

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

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

For the quarterly period ended June 30, 1996

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 (I.R.S. Employer Identification Number)  
incorporation or organization)

1900 Rexford Road, Charlotte, North Carolina 28211  
(Address of principal executive offices) (Zip Code)

(704) 551-4400  
(Registrant's telephone number, including area code)

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

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

| Class                               | Outstanding at July 30, 1996 |
|-------------------------------------|------------------------------|
| -----                               | -----                        |
| Common Stock, \$1 Par Value         | 7,958,059                    |
| Class B Common Stock, \$1 Par Value | 1,336,362                    |

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

|  | June 30,<br>1996 | Dec. 31,<br>1995 | July 2,<br>1995 |
|--|------------------|------------------|-----------------|
| ASSETS   |                  |                  |                 |
| Current Assets:  |                  |                  |                 |
| Cash   | \$ 3,593         | \$ 2,434         | \$ 2,488        |
| Accounts receivable, trade, less allowance for doubtful accounts of \$432, \$406 and \$400 | 17,988           | 12,098           | 16,176          |
| Accounts receivable from The Coca-Cola Company   | 2,673            | 6,725            | 4,880           |
| Due from Piedmont Coca-Cola Bottling Partnership   | 3,466            | 4,584            | 5,248           |
| Accounts receivable, other   | 5,531            | 9,492            | 3,974           |
| Inventories  | 36,795           | 27,989           | 35,898          |
| Prepaid expenses and other current assets  | 8,249            | 6,935            | 5,142           |

|   |           |           |           |
|---|-----------|-----------|-----------|
| Total current assets  | 78,295    | 70,257    | 73,806    |
| Property, plant and equipment, less accumulated depreciation of \$153,947, \$153,602 and \$147,798                                    | 190,728   | 191,800   | 188,933   |
| Investment in Piedmont Coca-Cola Bottling Partnership   | 64,757    | 65,624    | 67,008    |
| Other assets  | 33,688    | 33,268    | 24,227    |
| Identifiable intangible assets, less accumulated amortization of \$90,469, \$85,535 and \$80,601                                      | 243,049   | 247,983   | 252,917   |
| Excess of cost over fair value of net assets of businesses acquired, less accumulated amortization of \$25,124, \$23,980 and \$22,834 | 66,495    | 67,639    | 68,785    |
| Total   | \$677,012 | \$676,571 | \$675,676 |

See Accompanying Notes to Consolidated Financial Statements

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

|   | June 30,<br>1996 | Dec. 31,<br>1995 | July 2,<br>1995 |
|---|------------------|------------------|-----------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY              |                  |                  |                 |
| Current Liabilities:                              |                  |                  |                 |
| Portion of long-term debt payable within one year | \$ 100           | \$ 120           | \$ 206          |
| Accounts payable and accrued liabilities          | 55,456           | 65,510           | 51,729          |
| Accounts payable to The Coca-Cola Company         | 3,174            | 3,636            | 5,117           |
| Accrued compensation                              | 3,768            | 5,049            | 3,804           |
| Accrued interest payable                          | 7,251            | 6,259            | 12,550          |
| Total current liabilities                         | 69,749           | 80,574           | 73,406          |
| Deferred income taxes                             | 104,189          | 97,252           | 96,135          |
| Other liabilities                                 | 43,048           | 39,877           | 37,121          |
| Long-term debt                                    | 415,219          | 419,896          | 429,670         |
| Total liabilities                                 | 632,205          | 637,599          | 636,332         |
| Shareholders' Equity:                             |                  |                  |                 |
| Convertible Preferred Stock, \$100 par value:     |                  |                  |                 |
| Authorized-50,000 shares; Issued-None             |                  |                  |                 |
| Nonconvertible Preferred Stock, \$100 par value:  |                  |                  |                 |
| Authorized-50,000 shares; Issued-None             |                  |                  |                 |
| Preferred Stock, \$.01 par value:                 |                  |                  |                 |
| Authorized-20,000,000 shares; Issued-None         |                  |                  |                 |
| Common Stock, \$1 par value:                      |                  |                  |                 |
| Authorized-30,000,000 shares;                     |                  |                  |                 |
| Issued-10,090,859 shares                          | 10,090           | 10,090           | 10,090          |
| Class B Common Stock, \$1 par value:              |                  |                  |                 |
| Authorized-10,000,000 shares;                     |                  |                  |                 |
| Issued-1,964,476 shares                           | 1,965            | 1,965            | 1,965           |
| Class C Common Stock, \$1 par value:              |                  |                  |                 |
| Authorized-20,000,000 shares; Issued-None         |                  |                  |                 |
| Capital in excess of par value                    | 116,086          | 120,733          | 125,380         |
| Accumulated deficit                               | (65,550)         | (76,032)         | (76,541)        |
| Minimum pension liability adjustment              | (138)            | (138)            | (3,904)         |
|   | 62,453           | 56,618           | 56,990          |
| Less-Treasury stock, at cost:                     |                  |                  |                 |
| Common-2,132,800 shares                           | 17,237           | 17,237           | 17,237          |
| Class B Common-628,114 shares                     | 409              | 409              | 409             |
| Total shareholders' equity                        | 44,807           | 38,972           | 39,344          |

|       | -----     | -----     | -----     |
|-------|-----------|-----------|-----------|
| Total | \$677,012 | \$676,571 | \$675,676 |
|       | =====     | =====     | =====     |

See Accompanying Notes to Consolidated Financial Statements

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

|                                   | Common<br>Stock | Class B<br>Common<br>Stock | Capital<br>in<br>Excess of<br>Par Value | Accumulated<br>Deficit | Minimum<br>Pension<br>Liability<br>Adjustment | Treasury<br>Stock |
|-----------------------------------|-----------------|----------------------------|---|------------------------|---|-------------------|
| Balance on<br>January 1, 1995     | \$ 10,090       | \$ 1,965                   | \$130,028                               | \$(86,552)             | \$ (3,904)                                    | \$ 17,646         |
| Net income                        |                 |                            |   | 10,011                 |   |                   |
| Cash dividends<br>paid:<br>Common |                 |                            | (4,648)                                 |                        |   |                   |
| Balance on<br>July 2, 1995        | \$ 10,090       | \$ 1,965                   | \$125,380                               | \$(76,541)             | \$ (3,904)                                    | \$ 17,646         |
|                                   | =====           | =====                      | =====                                   | =====                  | =====   | =====             |
| Balance on<br>December 31, 1995   | \$ 10,090       | \$ 1,965                   | \$120,733                               | \$(76,032)             | \$ (138)                                      | \$ 17,646         |
| Net income                        |                 |                            |   | 10,482                 |   |                   |
| Cash dividends<br>paid:<br>Common |                 |                            | (4,647)                                 |                        |   |                   |
| Balance on<br>June 30, 1996       | \$ 10,090       | \$ 1,965                   | \$116,086                               | \$(65,550)             | \$ (138)                                      | \$ 17,646         |
|                                   | =====           | =====                      | =====                                   | =====                  | =====   | =====             |

See Accompanying Notes to Consolidated Financial Statements

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

|  | Second Quarter |           | First Half |           |
|--|----------------|-----------|------------|-----------|
|  | 1996           | 1995      | 1996       | 1995      |
|  | -----          | -----     | -----      | -----     |
| Net sales (includes sales to Piedmont of<br>\$17,614, \$19,627, \$29,689 and \$36,309) | \$213,579      | \$207,876 | \$385,575  | \$378,853 |

|   |          |          |           |           |
|---|----------|----------|-----------|-----------|
| Cost of products sold, excluding depreciation shown below (includes \$14,414, \$16,662, \$24,998 and \$31,884 related to sales to Piedmont) | 119,626  | 120,742  | 217,894   | 219,645   |
| Gross margin  | 93,953   | 87,134   | 167,681   | 159,208   |
| Selling expenses  | 44,748   | 41,639   | 85,474    | 78,087    |
| General and administrative expenses   | 14,135   | 13,478   | 26,843    | 26,971    |
| Depreciation expense  | 7,055    | 6,584    | 14,062    | 12,970    |
| Amortization of goodwill and intangibles  | 3,058    | 3,058    | 6,115     | 6,115     |
| Income from operations  | 24,957   | 22,375   | 35,187    | 35,065    |
| Interest expense  | 7,466    | 8,456    | 15,159    | 16,893    |
| Other (income) expense, net   | 1,628    | 593      | 2,610     | 1,557     |
| Income before income taxes  | 15,863   | 13,326   | 17,418    | 16,615    |
| Federal and state income taxes  | 6,318    | 5,272    | 6,936     | 6,604     |
| Net income  | \$ 9,545 | \$ 8,054 | \$ 10,482 | \$ 10,011 |
| Net income per share  | \$ 1.03  | \$ .87   | \$ 1.13   | \$ 1.08   |
| Cash dividends per share:   |          |          |           |           |
| Common Stock  | \$ .25   | \$ .25   | \$ .50    | \$ .50    |
| Class B Common Stock  | .25      | .25      | .50       | .50       |
| Weighted average number of Common and Class B Common shares outstanding   | 9,294    | 9,294    | 9,294     | 9,294     |

See Accompanying Notes to Consolidated Financial Statements

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

|   | 1996      | 1995      |
|---|-----------|-----------|
|   | -----     | -----     |
| Cash Flows from Operating Activities  |           |           |
| Net income  | \$ 10,482 | \$ 10,011 |
| Adjustments to reconcile net income to net cash provided by operating activities: |           |           |
| Depreciation expense  | 14,062    | 12,970    |
| Amortization of goodwill and intangibles  | 6,115     | 6,115     |
| Deferred income taxes   | 6,936     | 6,604     |
| Losses on sale of property, plant and equipment                                   | 1,191     | 305       |
| Amortization of debt costs  | 262       | 229       |
| Undistributed loss of Piedmont Coca-Cola Bottling Partnership                     | 867       | 721       |
| Increase in current assets less current liabilities                               | (17,704)  | (14,070)  |
| Increase in other noncurrent assets   | (682)     | (928)     |
| Increase in other noncurrent liabilities  | 3,467     | 1,172     |
| Other   | 1         | 85        |
| Total adjustments   | 14,515    | 13,203    |
| Net cash provided by operating activities   | 24,997    | 23,214    |
| Cash Flows from Financing Activities  |           |           |
| Payments on long-term debt  | (4,677)   | (3,301)   |
| Cash dividends paid   | (4,647)   | (4,648)   |
| Other   | (333)     | 2,071     |
| Net cash used in financing activities   | (9,657)   | (5,878)   |
| Cash Flows from Investing Activities  |           |           |
| Additions to property, plant and equipment  | (14,652)  | (17,576)  |
| Proceeds from the sale of property, plant and equipment                           | 471       | 916       |
| Net cash used in investing activities   | (14,181)  | (16,660)  |
| Net increase in cash  | 1,159     | 676       |
| Cash at beginning of period   | 2,434     | 1,812     |

Cash at end of period

\$ 3,593  
=====

\$ 2,488  
=====

See Accompanying Notes to Consolidated Financial Statements

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

1. 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 information contained in the financial statements is unaudited. The 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 accounting policies followed in the presentation of interim financial results are the same as those followed on an annual basis. These policies are presented in Note 1 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1995 filed with the Securities and Exchange Commission.

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

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

2. Summarized Income Statement Data of 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 soft drink products primarily in portions of North Carolina and South Carolina. The Company and The Coca-Cola Company, through their respective subsidiaries, each beneficially own a 50% interest in Piedmont. The Company provides a portion of the soft drink products to Piedmont at cost and receives a fee for managing the business of Piedmont pursuant to a management agreement. Summarized income statement data for Piedmont is as follows:

| In Thousands           | Second Quarter |          | First Half |           |
|------------------------|----------------|----------|------------|-----------|
|                        | 1996           | 1995     | 1996       | 1995      |
| Net sales              | \$62,254       | \$58,772 | \$110,179  | \$104,460 |
| Gross margin           | 25,841         | 23,787   | 46,250     | 42,710    |
| Income from operations | 2,999          | 2,531    | 3,727      | 3,535     |
| Net income (loss)      | 115            | 156      | (1,734)    | (1,442)   |

3. Inventories

Inventories are summarized as follows:

| In Thousands            | June 30,<br>1996  | Dec. 31,<br>1995  | July 2,<br>1995   |
|-------------------------|-------------------|-------------------|-------------------|
| Finished products       | \$23,312          | \$17,809          | \$22,259          |
| Manufacturing materials | 10,596            | 8,809             | 12,109            |
| Other                   | 2,887             | 1,371             | 1,530             |
|                         | -----             | -----             | -----             |
| Total inventories       | \$36,795<br>===== | \$27,989<br>===== | \$35,898<br>===== |

#### Coca-Cola Bottling Co. Consolidated

#### Notes to Consolidated Financial Statements (Unaudited)

#### 4. Long-Term Debt

Long-term debt is summarized as follows:

| In Thousands   | Maturity       | Interest<br>Rate  | Fixed(F) or<br>Variable (V)<br>Rate | Interest<br>Paid  | June 30,<br>1996 | Dec. 31,<br>1995 | July 2,<br>1995 |
|--|----------------|-------------------|-------------------------------------|-------------------|------------------|------------------|-----------------|
| Lines of Credit  | 2000           | 5.72%             | V                                   | Varies            | \$ 19,370        | \$ 22,590        | \$ 90,235       |
| Term Loan Agreement  | 2002-<br>2003  | 6.01%             | V                                   | Varies            | 170,000          | 170,000          | 120,000         |
| Medium-Term Notes  | 1998           | 6.01%             | V                                   | Quarterly         | 10,000           | 10,000           | 10,000          |
| Medium-Term Notes  | 1998           | 10.05%            | F                                   | Semi-<br>annually | 2,000            | 2,000            | 2,000           |
| Medium-Term Notes  | 1999           | 7.99%             | F                                   | Semi-<br>annually | 28,585           | 28,585           | 66,500          |
| Medium-Term Notes  | 2000           | 10.00%            | F                                   | Semi-<br>annually | 25,500           | 25,500           | 55,000          |
| Medium-Term Notes  | 2002           | 8.56%             | F                                   | Semi-<br>annually | 47,000           | 47,000           | 66,500          |
| Debentures   | 2007           | 6.85%             | F                                   | Semi-<br>annually | 100,000          | 100,000          | -               |
| Notes acquired in<br>Sunbelt acquisition                       | 2001           | 8.00%             | F                                   | Quarterly         | 188              | 217              | 5,321           |
| Capital leases and<br>other notes payable                      | 2000 -<br>2001 | 6.85% -<br>10.00% | F                                   | Varies            | 12,676           | 14,124           | 14,320          |
|  |                |                   |                                     |                   | 415,319          | 420,016          | 429,876         |
| Less: Portion of long-<br>term debt payable<br>within one year |                |                   |                                     |                   | 100              | 120              | 206             |
| Long-term debt   |                |                   |                                     |                   | \$415,219        | \$419,896        | \$429,670       |

#### Coca-Cola Bottling Co. Consolidated

#### Notes to Consolidated Financial Statements (Unaudited)

#### 4. Long-Term Debt (cont.)

As of June 30, 1996, the Company was in compliance with all of the covenants of its various borrowing agreements.

It is the Company's intent to renew its lines of credit, commercial paper borrowings and borrowings under the revolving credit facility as they mature. To the extent that these borrowings do not exceed the amount available under the Company's \$170 million revolving credit facility, they

are classified as noncurrent liabilities.

A \$100 million commercial paper program was established in January 1990 with funds to be used for general corporate purposes. There were no balances outstanding under this program on June 30, 1996, December 31, 1995 or July 2, 1995.

In June 1992, the Company entered into a three-year arrangement under which it has the right to sell an undivided interest in a designated pool of trade accounts receivable up to a maximum of \$40 million. The Company had sold trade receivables of \$35 million as of June 30, 1996, December 31, 1995 and July 2, 1995. This arrangement has been amended to extend it to June 1998 on terms substantially similar to those previously in place.

On October 12, 1994, a \$400 million shelf registration for debt and equity securities filed with the Securities and Exchange Commission became effective and the securities thereunder became available for issuance. On November 1, 1995, the Company issued \$100 million of 6.85% debentures due 2007 pursuant to such registration. The net proceeds from this issuance were used principally for refinancing a portion of existing public indebtedness with the remainder used to repay other bank debt.

On November 20, 1995, the Company entered into a \$170 million loan agreement with \$85 million maturing in November 2002 and \$85 million maturing in November 2003. This loan was used to repay two \$60 million loans previously entered into by the Company and other bank debt.

The Company has guaranteed a portion of the debt for two cooperatives in which the Company is a member. The amounts guaranteed were \$32.5 million, \$35.2 million and \$34 million as of June 30, 1996, December 31, 1995 and July 2, 1995, respectively.

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

## 5. Derivative Financial Instruments

The Company uses derivative financial instruments to modify risk from interest rate fluctuations in its underlying debt. The Company has historically altered its fixed/floating interest rate mix based upon anticipated operating cash flows of the Company relative to its debt level and the Company's ability to absorb increases in interest rates. These derivative financial instruments are not used for trading purposes.

The Company has two interest rate swaps that resulted in weighted average interest rates for the debt portfolio of approximately 7.0%, 7.2% and 7.7% as of June 30, 1996, December 31, 1995 and July 2, 1995, respectively. The Company's overall weighted average interest rate on its long-term debt decreased from an average of 7.4% during the first half of 1995 to an average of 7.0% during the first half of 1996. After taking into account the effect of all of the interest rate swap activities, approximately 48%, 48% and 40% of the total debt portfolio was subject to changes in short-term interest rates as of June 30, 1996, December 31, 1995 and July 2, 1995, respectively.

A rate increase of 1% on the floating rate component of the Company's debt would have increased interest expense for the first half of 1996 by approximately \$1 million and net income for the first six months ended June 30, 1996 would have been reduced by approximately \$.6 million.

Derivative financial instruments were as follows:

|              | June 30, 1996 |                   | December 31, 1995 |                   | July 2, 1995 |                   |
|--------------|---------------|-------------------|-------------------|-------------------|--------------|-------------------|
|              | -----         |                   | -----             |                   | -----        |                   |
| In Thousands | Amount        | Remaining<br>Term | Amount            | Remaining<br>Term | Amount       | Remaining<br>Term |

-----

|                              |           |         |           |         |           |            |
|------------------------------|-----------|---------|-----------|---------|-----------|------------|
| Interest rate swaps-floating | \$ 60,000 | 7 years | \$ 60,000 | 8 years | \$168,000 | 5-8 years  |
| Interest rate swaps-fixed    | \$ 60,000 | 7 years | 60,000    | 8 years | 215,000   | .5-8 years |

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

#### 5. Derivative Financial Instruments (cont.)

The table below summarizes interest rate swap activity for the six month periods ended June 30, 1996 and July 2, 1995.

| In Thousands                     | First Half<br>1996 | First Half<br>1995 |
|----------------------------------|--------------------|--------------------|
| Total swaps, beginning of period | \$120,000          | \$436,600          |
| New swaps                        | 0                  | 25,000             |
| Terminated swaps                 | 0                  | (78,000)           |
| Expired swaps                    | 0                  | 0                  |
|                                  | -----              | -----              |
| Total swaps, end of period       | \$120,000          | \$383,600          |
|                                  | =====              | =====              |

The carrying amounts and fair values of the Company's balance sheet and off-balance-sheet instruments were as follows:

|   | June 30, 1996      |               | December 31, 1995  |               |
|---|--------------------|---------------|--------------------|---------------|
| In Thousands                            | Carrying<br>Amount | Fair<br>Value | Carrying<br>Amount | Fair<br>Value |
| Balance Sheet Instruments               |                    |               |                    |               |
| Public debt                             | \$213,085          | \$214,697     | \$213,085          | \$228,103     |
| Non-public variable rate long-term debt | 189,370            | 189,370       | 192,590            | 192,590       |
| Non-public fixed rate long-term debt    | 12,864             | 14,386        | 14,341             | 16,189        |
| Off-Balance-Sheet Instruments           |                    |               |                    |               |
| Interest rate swaps                     |                    | (4,327)       |                    | (4,725)       |

The fair values of the interest rate swaps represent the estimated amounts the Company would have had to pay to terminate these agreements.

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

#### 6. Supplemental Disclosures of Cash Flow Information

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

| In Thousands | First Half<br>1996 | 1995  |
|--------------|--------------------|-------|
| -----        | -----              | ----- |



|   |             |             |
|---|-------------|-------------|
| Accounts receivable, trade, net                     | \$ (5,890)  | \$ (8,420)  |
| Due from Piedmont Coca-Cola Bottling Partnership    | 1,118       | (3,865)     |
| Accounts receivable, other                          | 8,013       | 2,892       |
| Inventories   | (8,806)     | (4,027)     |
| Prepaid expenses and other current assets           | (1,314)     | (88)        |
| Portion of long-term debt payable within one year   | (20)        | (94)        |
| Accounts payable and accrued liabilities            | (10,516)    | (1,301)     |
| Accrued compensation                                | (1,281)     | (442)       |
| Accrued interest payable                            | 992         | 1,275       |
|   | -----       | -----       |
| Increase in current assets less current liabilities | \$ (17,704) | \$ (14,070) |
|   | =====       | =====       |

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

### Introduction:

The following discussion presents management's analysis of the results of operations for the second quarter and first six months of 1996 compared to the second quarter and first six months of 1995 and changes in financial condition from July 2, 1995 and December 31, 1995 to June 30, 1996.

Net income for the second quarter of 1996 increased more than 18% from the second quarter of 1995. The Company reported net income of \$9.5 million or \$1.03 per share for the second quarter of 1996 compared with net income of \$8.1 million or \$.87 per share for the same period in 1995. For the first half of 1996, net income was \$10.5 million or \$1.13 per share compared to net income of \$10.0 million or \$1.08 per share for the first half of 1995.

Increased profits in the second quarter and for the first six months of 1996 were driven by increases in both franchise volume and net selling price as well as favorable trends in costs of certain packaging materials. Cost of sales on a per unit basis declined due to decreases in the costs of aluminum cans and sweetener. The Company expects the favorable trend in the cost of cans and sweetener to continue into the second half of 1996 as well as an expected reduction in the cost of PET bottles. Additionally, the Company's higher margin vending and convenience store channels showed improvement in the second quarter after being adversely impacted during the first quarter of 1996 by inclement weather conditions.

The results for interim periods are not necessarily indicative of the results to be expected for the year due to seasonal factors.

### Results of Operations:

Net sales for the second quarter of 1996 increased by 3% from the second quarter of 1995. Net franchise sales increased 5% over the same period in 1995 due to a 3% increase in case volume and a 2% increase in net selling price. Net sales for the first half of 1996 increased by 2% over the same period in 1995. Franchise selling prices in the second quarter and first half of 1996 increased approximately 2% and 1% respectively from 1995. Net selling prices in the first half of 1995 were up 6-7% over comparable 1994 levels.

Contract sales declined by \$2.5 million and \$9.2 million in the second quarter and first half of 1996, respectively. Approximately 60% of the reduction in contract sales reflects lower sales to other Coca-Cola bottlers on which the Company generates a modest profit margin. The rest of the reduction in contract sales reflects lower sales to Piedmont Coca-Cola Bottling Partnership which is purchasing more of its product from South Atlantic Cannery, Inc., a Coca-Cola bottling cooperative. Sales to Piedmont are at the Company's cost.

The increase in franchise sales volume was primarily in food stores. The Company's flagship brands, Coca-Cola classic and diet Coke showed solid growth with increased volume of over 4% in the first half of 1996. Sprite continued to enjoy significant growth with increased volume of 25% over the first half of 1995. The new proprietary Sprite 20 ounce PET bottle has been introduced throughout the Company's franchise territory. Mello Yello also had strong growth in the first half of 1996 with volume up 20% over the same period in 1995. Gross margin on net franchise sales for the second quarter and first half of 1996 increased by 7.7% and 5.6% respectively, from the same periods in 1995.

For the second quarter of 1996, selling expenses increased 7.5% over the same quarter in 1995. Selling expenses for the first six months of 1996 increased by 9.5% over the first half of 1995. The increased selling expenses are due primarily to higher employment costs, increased expenses related to sales development programs and special marketing costs related to the 1996 Olympic Games, due to certain Olympic activities being held in the Company's franchise territory. The increase in sales development funds is related primarily to growth in food store volume. The higher employment costs are attributable to the Company's efforts to improve employee retention in certain key market areas of its franchise territory.

General and administrative expenses in the second quarter increased by 5% from the second quarter of 1995. General and administrative expenses for the first six months of 1996 increased by 1% over 1995 first half levels. The increase in the second quarter of 1996 is more indicative of the overall level of increases in general and administrative costs for the year due to certain employee benefit accrual adjustments in the first quarter of 1996 that favorably impacted general and administrative expenses.

Depreciation expense increased 7% between the second quarter of 1996 and the second quarter of 1995. Depreciation expense for the first six months of 1996 increased 8.4% over the same period in 1995. The increase in depreciation expense is due to the level of capital expenditures during 1995. The Company made significant capital expenditures in 1995 for manufacturing equipment necessary for the introduction of new packages.

Interest expense decreased 10.3% in the first half of 1996 from the first half of 1995. This reduction in interest expense is due to reduced long-term debt balances and lower interest rates as a result of the early retirement of some of the Company's Medium-Term Notes in the fourth quarter of 1995. Outstanding long-term debt decreased approximately \$14 million from July 2, 1995 to June 30, 1996. The Company's overall weighted average interest rate decreased from an average of 7.4% during the first half of 1995 to an average of 7.0 % during the first half of 1996.

Other expense for the first half of 1996 increased by \$1 million over the same period in 1995. This increase is attributable primarily to losses on the sale of certain production equipment and the sale of a distribution center.

#### Changes in Financial Condition:

Working capital increased \$18.8 million from December 31, 1995 and \$8.1 million from July 2, 1995 to June 30, 1996. The increase from December 31, 1995 is attributable to a seasonal increase in accounts receivable and inventory and a reduction in certain accrued liabilities. The increase from July 2, 1995 was due principally to an increase in prepaid expenses, other current assets and a reduction in accrued interest payable. The Company had sold trade accounts receivable of \$35 million as of June 30, 1996, December 31, 1995 and July 2, 1995 under its arrangement to sell up to \$40 million of its trade accounts receivable.

Capital expenditures in the first half of 1996 were \$14.7 million as compared to \$17.6 million in the first half of 1995. Expenditures for 1996 capital additions are expected to be lower than expenditures for 1995 due to reduced capital requirements for production equipment.

Long-term debt decreased \$14 million from July 2, 1995 and decreased \$4.6 million from December 31, 1995. Long-term debt has decreased from July 2, 1995 due to repayments of debt from operating cash flow. On November 1, 1995, the Company issued \$100 million of 6.85% debentures due 2007 pursuant to a \$400 million shelf registration filed in 1994 with the Securities and Exchange

Commission. The net proceeds for this issuance were used to repurchase \$87 million of the Company's Medium-term Notes due between 1997 and 2002 and to repay other outstanding borrowings. As of June 30, 1996, the Company was in compliance with all of the covenants of its various borrowing agreements.

It is the Company's intent to renew any borrowings under its \$170 million revolving credit facility and the informal lines of credit as they mature and, to the extent that any borrowings under the revolving credit facility, the informal lines of credit and commercial paper program do not exceed the amount available under the Company's \$170 million revolving credit facility, they are classified as noncurrent liabilities. As of June 30, 1996, the Company had no amounts outstanding under the revolving credit facility or the commercial paper program and had approximately \$19.4 million outstanding under the informal lines of credit.

As of June 30, 1996 the debt portfolio had a weighted average interest rate of approximately 7.0% and approximately 48% of the total portfolio of \$415 million was subject to changes in short-term interest rates.

Management believes that the Company, through the generation of cash flow from operations and the utilization of unused borrowing capacity, has sufficient financial resources available to maintain its current operations and provide for its current capital expenditure requirements. The Company considers the acquisition of additional franchise territories on an ongoing basis.

## PART II - OTHER INFORMATION

### Item 4 - Submission of Matters to a Vote of Security Holders

- (a) The Annual Meeting of the Company's shareholders was held on May 15, 1996.
- (b) The meeting was held to consider and vote upon (i) fixing the number of the Company's directors at ten and (ii) electing four directors, each for a term of three years or until his successor shall be elected and shall qualify. The votes cast on the question of fixing the number of directors at ten are summarized as follows:

| For        | Against | Abstain | Total Votes |
|------------|---------|---------|-------------|
| 32,977,377 | 2,115   | 3,898   | 32,983,390  |

The votes cast with respect to each director are summarized as follows:

| Director Name         | For        | Withheld | Total Votes |
|-----------------------|------------|----------|-------------|
| -----                 | ---        | -----    | -----       |
| John M. Belk          | 32,979,802 | 3,588    | 32,983,390  |
| Reid M. Henson        | 32,979,100 | 4,291    | 32,983,391  |
| David L. Kennedy, Jr. | 32,980,107 | 3,283    | 32,983,390  |

### Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits
- | Exhibit Number | Description   |
|----------------|---|
| 27             | Financial data schedule for period ended June 30, 1996. |
- (b) Reports on Form 8-K
1. Current Report on Form 8-K, dated as of May 15,

1996, relating to the Company's authorization to repurchase up to one million shares of its Common Stock.

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: August 2, 1996

By: /s/ David V. Singer

-----

David V. Singer  
Principal Financial Officer of the Registrant  
and  
Vice President-Chief Financial Officer

<ARTICLE> 5

<LEGEND>

\*

This schedule contains summary financial information extracted from the financial statements as of and for the six months ended June 30, 1996 and is qualified in its entirety by reference to such financial statements.

</LEGEND>

<MULTIPLIER> 1000

|                              |             |
|------------------------------|-------------|
| <PERIOD-TYPE>                | 6-MOS       |
| <FISCAL-YEAR-END>            | DEC-29-1996 |
| <PERIOD-START>               | JAN-01-1996 |
| <PERIOD-END>                 | JUN-30-1996 |
| <CASH>                       | 3,593       |
| <SECURITIES>                 | 0           |
| <RECEIVABLES>                | 18,420      |
| <ALLOWANCES>                 | 432         |
| <INVENTORY>                  | 36,795      |
| <CURRENT-ASSETS>             | 78,295      |
| <PP&E>                       | 344,675     |
| <DEPRECIATION>               | 153,947     |
| <TOTAL-ASSETS>               | 677,012     |
| <CURRENT-LIABILITIES>        | 69,749      |
| <BONDS>                      | 415,219     |
| <PREFERRED-MANDATORY>        | 0           |
| <PREFERRED>                  | 0           |
| <COMMON>                     | 12,055      |
| <OTHER-SE>                   | 32,752      |
| <TOTAL-LIABILITY-AND-EQUITY> | 677,012     |
| <SALES>                      | 385,575     |
| <TOTAL-REVENUES>             | 385,575     |
| <CGS>                        | 217,894     |
| <TOTAL-COSTS>                | 217,894     |
| <OTHER-EXPENSES>             | 132,494     |
| <LOSS-PROVISION>             | 0           |
| <INTEREST-EXPENSE>           | 15,159      |
| <INCOME-PRETAX>              | 17,418      |
| <INCOME-TAX>                 | 6,936       |
| <INCOME-CONTINUING>          | 10,482      |
| <DISCONTINUED>               | 0           |
| <EXTRAORDINARY>              | 0           |
| <CHANGES>                    | 0           |
| <NET-INCOME>                 | 10,482      |
| <EPS-PRIMARY>                | 1.13        |
| <EPS-DILUTED>                | 0           |