Company's effective tax rate, as calculated by dividing income tax expense by the difference of income before income taxes minus net income attributable to the noncontrolling interest, for Q1 2011 and Q1 2010 was 40.0% and 44.4%, respectively. The higher effective tax rate for Q1 2010 was primarily due to the impact of the elimination of the tax deduction associated with Medicare Part D subsidy as required by the Patient Protection and Affordable Care Act (PPACA) enacted on March 23, 2010 and the Health Care and Education Reconciliation Act of 2010 (Reconciliation Act) enacted on March 30, 2010.

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15. Income Taxes

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

In Thousands	First Quarter	
	2011	2010
Statutory expense	\$3,449	\$2,931
State income taxes, net of federal effect	430	354
Manufacturing deduction benefit	(318)	(394)
Meals and entertainment	135	116
Adjustment for uncertain tax positions	153	161
Tax law change related to Medicare Part D subsidy		464
Other, net	92	82
Income tax expense	\$3,941	\$3,714

As of April 3, 2011, the Company had \$5.0 million of uncertain tax positions, including accrued interest, of which \$2.6 million would affect the Company's effective tax rate if recognized. The Company had \$4.8 million of uncertain tax positions as of January 2, 2011, including accrued interest, of which \$2.5 million would affect the Company's effective tax rate if recognized. The Company had \$5.7 million of uncertain tax positions as of April 4, 2010, including accrued interest, of which \$3.6 million would affect the Company's effective tax rate if recognized. While it is expected that the amount of uncertain tax positions may change in the next 12 months, the Company does not expect any change to have a significant impact on the consolidated financial statements.

The Company recognizes potential interest and penalties related to uncertain tax positions in income tax expense. As of April 3, 2011, the Company had approximately \$.5 million of accrued interest related to uncertain tax positions. As of January 2, 2011, the Company had approximately \$.4 million of accrued interest related to uncertain tax positions. As of April 4, 2010, the Company had approximately \$1.0 million of accrued interest related to uncertain tax positions. Income tax expense included interest expense of approximately \$.1 million in both Q1 2011 and Q1 2010.

The PPACA and the Reconciliation Act include provisions that will reduce the tax benefits available to employers that receive Medicare Part D subsidies. As a result, during the first quarter of 2010, the Company recorded tax expense totaling \$.5 million related to changes made to the tax deductibility of Medicare Part D subsidies.

Various tax years from 1992 remain open to examination by taxing jurisdictions to which the Company is subject due to loss carryforwards.

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

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16. Accumulated Other Comprehensive Loss

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

A summary of accumulated other comprehensive loss is as follows:

In Thousands	Jan. 2, 2011	Pre-tax Activity	Tax Effect	Apr. 3, 2011
Net pension activity:				
Actuarial loss	\$(51,822)	\$ 518	\$(204)	\$(51,508)
Prior service costs	(43)	4	(2)	(41)
Net postretirement benefits activity:				
Actuarial loss	(17,875)	530	(209)	(17,554)
Prior service costs	6,292	(429)	169	6,032
Transition asset	11	(5)	2	8
Foreign currency translation adjustment	4	(6)	2	
Total	\$(63,433)	\$ 612	\$(242)	\$(63,063)

In Thousands	Jan. 3, 2010	Pre-tax Activity	Tax Effect	April 4, 2010
Net pension activity:				
Actuarial loss	\$(40,626)	\$1,495	\$(587)	\$(39,718)
Prior service costs	(37)	4	(1)	(34)
Net postretirement benefits activity:				
Actuarial loss	(13,470)	341	330	(12,799)
Prior service costs	7,376	(446)	175	7,105
Transition asset	26	(6)	2	22
Ownership share of Southeastern OCI	(49)	24	(9)	(34)
Foreign currency translation adjustment	13	(7)	3	9
Total	\$(46,767)	\$1,405	\$(87)	\$(45,449)

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17. Capital Transactions

The Company has two classes of common stock outstanding, Common Stock and Class B Common Stock. The Common Stock is traded on the NASDAQ Global Select Marketsm under the symbol COKE. There is no established public trading market for the Class B Common Stock. Shares of the Class B Common Stock are convertible on a share-for-share basis into shares of Common Stock at any time at the option of the holders of Class B Common Stock. No cash dividend or dividend of property or stock other than stock of the Company, as specifically described in the Company's certificate of incorporation, may be declared and paid on the Class B Common Stock unless an equal or greater dividend is declared and paid on the Common Stock. During Q1 2011 and Q1 2010, dividends of \$.25 per share were declared and paid on both the Common Stock and Class B Common Stock.

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

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

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

On March 9, 2010, the Compensation Committee determined that 40,000 shares of the Company's Class B Common Stock, should be issued pursuant to a Performance Unit Award Agreement to J. Frank Harrison, III, in connection with his services in 2009 as Chairman of the Board of Directors and Chief Executive Officer of the Company. As permitted under the terms of the Performance Unit Award Agreement, 17,680 of such shares were settled in cash to satisfy tax withholding obligations in connection with the vesting of the performance units.

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17. Capital Transactions

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

Compensation expense for the Performance Unit Award Agreement recognized in Q1 2011 was \$.7 million, which was based upon a share price of \$66.79 on April 1, 2011. Compensation expense recognized in Q1 2010 was \$.6 million, which was based upon a share price of \$58.45 on April 1, 2010.

The increase in the total number of shares outstanding in Q1 2011 was due to the issuance of the 22,320 shares of Class B Common Stock related to the Performance Unit Award Agreement. The increase in the total number of shares outstanding in Q1 2010 was due to the issuance of 22,320 shares of Class B Common Stock related to the Performance Unit Award Agreement.

18. Benefit Plans*Pension Plans*

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

The components of net periodic pension cost were as follows:

In Thousands	First Quarter	
	2011	2010
Service cost	\$ 25	\$ 19
Interest cost	3,085	2,857
Expected return on plan assets	(2,922)	(2,868)
Amortization of prior service cost	4	4
Recognized net actuarial loss	518	1,495
Net periodic pension cost	\$ 710	\$ 1,507

The Company contributed \$.9 million to its Company-sponsored pension plans during Q1 2011. The Company has made additional payments of \$1.7 million subsequent to the end of Q1 2011.

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18. Benefit Plans*Postretirement Benefits*

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

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

In Thousands	First Quarter	
	2011	2010
Service cost	\$ 242	\$ 195
Interest cost	708	626
Amortization of unrecognized transitional assets	(5)	(6)
Recognized net actuarial loss	530	341
Amortization of prior service cost	(429)	(446)
Net periodic postretirement benefit cost	\$ 1,046	\$ 710

401(k) Savings Plan

The Company provides a 401(k) Savings Plan for substantially all of its employees who are not part of collective bargaining agreements. The Company matched the first 3% of its employees' contributions for 2010 and 2011. The Company maintains the option to increase the matching contributions an additional 2%, for a total of 5%, for the Company's employees based on the financial results. Based on the financial results of the first quarter of 2010, the Company decided to increase the matching contributions an additional 2% for that quarter, which was approved and paid in the second quarter of 2010. The total cost, including the estimate for the additional 2% matching contributions, for this benefit in Q1 2011 and Q1 2010 was \$2.1 million and \$2.2 million, respectively.

Multi-Employer Benefits

The Company entered into a new agreement in the third quarter of 2008 after one of its collective bargaining contracts expired in July 2008. The new agreement allowed the Company to freeze its liability to Central States Southeast and Southwest Areas Pension Plan (Central States), a multi-employer defined benefit pension fund, while preserving the pension benefits previously earned by the employees. As a result of freezing the Company's liability to Central States, the Company recorded a charge of \$13.6 million in the second half of 2008. The Company paid \$3.0 million in the fourth quarter of 2008 to the Southern States Savings and Retirement Plan (Southern States) under the agreement to freeze the Central States liability. The remaining \$10.6 million was the present value amount, using a discount rate of 7% that will be paid to Central States over the next 20 years and was recorded in other liabilities. Including the \$3.0 million to Southern States, the Company has paid approximately \$5 million from the fourth quarter of 2008 through Q1 2011 and will pay approximately \$1 million annually over the next 17½ years.

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19. Related Party Transactions

The Company's business consists primarily of the production, marketing and distribution of nonalcoholic beverages of The Coca-Cola Company, which is the sole owner of the secret formulas under which the primary components (either concentrate or syrup) of its beverage products are manufactured. As of April 3, 2011, The Coca-Cola Company had a 34.8% interest in the Company's total outstanding Common Stock, representing 5.1% of the total voting power of the Company's Common Stock and Class B Common Stock voting together as a single class. The Coca-Cola Company does not own any shares of Class B Common Stock of the Company.

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

In Millions	First Quarter	
	2011	2010
Payments by the Company for concentrate, syrup, sweetener and other purchases	\$ 90.9	\$ 92.0
Marketing funding support payments to the Company	(10.6)	(10.2)
Payments by the Company net of marketing funding support	\$ 80.3	\$ 81.8
Payments by the Company for customer marketing programs	\$ 11.6	\$ 12.7
Payments by the Company for cold drink equipment parts	2.0	1.7
Fountain delivery and equipment repair fees paid to the Company	2.8	2.2
Presence marketing funding support provided by The Coca-Cola Company on the Company's behalf	1.0	1.1
Payments to the Company to facilitate the distribution of certain brands and packages to other Coca-Cola bottlers	.6	.9

The Company has a production arrangement with Coca-Cola Refreshments USA Inc. to buy and sell finished products at cost. The Coca-Cola Company acquired Coca-Cola Enterprises Inc. (CCE) on October 2, 2010. In connection with the transaction, CCE changed its name to Coca-Cola Refreshments USA Inc. (CCR), and transferred its beverage operations outside of North America to an independent third party. As a result of the transaction, the North American operations of CCE are now included in CCR. References to CCR, refer to CCR and CCE as it existed prior to the acquisition by The Coca-Cola Company. Sales to CCR under this arrangement were \$13.0 million and \$11.9 million in Q1 2011 and Q1 2010, respectively. Purchases from CCR under this arrangement were \$5.3 million and \$5.8 million in Q1 2011 and Q1 2010, respectively. In addition, CCR began distributing one of the Company's own brands (Tum-E Yummies) in Q1 2010. Total sales to CCR for this brand were \$3.0 million and \$3.3 million in Q1 2011 and Q1 2010, respectively.

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

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19. Related Party Transactions

raw materials (excluding concentrate). The Company pays an administrative fee to CCBSS for its services. Administrative fees to CCBSS for its services were \$.1 million and \$.2 million in Q1 2011 and Q1 2010, respectively. Amounts due from CCBSS for rebates on raw materials were \$2.5 million, \$3.6 million and \$3.2 million as of April 3, 2011, January 2, 2011 and April 4, 2010, respectively. CCR is also a member of CCBSS.

The Company is a member of SAC, a manufacturing cooperative. SAC sells finished products to the Company and Piedmont at cost. Purchases from SAC by the Company and Piedmont for finished products were \$31.1 million and \$29.8 million in Q1 2011 and Q1 2010, respectively. The Company performs management services for SAC pursuant to a management agreement. Management fees earned from SAC were \$.4 million in Q1 2011 and \$.3 million in Q1 2010. The Company has also guaranteed a portion of debt for SAC. Such guarantee amounted to \$18.3 million as of April 3, 2011. The Company has not recorded any liability associated with this guarantee and holds no assets as collateral against this guarantee. The Company's equity investment in SAC was \$6.8 million, \$5.6 million and \$5.6 million as of April 3, 2011, January 2, 2011 and April 4, 2010, respectively.

The Company is a shareholder in two entities from which it purchases substantially all its requirements for plastic bottles. Net purchases from these entities were \$18.7 million in Q1 2011 and \$17.0 million in Q1 2010. In connection with its participation in Southeastern, the Company has guaranteed a portion of the entity's debt. Such guarantee amounted to \$16.2 million as of April 3, 2011. The Company has not recorded any liability associated with this guarantee and holds no assets as collateral against this guarantee. The Company's equity investment in one of these entities, Southeastern, was \$17.9 million, \$15.7 million and \$15.7 million as of April 3, 2011, January 2, 2011 and April 4, 2010, respectively.

The Company monitors its investments in cooperatives and would be required to write down its investment if an impairment is identified and the Company determined it to be other than temporary. No impairment of the Company's investments in cooperatives has been identified as of April 3, 2011 nor was there any impairment in 2010.

The Company leases from Harrison Limited Partnership One (HLP) the Snyder Production Center (SPC) and an adjacent sales facility, which are located in Charlotte, North Carolina. HLP is directly and indirectly owned by trusts of which J. Frank Harrison, III, Chairman of the Board of Directors and Chief Executive Officer of the Company, and Deborah H. Everhart, a director of the Company, are trustees and beneficiaries. The original lease was to expire on December 31, 2010. On March 23, 2009, the Company modified the lease agreement (new terms began on January 1, 2011) with HLP related to the SPC lease. The modified lease would not have changed the classification of the existing lease had it been in effect in the first quarter of 2002, when the capital lease was recorded, as the Company received a renewal option to extend the term of the lease, which it expected to exercise. The modified lease did not extend the term of the existing lease (remaining lease term was reduced from approximately 22 years to approximately 12 years). Accordingly, the present value of the leased property under capital leases and capital lease obligations was adjusted by an amount equal to the difference between the future minimum lease payments under the modified lease agreement and the present value of the existing obligation on the modification date. The capital lease obligations and leased property under capital leases were both decreased by \$7.5 million in March 2009. The annual base rent the Company is obligated to pay under the modified lease is subject to an adjustment for an inflation factor. The prior lease annual base rent was subject to adjustment for

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19. Related Party Transactions

an inflation factor and for increases or decreases in interest rates, using LIBOR as the measurement device. The principal balance outstanding under this capital lease as of April 3, 2011 was \$26.9 million. Rental payments related to this lease were \$0.9 million and \$0.8 million in Q1 2011 and Q1 2010, respectively.

The Company leases from Beacon Investment Corporation (Beacon) the Company s headquarters office facility and an adjacent office facility. The lease expires on December 31, 2021. Beacon s sole shareholder is J. Frank Harrison, III.

The principal balance outstanding under this capital lease as of April 3, 2011 was \$28.6 million. Rental payments related to the lease were \$1.0 million and \$.9 million in Q1 2011 and Q1 2010, respectively.

20. Net Sales by Product Category

Net sales by product category were as follows:

In Thousands	First Quarter	
	2011	2010
Bottle/can sales:		
Sparkling beverages (including energy products)	\$243,028	\$242,706
Still beverages	48,273	41,872
Total bottle/can sales	291,301	284,578
Other sales:		
Sales to other Coca-Cola bottlers	36,100	33,661
Post-mix and other	32,228	29,259
Total other sales	68,328	62,920
Total net sales	\$359,629	\$347,498

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

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21. Net Income Per Share

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

In Thousands (Except Per Share Data)	First Quarter	
	2011	2010
Numerator for basic and diluted net income per Common Stock and Class B Common Stock share:		
Net income attributable to Coca-Cola Bottling Co. Consolidated	\$ 5,913	\$ 4,660
Less dividends:		
Common Stock	1,785	1,785
Class B Common Stock	511	506
Total undistributed earnings	\$ 3,617	\$ 2,369
Common Stock undistributed earnings basic	\$ 2,810	\$ 1,845
Class B Common Stock undistributed earnings basic	807	524
Total undistributed earnings basic	\$ 3,617	\$ 2,369
Common Stock undistributed earnings diluted	\$ 2,798	\$ 1,837
Class B Common Stock undistributed earnings diluted	819	532
Total undistributed earnings diluted	\$ 3,617	\$ 2,369
Numerator for basic net income per Common Stock share:		
Dividends on Common Stock	\$ 1,785	\$ 1,785
Common Stock undistributed earnings basic	2,810	1,845
Numerator for basic net income per Common Stock share	\$ 4,595	\$ 3,630
Numerator for basic net income per Class B Common Stock share:		
Dividends on Class B Common Stock	\$ 511	\$ 506
Class B Common Stock undistributed earnings basic	807	524
Numerator for basic net income per Class B Common Stock share	\$ 1,318	\$ 1,030

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21. Net Income Per Share

In Thousands (Except Per Share Data)	First Quarter	
	2011	2010
Numerator for diluted net income per Common Stock share:		
Dividends on Common Stock	\$ 1,785	\$ 1,785
Dividends on Class B Common Stock assumed converted to Common Stock	511	506
Common Stock undistributed earnings diluted	3,617	2,369
Numerator for diluted net income per Common Stock share	\$ 5,913	\$ 4,660
Numerator for diluted net income per Class B Common Stock share:		
Dividends on Class B Common Stock	\$ 511	\$ 506
Class B Common Stock undistributed earnings diluted	819	532
Numerator for diluted net income per Class B Common Stock share	\$ 1,330	\$ 1,038

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

In Thousands (Except Per Share Data)	First Quarter	
	2011	2010
Denominator for basic net income per Common Stock and Class B Common Stock share:		
Common Stock weighted average shares outstanding basic	7,141	7,141
Class B Common Stock weighted average shares outstanding basic	2,051	2,029
Denominator for diluted net income per Common Stock and Class B Common Stock share:		
Common Stock weighted average shares outstanding diluted (assumes conversion of Class B Common Stock to Common Stock)	9,232	9,210
Class B Common Stock weighted average shares outstanding diluted	2,091	2,069
Basic net income per share:		
Common Stock	\$.64	\$.51
Class B Common Stock	\$.64	\$.51
Diluted net income per share:		
Common Stock	\$.64	\$.51
Class B Common Stock	\$.64	\$.50

NOTES TO TABLE

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

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

22. Risks and Uncertainties

Approximately 88% of the Company's Q1 2011 bottle/can volume to retail customers are products of The Coca-Cola Company, which is the sole supplier of these products or of the concentrates or syrups required to manufacture these products. The remaining 12% of the Company's Q1 2011 bottle/can volume to retail customers are products of other beverage companies and the Company. The Company has beverage agreements under which it has various requirements to meet. Failure to meet the requirements of these beverage agreements could result in the loss of distribution rights for the respective product.

The Coca-Cola Company recently acquired the North American operations of CCE, and the Company's primary competitors were recently acquired by their franchisor. These transactions may cause uncertainty within the Coca-Cola bottler system or adversely impact the Company and its business. At this time, it is unknown whether the transactions will have a material impact on the Company's business and financial results.

The Company's products are sold and distributed directly by its employees to retail stores and other outlets. During Q1 2011, approximately 68% of the Company's bottle/can volume to retail customers was sold for future consumption, while the remaining bottle/can volume to retail customers of approximately 32% was sold for immediate consumption. During Q1 2010, approximately 70% of the Company's bottle/can volume to retail customers was sold for future consumption, while the remaining bottle/can volume to retail customers of approximately 30% was sold for immediate consumption. The Company's largest customers, Wal-Mart Stores, Inc. and Food Lion, LLC, accounted for approximately 20% and 10%, respectively, of the Company's total bottle/can volume to retail customers in Q1 2011; and accounted for approximately 19% and 12%, respectively, of the Company's total bottle/can volume to retail customers in Q1 2010. Wal-Mart Stores, Inc. accounted for 14% of the Company's total net sales during both Q1 2011 and Q1 2010.

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

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

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

Approximately 7% of the Company's labor force is covered by collective bargaining agreements. Two collective bargaining agreements covering approximately 6% of the Company's employees will expire during the remainder of 2011. Subsequent to Q1 2011, one of these collective bargaining agreements covering

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

22. Risks and Uncertainties

approximately 2% of the Company's employees expired in April, 2011 and the Company entered into a new agreement during the second quarter of 2011.

23. Supplemental Disclosures of Cash Flow Information

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

In Thousands	First Quarter	
	2011	2010
Accounts receivable, trade, net	\$(14,022)	\$(18,670)
Accounts receivable from The Coca-Cola Company	(3,175)	(12,899)
Accounts receivable, other	7,379	5,979
Inventories	(7,736)	(5,612)
Prepaid expenses and other current assets	(1,475)	2,401
Accounts payable, trade	(2,333)	(1,605)
Accounts payable to The Coca-Cola Company	9,686	15,662
Other accrued liabilities	337	3,301
Accrued compensation	(16,555)	(12,419)
Accrued interest payable	4,538	4,541
Increase in current assets less current liabilities	\$(23,356)	\$(19,321)

Non-cash activity

Additions to property, plant and equipment of \$2.5 million and \$1.7 million have been accrued but not paid and are recorded in accounts payable, trade as of April 3, 2011 and April 4, 2010, respectively.

Additions to property, plant and equipment included \$1.5 million for a trade-in allowance on manufacturing equipment in Q1 2010.

24. New Accounting Pronouncements*Recently Adopted Pronouncements*

In January 2010, the Financial Accounting Standards Board issued new guidance related to the disclosures about transfers into and out of Levels 1 and 2 fair value classifications and separate disclosures about purchases, sales, issuances and settlements relating to the Level 3 fair value classification. The new guidance also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure the fair value. The new guidance was effective for the Company in Q1 2010 except for the requirement to provide the Level 3 activity of purchases, sales, issuances and settlements on a gross basis, which was effective for the Company in Q1 2011. The Company's adoption of this new guidance did not have a material impact on the Company's consolidated financial statements.

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

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

Our Business and the Nonalcoholic Beverage Industry a general description of the Company's business and the nonalcoholic beverage industry.

Areas of Emphasis a summary of the Company's key priorities.

Overview of Operations and Financial Condition a summary of key information and trends concerning the financial results for the first quarter of 2011 (Q1 2011) and changes from the first quarter of 2010 (Q1 2010).

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 Q1 2011 compared to Q1 2010.

Financial Condition an analysis of the Company's financial condition as of the end of Q1 2011 compared to year-end 2010 and the end of Q1 2010 as presented in the consolidated financial statements.

Liquidity and Capital Resources an analysis of capital resources, cash sources and uses, investing activities, financing activities, off-balance sheet arrangements, aggregate contractual obligations and hedging activities.

Cautionary Information Regarding Forward-Looking Statements.

The consolidated financial statements include the consolidated operations of the Company and its majority-owned subsidiaries including Piedmont Coca-Cola Bottling Partnership (Piedmont). The noncontrolling interest primarily 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 largest independent bottler of products of The Coca-Cola Company in the United States, distributing these products in eleven states primarily in the Southeast. The Company also distributes several other beverage brands. These product offerings include both sparkling and still beverages. Sparkling beverages are carbonated beverages including energy products. Still beverages are noncarbonated beverages such as bottled water, tea, ready to drink coffee, enhanced water, juices and sports drinks. The Company had full year net sales of approximately \$1.5 billion in 2010.

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. The sparkling beverage category (including energy products) represents 83% of the Company's Q1 2011 bottle/can net sales.

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

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

The Company performs its annual impairment test of franchise rights and goodwill as of the first day of the fourth quarter. During Q1 2011, the Company did not experience any triggering events or changes in circumstances that indicated the carrying amounts of the Company's franchise rights or goodwill exceeded fair values. As such, the Company has not recognized any impairments of franchise rights or goodwill.

The Coca-Cola Company acquired Coca-Cola Enterprises Inc. (CCE) on October 2, 2010. In connection with the transaction, CCE changed its name to Coca-Cola Refreshments USA, Inc. (CCR), and transferred its beverage operations outside of North America to an independent third party. As a result of the transaction, the North American operations of CCE are now included in CCR. In M,D&A, references to CCR refer to CCR and CCE as it existed prior to the acquisition by The Coca-Cola Company. The Coca-Cola Company had a significant equity interest in CCE prior to the acquisition. In addition, the Company's primary competitors were recently acquired by their franchisor. These transactions may cause uncertainty within the Coca-Cola bottler system or adversely impact the Company and its business. At this time, it is unknown whether the transactions will have a material impact on the Company's business and financial results.

Net sales by product category were as follows:

In Thousands	First Quarter	
	2011	2010
Bottle/can sales:		
Sparkling beverages (including energy products)	\$243,028	\$242,706
Still beverages	48,273	41,872
Total bottle/can sales	291,301	284,578
Other sales:		
Sales to other Coca-Cola bottlers	36,100	33,661
Post-mix and other	32,228	29,259
Total other sales	68,328	62,920
Total net sales	\$359,629	\$347,498

Areas of Emphasis

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

Revenue Management

Revenue management requires a strategy which reflects consideration for pricing of brands and packages within product categories and channels, highly effective working relationships with customers and disciplined fact-based

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decision-making. Revenue management has been and continues to be a key performance driver which has significant impact on the Company's results of operations.

Product Innovation and Beverage Portfolio Expansion

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. During 2008, the Company tested the 16-ounce bottle/24-ounce bottle package in select convenience stores and introduced it companywide in 2009. New packaging introductions included the 7.5-ounce sleek can in 2010 and the 2-liter contour bottle for Coca-Cola products during 2009.

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, diet Country Breeze tea, Bean & Body, Simmer and Bazza energy tea. These brands enable the Company to participate in strong growth categories and capitalize on distribution channels that may include the Company's traditional Coca-Cola franchise territory as well as third party distributors outside the Company's traditional Coca-Cola franchise territory. While the growth prospects of Company-owned or exclusively 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 \$45.9 million and \$44.9 million in Q1 2011 and Q1 2010, respectively. Over the past several years, the Company has focused on converting its distribution system from a conventional routing system to a predictive system. This conversion to a predictive system has allowed the Company to more efficiently handle increasing numbers of products. In addition, the Company has closed a number of smaller sales distribution centers over the past several years reducing its fixed warehouse-related costs.

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

bulk delivery for large supermarkets, mass merchandisers and club stores;

advanced sales delivery for convenience stores, drug stores, small supermarkets and certain on-premise accounts; and

full service delivery for its full service vending customers.

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

Productivity

A key driver in the Company's selling, delivery and administrative (S,D&A) expense management relates to ongoing improvements in labor productivity and asset productivity.

Table of Contents**Overview of Operations and Financial Condition**

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

Q1 2011

a \$.1 million pre-tax unfavorable mark-to-market adjustment to S,D&A expenses related to the Company's 2011 fuel hedging program; and

a \$.5 million pre-tax unfavorable mark-to-market adjustment to cost of sales related the Company's 2011 aluminum hedging program.

Q1 2010

a \$.3 million pre-tax unfavorable mark-to-market adjustment to S,D&A expenses related to the Company's 2010 fuel hedging program;

a \$.5 million pre-tax favorable mark-to-market adjustment to cost of sales related to the Company's aluminum hedging program; and

a \$.5 million unfavorable adjustment to income tax expense related to the elimination of the deduction related to Medicare Part D subsidy.

The following overview provides a summary of key information concerning the Company's financial results for Q1 2011 compared to Q1 2010.

In Thousands (Except Per Share Data)	First Quarter		Change	%
	2011	2010		
Net sales	\$359,629	\$347,498	\$12,131	3.5
Cost of sales	210,468	200,795	9,673	4.8
Gross margin	149,161	146,703	2,458	1.7
S,D&A expenses	129,982	129,044	938	0.7
Income from operations	19,179	17,659	1,520	8.6
Interest expense, net	8,769	8,810	(41)	(0.5)
Income before income taxes	10,410	8,849	1,561	17.6
Income tax expense	3,941	3,714	227	6.1
Net income	6,469	5,135	1,334	26.0
Net income attributable to the Company	5,913	4,660	1,253	26.9
Basic net income per share:				
Common Stock	\$.64	\$.51	\$.13	25.5
Class B Common Stock	\$.64	\$.51	\$.13	25.5
Diluted net income per share:				
Common Stock	\$.64	\$.51	\$.13	25.5
Class B Common Stock	\$.64	\$.50	\$.14	28.0

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The Company's net sales increased 3.5% in Q1 2011 compared to Q1 2010. The increase in net sales was primarily due to a 2.2% increase in bottle/can sales price per unit. The increase in bottle/can sales price per unit was primarily due to an increase in sales price per unit in sparkling beverages and a change in product mix due to a higher percentage of still beverage sales. Still beverages have a higher sales price per unit.

Gross margin dollars increased 1.7% in Q1 2011 compared to Q1 2010. The Company's gross margin percentage decreased to 41.5% for Q1 2011 from 42.2% for Q1 2010. The decrease in gross margin percentage was primarily due to higher costs for raw materials such as plastic bottles and a change in product mix. Sales volume of still beverages, which have lower margins than sparkling beverages, increased while sparkling beverages sales volume decreased.

The following inputs represent a substantial portion of the Company's total cost of goods sold: (1) sweeteners, (2) packing materials, including plastic bottles and aluminum cans, and (3) full goods purchased from other vendors. The Company anticipates that the cost of the underlying commodities related to these inputs will continue to face upward cost pressure. The Company expects gross margins to be lower throughout the remainder of 2011 compared to 2010 due to the impact of the rising commodity costs.

S,D&A expenses increased .7% in Q1 2011 from Q1 2010. The increase in S,D&A expenses in Q1 2011 from Q1 2010 was primarily attributable to increases in employee salaries including bonus and incentive expense, fuel costs and marketing expense offset partially by a decrease in property and casualty insurance expense.

Net interest expense was unchanged in Q1 2011 compared to Q1 2010. Net interest expense was unchanged as lower borrowing levels offset a higher weighted average interest rate. The Company's overall weighted average interest rate on its debt and capital lease obligations increased to 6.0% during Q1 2011 from 5.7% during Q1 2010.

Net debt and capital lease obligations were summarized as follows:

In Thousands	Apr. 3, 2011	Jan. 2, 2011	Apr. 4, 2010
Debt	\$523,101	\$523,063	\$572,952
Capital lease obligations	76,871	59,261	62,170
Total debt and capital lease obligations	599,972	582,324	635,122
Less: Cash and cash equivalents	33,882	49,372	52,825
Total net debt and capital lease obligations ⁽¹⁾	\$566,090	\$532,952	\$582,297

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

Discussion of Critical Accounting Policies, Estimates and New Accounting Pronouncements**Critical Accounting Policies**

In the ordinary course of business, the Company has made a number of estimates and assumptions relating to the reporting of results of operations and financial position in the preparation of its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates under different assumptions and conditions. The Company included in

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its Annual Report on Form 10-K for the year ended January 2, 2011 a discussion of the Company's most critical accounting policies, which are those most important to the portrayal of the Company's financial condition and results of operations and require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

The Company did not make changes in any critical accounting policies during Q1 2011. Any changes in critical accounting policies and estimates are discussed with the Audit Committee of the Board of Directors of the Company during the quarter in which a change is made.

New Accounting Pronouncements**Recently Adopted Pronouncements**

In January 2010, the Financial Accounting Standards Board issued new guidance related to the disclosures about transfers into and out of Levels 1 and 2 fair value classifications and separate disclosures about purchases, sales, issuances and settlements relating to the Level 3 fair value classification. The new guidance also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure the fair value. The new guidance was effective for the Company in Q1 2010 except for the requirement to provide the Level 3 activity of purchases, sales, issuances and settlements on a gross basis, which was effective for the Company in Q1 2011. The Company's adoption of this new guidance did not have a material impact on the Company's consolidated financial statements.

Results of Operations**Q1 2011 Compared to Q1 2010****Net Sales**

Net sales increased \$12.1 million, or 3.5%, to \$359.6 million in Q1 2011 compared to \$347.5 million in Q1 2010.

The increase in net sales for Q1 2011 compared to Q1 2010 was the result of the following:

Q1 2011 (In Millions)	Attributable to:
\$ 6.1	2.2% increase in bottle/can sales price per unit primarily due to an increase in sales price per unit in sparkling beverages and a change in product mix due to a higher percentage of still beverages sold which have a higher sales price per unit
3.1	9.2% increase in sales price per unit of sales to other Coca-Cola bottlers primarily due to an increase in sales price per unit in all product categories and a change in product mix due to a higher percentage of still beverage sales which have a higher sales price per unit
2.0	Increase in freight revenue
1.1	6.3% increase in post-mix sales volume
0.6	.2% increase in bottle/can volume primarily due to a volume increase in still beverages partially offset by a volume decrease in sparkling beverages
(0.8)	Other
\$ 12.1	Total increase in net sales

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In Q1 2011, the Company's bottle/can sales to retail customers accounted for 81% of the Company's total net sales. Bottle/can 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 Q1 2011 compared to Q1 2010 was primarily due to an increase in sales price per unit in sparkling beverages and a change in product mix due to a higher percentage of still beverages sales. Still beverages have a higher sales price per unit. Product category sales volume in Q1 2011 and Q1 2010 as a percentage of total bottle/can sales volume and the percentage change by product category was as follows:

Product Category	Bottle/Can Sales Volume		Bottle/Can Sales Volume % Increase (Decrease)
	Q1 2011	Q1 2010	
Sparkling beverages (including energy products)	85.0%	87.7%	(2.9)
Still beverages	15.0%	12.3%	22.3
Total bottle/can sales volume	100.0%	100.0%	0.2

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 Q1 2011, approximately 68% of the Company's bottle/can volume was sold for future consumption, while the remaining bottle/can volume of approximately 32% was sold for immediate consumption. During Q1 2010, approximately 70% of the Company's bottle/can volume was sold for future consumption, while the remaining bottle/can volume of approximately 30% was sold for immediate consumption. The Company's largest customer, Wal-Mart Stores, Inc., accounted for approximately 20% of the Company's total bottle/can volume during Q1 2011. Wal-Mart Stores, Inc. accounted for approximately 19% of the Company's total bottle/can volume during Q1 2010. The Company's second largest customer, Food Lion, LLC, accounted for approximately 10% of the Company's total bottle/can volume during Q1 2011. Food Lion, LLC accounted for approximately 12% of the Company's total bottle/can volume during Q1 2010. All of the Company's beverage sales are to customers in the United States.

The Company recorded delivery fees in net sales of \$1.8 million in both Q1 2011 and Q1 2010. 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 4.8%, or \$9.7 million, to \$210.5 million in Q1 2011 compared to \$200.8 million in Q1 2010.

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The increase in cost of sales for Q1 2011 compared to Q1 2010 was principally attributable to the following:

Q1 2011 (In Millions)	Attributable to:
\$ 5.0	Increase in costs of raw materials such as plastic bottles and increase in percentage of purchased products which have higher per unit costs
1.8	Increase in freight cost of sales
0.7	6.3% increase in post-mix sales volume
0.5	Increase in cost due to the Company's aluminum hedging program
0.3	.2% increase in bottle/can volume primarily due to a volume increase in still beverages partially offset by a volume decrease in sparkling beverages
1.4	Other
\$ 9.7	Total increase in cost of sales

The following inputs represent a substantial portion of the Company's total cost of goods sold: (1) sweeteners, (2) packing materials, including plastic bottles and aluminum cans, and (3) full goods purchased from other vendors. The Company anticipates that the cost of the underlying commodities related to these inputs will continue to face upward cost pressure. The Company expects gross margins to be lower throughout the remainder of 2011 compared to 2010 due to the impact of the rising commodity costs.

The Company entered into an agreement (the "Incidence Pricing Agreement") with The Coca-Cola Company to test an incidence-based concentrate pricing model for 2008 for all Coca-Cola Trademark Beverages and Allied Beverages for which the Company purchases concentrate from The Coca-Cola Company. During the term of the Incidence Pricing Agreement, the pricing of the concentrates for the Coca-Cola Trademark Beverages and Allied Beverages is governed by the Incidence Pricing Agreement rather than the Cola and Allied Beverage Agreements. The concentrate price The Coca-Cola Company charges under the Incidence Pricing Agreement is impacted by a number of factors including the Company's pricing of finished products, the channels in which the finished products are sold and package mix. The Coca-Cola Company must give the Company at least 90 days written notice before changing the price the Company pays for the concentrate. The Company continues to utilize the incidence pricing model, and the Incidence Pricing Agreement has been extended through December 31, 2011 under the same terms as 2010 and 2009.

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 \$12.6 million for Q1 2011 compared to \$12.4 million for Q1 2010.

Table of Contents**Gross Margin**

Gross margin dollars increased 1.7%, or \$2.4 million, to \$149.2 million in Q1 2011 compared to \$146.7 million in Q1 2010. Gross margin as a percentage of net sales decreased to 41.5% for Q1 2011 from 42.2% for Q1 2010.

The increase in gross margin dollars for Q1 2011 compared to Q1 2010 was primarily the result of the following:

Q1 2011 (In Millions)	Attributable to:
\$ 6.1	2.2% increase in bottle/can sales price per unit primarily due to an increase in sales price per unit in sparkling beverages and a change in product mix due to a higher percentage of still beverages sold which have a higher sales price per unit
(5.0)	Increase in costs of raw materials such as plastic bottles and increase in percentage of purchased products which have higher per unit costs
3.1	9.2% increase in sales price per unit of sales to other Coca-Cola bottlers primarily due to an increase in sales price per unit in all product categories and a change in product mix due to a higher percentage of still beverage sales which have a higher sales price per unit
(0.5)	Increase in cost due to the Company's aluminum hedging program
0.4	6.3% increase in post-mix sales volume
0.3	.2% increase in bottle/can volume primarily due to a volume increase in still beverages partially offset by a volume decrease in sparkling beverages
0.2	Increase in freight gross margin
(2.2)	Other
\$ 2.4	Total increase in gross margin

The decrease in gross margin percentage in Q1 2011 compared to Q1 2010 was primarily due to higher costs of raw materials such as plastic bottles and a change in product mix. Sales volume of still beverages, which have lower margins than sparkling beverages, increased while sparkling beverages sales volume decreased.

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 \$.9 million, or .7%, to \$130.0 million in Q1 2011 from \$129.0 million in Q1 2010. S,D&A expenses as a percentage of net sales decreased from 37.1% in Q1 2010 to 36.1% in Q1 2011.

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The increase in S,D&A expenses for Q1 2011 compared to Q1 2010 was primarily due to the following:

Q1 2011 (In Millions)	Attributable to:
\$ (1.3)	Decrease in property and casualty insurance expense
0.5	Increase in marketing expense
0.5	Increase in fuel costs
0.4	Increase in employee salaries including bonus and incentive expense
0.8	Other
\$ 0.9	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 \$45.9 million and \$44.9 million in Q1 2011 and Q1 2010, respectively.

The net impact of the Company's fuel hedging program was to decrease fuel costs by \$25,000 in Q1 2011 and increase fuel costs by \$.4 million in Q1 2010.

The Company's expense recorded in S,D&A expenses related to the two Company-sponsored pension plans decreased by \$.7 million from \$1.3 million in Q1 2010 to \$.6 million in Q1 2011.

The Company provides a 401(k) Savings Plan for substantially all of its employees who are not part of collective bargaining agreements. The Company matched the first 3% of its employees' contributions for 2010 and 2011. The Company maintains the option to increase the matching contributions an additional 2%, for a total of 5%, for the Company's employees based on the financial results. Based on the financial results of the first quarter of 2010, the Company decided to increase the matching contributions an additional 2% for that quarter, which was approved and paid in the second quarter of 2010. The total cost, including the estimate for the additional 2% matching contributions, for this benefit in Q1 2011 and Q1 2010 was \$1.8 million and \$2.0 million, respectively.

On March 23, 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. On March 30, 2010, a companion bill, the Health Care and Education Reconciliation Act of 2010 (Reconciliation Act), was also signed into law. The PPACA and the Reconciliation Act, when taken together, represent comprehensive healthcare reform legislation that will likely affect the cost associated with providing employer-sponsored medical plans. At this point, the Company is in the process of determining the impact this legislation will have on the Company's employer-sponsored medical plans.

Interest Expense

Net interest expense was unchanged in Q1 2011 compared to Q1 2010. Net interest expense was unchanged as lower borrowing levels offset a higher weighted average interest rate. The Company's overall weighted average interest rate on its debt and capital lease obligations increased to 6.0% during Q1 2011 from 5.7% during Q1 2010. See the Liquidity and Capital Resources Hedging Activities Interest Rate Hedging section of M,D&A for additional information.

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Income Taxes

The Company's effective tax rate, as calculated by dividing income tax expense by income before income taxes, for Q1 2011 and Q1 2010 was 37.9% and 42.0%, respectively. The Company's effective tax rate, as calculated by dividing income tax expense by the difference of income before income taxes minus net income attributable to the noncontrolling interest, for Q1 2011 and Q1 2010 was 40.0% and 44.4%, respectively. The higher effective tax rate for Q1 2010 was primarily due to the impact of the elimination of the tax deduction associated with Medicare Part D subsidy as required by the PPACA and the Reconciliation Act.

Noncontrolling Interest

The Company recorded net income attributable to the noncontrolling interest of \$.6 million in Q1 2011 compared to \$.5 million in Q1 2010 primarily related to the portion of Piedmont owned by The Coca-Cola Company. The increased amount in Q1 2011 was due to higher income at Piedmont.

Financial Condition

Total assets increased to \$1.33 billion at April 3, 2011, from \$1.31 billion at January 2, 2011 primarily due to increases in leased property under capital leases, net, accounts receivables and inventories partially offset by a decrease in cash and cash equivalents. The increase in leased property under capital leases, net was primarily due to the Company entering into leases for two sales distribution centers.

Net working capital, defined as current assets less current liabilities, increased by \$6.1 million to \$94.0 million at April 3, 2011 from January 2, 2011 and decreased by \$3.1 million at April 3, 2011 from April 4, 2010.

Significant changes in net working capital from January 2, 2011 were as follows:

A decrease in accrued compensation of \$17.2 million primarily due to the payment of bonuses in March 2011.

A decrease in cash and cash equivalents of \$15.5 million primarily due to cash used in operating activities.

An increase in accounts receivable, trade of \$14.0 million primarily due to normal seasonal increase in sales.

An increase in accounts receivable from and an increase in accounts payable to The Coca-Cola Company of \$3.2 million and \$9.7 million, respectively, primarily due to the timing of payments.

An increase in inventories of \$7.7 million due primarily to the timing of the Easter weekend in the second quarter of 2011 (Easter weekend included in Q1 2010) and the related promotional activities.

An increase in accrued interest payable of \$4.5 million due to the timing of payments.

Significant changes in net working capital from April 4, 2010 were as follows:

A decrease in the current portion of debt of \$20.0 million due to lower borrowings on the Company's uncommitted line of credit.

A decrease in cash and cash equivalents of \$17.9 million primarily due to payment of debt.

A decrease in accounts receivable from and a decrease in accounts payable to The Coca-Cola Company of \$1.8 million and \$8.8 million, respectively, primarily due to the timing of payments.

An increase in inventories of \$7.9 million due primarily to the timing of the Easter weekend in the second quarter of 2011 (Easter weekend included in Q1 2010) and the related promotional activities.

An increase in accounts payable, trade of \$5.1 million primarily due to the timing of payments.

Debt and capital lease obligations were \$600.0 million as of April 3, 2011 compared to \$582.3 million as of January 2, 2011 and \$635.1 million as of April 4, 2010 with the increase due to the two new capital leases entered into during Q1 2011. Debt and capital lease obligations as of April 3, 2011 included \$76.9 million of capital lease obligations related primarily to Company facilities.

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Liquidity and Capital Resources

Capital Resources

The Company's sources of capital include cash flows from operations, available credit facilities and the issuance of debt and equity securities. Management believes the Company has sufficient resources available to finance its business plan, meet its working capital requirements and maintain an appropriate level of capital spending. The amount and frequency of future dividends will be determined by the Company's Board of Directors in light of the earnings and financial condition of the Company at such time, and no assurance can be given that dividends will be declared in the future.

As of April 3, 2011, the Company had all \$200 million available under the \$200 million revolving credit facility (\$200 million facility) to meet its cash requirements. The \$200 million facility contains two financial covenants: a fixed charges coverage ratio and a debt to operating cash flow ratio, each as defined in the credit agreement. The fixed charges coverage ratio requires the Company to maintain a consolidated cash flow to fixed charges ratio of 1.5 to 1 or higher. The operating cash flow ratio requires the Company to maintain a debt to cash flow ratio of 6.0 to 1 or lower. The Company is currently in compliance with these covenants and has been throughout 2011. 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 April 3, 2011, \$523.1 million of the Company's total outstanding balance of debt and capital lease obligations of \$600.0 million was financed through publicly offered debt. The Company had capital lease obligations of \$76.9 million as of April 3, 2011. There were no amounts outstanding on either the \$200 million facility or on the Company's uncommitted line of credit as of April 3, 2011. The Company's \$200 million facility matures in March 2012. The Company intends to negotiate a new revolving credit facility during 2011 to provide ongoing liquidity to the Company.

Cash Sources and Uses

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

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A summary of activity for Q1 2011 and Q1 2010 follows:

In Millions	First Quarter	
	2011	2010
<u>Cash Sources</u>		
Cash provided by operating activities (excluding income tax and pension payments)	\$	\$ 5.7
Proceeds from lines of credit, net		20.0
Proceeds from \$200 million facility		15.0
Proceeds from the sale of property, plant and equipment		1.1
Total cash sources	\$	\$41.8
<u>Cash Uses</u>		
Cash used in operating activities (excluding income tax and pension payments)	\$ 1.2	\$
Capital expenditures	9.1	8.0
Payment of debt and capital lease obligations	.9	.9
Dividends	2.3	2.3
Income tax payments	1.0	
Pension payments	.9	
Other	.1	
Total cash uses	\$ 15.5	\$11.2
Increase (decrease) in cash	\$(15.5)	\$30.6

Investing Activities

Additions to property, plant and equipment during Q1 2011 were \$11.6 million of which \$2.5 million were accrued in accounts payable, trade as unpaid. This compared to \$11.2 million in total additions to property, plant and equipment during Q1 2010 of which \$1.7 million were accrued in accounts payable, trade as unpaid and \$1.5 million which was a trade-in-allowance on manufacturing equipment. Capital expenditures during Q1 2011 were funded with cash flows from operations. The Company anticipates total additions to property, plant and equipment in fiscal year 2011 will be in the range of \$60 million to \$70 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 the \$200 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 interest period. The Company must pay an annual facility fee of .10% of the lenders' aggregate commitments under the facility. Both the interest rate spread and the facility fee are determined from a commonly-used pricing grid based on the Company's long-term senior unsecured debt rating. The \$200 million facility contains two financial covenants: a fixed charges coverage ratio and a debt to operating cash flow ratio, each as defined in the credit agreement. The fixed charges coverage ratio requires the Company to maintain a consolidated cash flow to fixed charges ratio of 1.5 to 1 or higher. The operating cash flow ratio requires the Company to maintain a debt to operating cash flow ratio of 6.0 to 1 or lower. The Company is currently in compliance with these covenants. These covenants do not currently, and the Company does not anticipate they will, restrict its liquidity or capital resources. On April 3, 2011 and January 2,

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2011, the Company had no outstanding borrowings on the \$200 million facility. On April 4, 2010, the Company had \$30.0 million outstanding under the \$200 million facility.

On February 10, 2010, the Company entered into an agreement for an uncommitted line of credit. Under this agreement, the Company may borrow up to a total of \$20 million for periods of 7 days, 30 days, 60 days or 90 days at the discretion of the participating bank. On April 3, 2011 and January 3, 2011, the Company had no amount outstanding under the uncommitted line of credit. On April 4, 2010, the Company had \$20.0 million outstanding under the uncommitted line of credit.

In Q1 2011, the Company entered into leases for two sales distribution centers. Each lease has a term of 15 years with various monthly rental payments. The capital lease obligation incurred for the two leases was \$18.6 million.

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 six capital leases.

At April 3, 2011, the Company's credit ratings were as follows:

	Long-Term Debt
Standard & Poor's	BBB
Moody's	Baa2

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

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

Off-Balance Sheet Arrangements

The Company is a member of two manufacturing cooperatives and has guaranteed \$34.5 million of debt and related lease obligations for these entities as of April 3, 2011. 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 April 3, 2011, the Company's maximum exposure, if the entities borrowed up to their borrowing capacity, would have been \$75.1 million including the Company's equity interests. See Note 14 and Note 19 to the consolidated financial statements for additional information about these entities.

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The following table summarizes the Company's contractual obligations and commercial commitments as of April 3, 2011:

In Thousands	Total	Payments Due by Period			
		Apr. 2011- Mar. 2012	Apr. 2012- Mar. 2014	Apr. 2014- Mar. 2016	After Mar. 2016
Contractual obligations:					
Total debt, net of interest	\$ 523,101	\$	\$ 150,000	\$ 100,000	\$ 273,101
Capital lease obligations, net of interest	76,871	3,946	9,985	12,045	50,895
Estimated interest on long-term debt and capital lease obligations ⁽¹⁾	172,916	34,082	56,358	45,017	37,459
Purchase obligations ⁽²⁾	290,193	91,640	183,280	15,273	
Other long-term liabilities ⁽³⁾	114,195	10,109	15,783	12,287	76,016
Operating leases	25,797	3,720	6,140	5,265	10,672
Long-term contractual arrangements ⁽⁴⁾	19,281	6,791	9,723	1,908	859
Postretirement obligations	55,775	3,361	5,982	6,561	39,871
Purchase orders ⁽⁵⁾	39,022	39,022			
Total contractual obligations	\$ 1,317,151	\$ 192,671	\$ 437,251	\$ 198,356	\$ 488,873

(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 Cannery, a manufacturing cooperative.

(3) Includes obligations under executive benefit plans, the liability to exit from a multi-employer pension plan and other long-term liabilities.

(4) Includes contractual arrangements with certain prestige properties, athletics venues and other locations, and other long-term marketing commitments.

(5) Purchase orders include commitments in which a written purchase order has been issued to a vendor, but the goods have not been received or the services have not been performed.

The Company has \$5.0 million of uncertain tax positions including accrued interest as of April 3, 2011 (excluded from other long-term liabilities in the table above because the Company is uncertain as to if or when such amounts will be recognized) of which \$2.6 million would affect the Company's effective tax rate if recognized. While it is expected that the amount of uncertain tax positions may change in the next 12 months, the Company does not expect any change to have a significant impact on the consolidated financial statements. See Note 15 to the consolidated financial statements for additional information.

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

As of April 3, 2011, the Company has \$23.2 million of standby letters of credit, primarily related to its property and casualty insurance programs. See Note 14 to the consolidated financial statements for additional information related to commercial commitments, guarantees, legal and tax matters.

The Company has made contributions to the Company-sponsored pension plans of \$.9 million in Q1 2011. Based on information currently available, the Company anticipates cash contributions during the remainder of

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2011 will be approximately \$9 million. Postretirement medical care payments are expected to be approximately \$3 million in 2011. See Note 18 to the consolidated financial statements for additional information related to pension and postretirement obligations.

Hedging Activities

Interest Rate Hedging

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

The Company has not had any interest rate swap agreements outstanding since September 2008.

Interest expense was reduced due to the amortization of deferred gains on previously terminated interest rate swap agreements and forward interest rate agreements by \$.3 million during both Q1 2011 and Q1 2010.

The weighted average interest rate of the Company's debt and capital lease obligations was 5.9% as of April 3, 2011 compared to 5.8% as of January 2, 2011 and 5.4% as of April 4, 2010. The Company's overall weighted average interest rate on its debt and capital lease obligations increased to 6.0% in Q1 2011 from 5.7% in Q1 2010. None of the Company's debt and capital lease obligations of \$600.0 million as of April 3, 2011 was maintained on a floating rate basis and was subject to changes in short-term interest rates.

Fuel Hedging

The Company used derivative instruments to hedge substantially all of the projected diesel fuel purchases for 2010. The Company is using derivative instruments to hedge substantially all of the projected diesel fuel and unleaded gasoline purchases for the second, third and fourth quarters of 2011. These derivative instruments relate to diesel fuel and unleaded gasoline used by the Company's delivery fleet and other vehicles. The Company pays a fee for these instruments which is amortized over the corresponding period of the instrument. The Company accounts for its fuel hedges on a mark-to-market basis with any expense or income being reflected as an adjustment of fuel costs.

The Company uses several different financial institutions for commodity derivative instruments to minimize the concentration of credit risk. The Company has master agreements with the counterparties to its derivative financial agreements that provide for net settlement of derivative transactions.

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

In February 2011, the Company entered into derivative instruments to hedge all of the Company's projected diesel fuel and unleaded gasoline purchases for the second, third and fourth quarters of 2011 establishing an upper limit on the Company's price of diesel fuel and unleaded gasoline.

The net impact of the Company's fuel hedging program was to decrease fuel costs by \$25,000 in Q1 2011 and increase fuel costs by \$.4 million in Q1 2010.

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Aluminum Hedging

During 2009, the Company began using derivative instruments to hedge approximately 75% of the projected 2010 and 2011 aluminum purchase requirements. The Company pays a fee for these instruments which is amortized over the corresponding period of the instruments. The Company accounts for its aluminum hedges on a mark-to-market basis with any expense or income being reflected as an adjustment to cost of sales.

The net impact of the Company's aluminum hedging program was to decrease cost of sales by \$13,000 in Q1 2011 and decrease cost of sales by \$.5 million in Q1 2010.

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Cautionary Information Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, as well as information included in future filings by the Company with the Securities and Exchange Commission and information contained in written material, press releases and oral statements issued by or on behalf of the Company, contains, or may contain, forward-looking management comments and other statements that reflect management's current outlook for future periods. These statements include, among others, statements relating to:

the Company's belief that the covenants on its \$200 million facility will not restrict its liquidity or capital resources;

the Company's belief that other parties to certain contractual arrangements will perform their obligations;

potential marketing funding support from The Coca-Cola Company and other beverage companies;

the Company's belief that disposition of certain claims and legal proceedings will not have a material adverse effect on its financial condition, cash flows or results of operations and that no material amount of loss in excess of recorded amounts is reasonably possible as a result of these claims and legal proceedings;

management's belief that the Company has adequately provided for any ultimate amounts that are likely to result from tax audits;

management's belief that the Company has sufficient resources available to finance its business plan, meet its working capital requirements and maintain an appropriate level of capital spending;

the Company's belief that the cooperatives whose debt and lease obligations the Company guarantees have sufficient assets and the ability to adjust selling prices of their products to adequately mitigate the risk of material loss and that the cooperatives will perform their obligations under their debt and lease agreements;

the Company's key priorities which are revenue management, product innovation and beverage portfolio expansion, distribution cost management and productivity;

the Company's belief that cash contributions in 2011 to its two Company-sponsored pension plans will be approximately \$10 million;

the Company's belief that postretirement medical care payments are expected to be approximately \$3 million in 2011;

the Company's expectation that additions to property, plant and equipment in 2011 will be in the range of \$60 million to \$70 million;

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

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

the Company's belief that all of the banks participating in the Company's \$200 million facility have the ability to and will meet any funding requests from the Company;

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

the Company's estimate that a 10% increase in the market price of certain commodities over the current market prices would cumulatively increase costs during the next 12 months by approximately \$23 million assuming no change in volume;

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

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the Company's expectation that uncertain tax positions may change over the next 12 months as a result of tax audits but will not have a significant impact on the consolidated financial statements;

the Company's belief that the risk of loss with respect to funds deposited with banks is minimal;

the Company's expectations that raw material costs will rise significantly in 2011 and that gross margins will be lower throughout the remainder of 2011 compared to 2010; and

the Company's intention to negotiate a new revolving credit facility during 2011.

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 statements and expectations or adversely affect future periods include, but are not limited to, the factors set forth in Part I. Item 1A. Risk Factors of the Company's Annual Report on Form 10-K for the year ended January 2, 2011. Caution should be taken not to place undue reliance on the Company's forward-looking statements, which reflect the expectations of management of the Company only as of the time such statements are made. Except as required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Debt and Derivative Financial Instruments

The Company is subject to interest rate risk on its fixed and floating rate debt. The Company may periodically use interest rate hedging products to modify risk from interest rate fluctuations. The counterparties on any interest rate hedging arrangements are major financial institutions with which the Company also had other financial relationships. The Company did not have any interest rate hedging products as of April 3, 2011. None of the Company's debt and capital lease obligations of \$600.0 million as of April 3, 2011 was subject to changes in short-term interest rates.

Raw Material and Commodity Price Risk

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 \$23 million assuming no change in volume.

The Company entered into derivative instruments to hedge essentially all of the diesel fuel purchases for 2010. The Company entered into derivative instruments to hedge substantially all of the projected diesel fuel and unleaded gasoline purchases for the second, third and fourth quarters of 2011. These derivative instruments relate to diesel fuel and unleaded gasoline used by the Company's delivery fleet and other vehicles. The Company pays a fee for these instruments which is amortized over the corresponding period of the instrument. The Company currently accounts for its fuel hedges on a mark-to-market basis with any expense or income being reflected as an adjustment of fuel costs.

During 2009, the Company began using derivative instruments to hedge approximately 75% of the projected 2010 and 2011 aluminum purchase requirements. The Company pays a fee for these instruments which is amortized over the corresponding period of the instruments. The Company accounts for its aluminum hedges on a mark-to-market basis with any expense or income being reflected as an adjustment to cost of sales.

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Effects of Changing Prices

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

Item 4. Controls and Procedures.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")), pursuant to Rule 13a-15(b) of the Exchange Act. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of April 3, 2011.

There has been no change in the Company's internal control over financial reporting during the quarter ended April 3, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1A. Risk Factors.

There have been no material changes to the factors disclosed in Part I. Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the year ended January 2, 2011.

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Item 6. Exhibits.

Exhibit Number	Description
4.1	The registrant, by signing this report, agrees to furnish the Securities and Exchange Commission, upon its request, a copy of any instrument which defines the rights of holders of long-term debt of the registrant and its consolidated subsidiaries which authorizes a total amount of securities not in excess of 10 percent of the total assets of the registrant and its subsidiaries on a consolidated basis.
12	Ratio of earnings to fixed charges (filed herewith).
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

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SIGNATURES

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

COCA-COLA BOTTLING CO. CONSOLIDATED
(REGISTRANT)

Date: May 12, 2011

By: /s/ James E. Harris
James E. Harris
Principal Financial Officer of the Registrant
and
Senior Vice President and Chief Financial Officer

Date: May 12, 2011

By: /s/ William J. Billiard
William J. Billiard
Principal Accounting Officer of the Registrant
and
Vice President of Operations Finance and Chief Accounting
Officer