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 June 28, 2020
or

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

For the transition period from ___________ to ___________

Commission File Number: 0-9286

COCA-COLA CONSOLIDATED, INC.
(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, NC	**28211**
(Address of principal executive offices)	**(Zip Code)**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1.00 Par Value	**COKE**	**The NASDAQ Global Select Market**

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of July 26, 2020, there were 7,141,447 shares of the registrant's Common Stock, $1.00 par value, and 2,232,242 shares of the registrant's Class B Common Stock, $1.00 par value, outstanding.

COCA-COLA CONSOLIDATED, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 28, 2020

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

COCA-COLA CONSOLIDATED, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Second Quarter		First Half	
(in thousands, except per share data)	2020	2019	2020	2019
Net sales	$ 1,227,215	$ 1,273,659	$ 2,400,236	$ 2,376,571
Cost of sales	797,914	837,880	1,565,640	1,551,484
Gross profit	429,301	435,779	834,596	825,087
Selling, delivery and administrative expenses	346,183	368,565	718,657	737,719
Income from operations	83,118	67,214	115,939	87,368
Interest expense, net	9,184	11,995	18,745	24,881
Other expense, net	16,134	31,181	18,432	47,032
Income before income taxes	57,800	24,038	78,762	15,455
Income tax expense	15,187	7,182	20,548	4,177
Net income	42,613	16,856	58,214	11,278
Less: Net income attributable to noncontrolling interest	3,044	1,486	3,983	2,739
Net income attributable to Coca-Cola Consolidated, Inc.	**$ 39,569**	**$ 15,370**	**$ 54,231**	**$ 8,539**
Basic net income per share based on net income attributable to Coca-Cola Consolidated, Inc.:				
Common Stock	$ 4.23	$ 1.64	$ 5.79	$ 0.91
Weighted average number of Common Stock shares outstanding	7,141	7,141	7,141	7,141
Class B Common Stock	$ 4.23	$ 1.64	$ 5.79	$ 0.91
Weighted average number of Class B Common Stock shares outstanding	2,232	2,232	2,232	2,225
Diluted net income per share based on net income attributable to Coca-Cola Consolidated, Inc.:				
Common Stock	$ 4.19	$ 1.64	$ 5.74	$ 0.91
Weighted average number of Common Stock shares outstanding – assuming dilution	9,440	9,421	9,440	9,415
Class B Common Stock	$ 4.18	$ 1.63	$ 5.73	$ 0.90
Weighted average number of Class B Common Stock shares outstanding – assuming dilution	2,299	2,280	2,299	2,274
Cash dividends per share:				
Common Stock	$ 0.25	$ 0.25	$ 0.50	$ 0.50
Class B Common Stock	$ 0.25	$ 0.25	$ 0.50	$ 0.50

See accompanying notes to condensed consolidated financial statements.

COCA-COLA CONSOLIDATED, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Second Quarter		First Half	
(in thousands)	**2020**	**2019**	**2020**	**2019**
Net income	$ 42,613	$ 16,856	$ 58,214	$ 11,278
Other comprehensive income, net of tax:				
Defined benefit plans reclassification including pension costs:				
Actuarial gains	897	679	1,793	1,358
Prior service benefits	3	5	7	9
Postretirement benefits reclassification included in benefits costs:				
Actuarial gains	66	147	132	295
Prior service costs	—	(243)	—	(487)
Interest rate swap	2	—	(1,013)	—
Foreign currency translation adjustment	3	5	2	(4)
Other comprehensive income, net of tax	971	593	921	1,171
Comprehensive income	43,584	17,449	59,135	12,449
Less: Comprehensive income attributable to noncontrolling interest	3,044	1,486	3,983	2,739
Comprehensive income attributable to Coca-Cola Consolidated, Inc.	**$ 40,540**	**$ 15,963**	**$ 55,152**	**$ 9,710**

See accompanying notes to condensed consolidated financial statements.

COCA-COLA CONSOLIDATED, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except share data)	June 28, 2020	December 29, 2019
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 77,550	$ 9,614
Accounts receivable, trade	471,962	433,552
Allowance for doubtful accounts	(21,244)	(13,782)
Accounts receivable from The Coca-Cola Company	48,092	62,411
Accounts receivable, other	40,453	43,094
Inventories	211,128	225,926
Prepaid expenses and other current assets	72,170	69,461
Total current assets	**900,111**	**830,276**
Property, plant and equipment, net	985,178	997,403
Right-of-use assets - operating leases	134,315	111,376
Leased property under financing leases, net	11,573	17,960
Other assets	109,822	113,269
Goodwill	165,903	165,903
Distribution agreements, net	863,954	876,096
Customer lists and other identifiable intangible assets, net	13,724	14,643
Total assets	**$ 3,184,580**	**$ 3,126,926**
LIABILITIES AND EQUITY		
Current Liabilities:		
Current portion of obligations under operating leases	$ 17,602	$ 15,024
Current portion of obligations under financing leases	4,070	9,403
Accounts payable, trade	216,138	187,476
Accounts payable to The Coca-Cola Company	139,780	108,699
Other accrued liabilities	190,018	208,834
Accrued compensation	62,168	87,813
Accrued interest payable	4,454	4,946
Total current liabilities	**634,230**	**622,195**
Deferred income taxes	147,101	125,130
Pension and postretirement benefit obligations	117,839	114,831
Other liabilities	674,669	668,566
Noncurrent portion of obligations under operating leases	122,053	97,765
Noncurrent portion of obligations under financing leases	12,949	17,403
Long-term debt	970,174	1,029,920
Total liabilities	**2,679,015**	**2,675,810**
Commitments and Contingencies		
Equity:		
Common Stock, $1.00 par value: 30,000,000 shares authorized; 10,203,821 shares issued	10,204	10,204
Class B Common Stock, $1.00 par value: 10,000,000 shares authorized; 2,860,356 shares issued	2,860	2,860
Capital in excess of par value	128,983	128,983
Retained earnings	430,706	381,161
Accumulated other comprehensive loss	(114,081)	(115,002)
Treasury stock, at cost: Common Stock – 3,062,374 shares	(60,845)	(60,845)
Treasury stock, at cost: Class B Common Stock – 628,114 shares	(409)	(409)
Total equity of Coca-Cola Consolidated, Inc.	**397,418**	**346,952**
Noncontrolling interest	108,147	104,164
Total equity	**505,565**	**451,116**
Total liabilities and equity	**$ 3,184,580**	**$ 3,126,926**

See accompanying notes to condensed consolidated financial statements.

COCA-COLA CONSOLIDATED, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)	First Half 2020		First Half 2019	
Cash Flows from Operating Activities:				
Net income	$	58,214	$	11,278
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation expense from property, plant and equipment and financing leases		74,878		79,316
Amortization of intangible assets and deferred proceeds, net		11,518		11,512
Fair value adjustment of acquisition related contingent consideration		15,260		43,268
Loss on sale of property, plant and equipment		1,416		4,324
Deferred income taxes		21,670		4,017
Impairment of property, plant and equipment		1,350		1,155
Stock compensation expense		—		2,045
Amortization of debt costs		494		752
Change in current assets less current liabilities		20,935		(78,842)
Change in other noncurrent assets		13,420		5,228
Change in other noncurrent liabilities		9,848		4,071
Other		—		462
Total adjustments		170,789		77,308
Net cash provided by operating activities	**$**	**229,003**	**$**	**88,586**
Cash Flows from Investing Activities:				
Additions to property, plant and equipment	$	(72,886)	$	(57,581)
Other distribution agreements		—		(4,654)
Investment in CONA Services LLC		(1,582)		(486)
Proceeds from the sale of property, plant and equipment		1,764		823
Net cash used in investing activities	**$**	**(72,704)**	**$**	**(61,898)**
Cash Flows from Financing Activities:				
Payments on revolving credit facility	$	(280,000)	$	(186,339)
Borrowings under revolving credit facility		235,000		206,339
Payments on term loan facility and senior notes		(15,000)		(132,500)
Proceeds from issuance of senior notes		—		100,000
Payments of acquisition related contingent consideration		(20,531)		(12,836)
Cash dividends paid		(4,686)		(4,682)
Payments on financing lease obligations		(3,001)		(4,261)
Debt issuance fees		(145)		(265)
Net cash used in financing activities	**$**	**(88,363)**	**$**	**(34,544)**
Net increase (decrease) in cash during period	$	67,936	$	(7,856)
Cash at beginning of period		9,614		13,548
Cash at end of period	**$**	**77,550**	**$**	**5,692**
Significant non-cash investing and financing activities:				
Right-of-use assets obtained in exchange for lease obligations	$	32,224	$	21,220
Additions to property, plant and equipment accrued and recorded in accounts payable, trade		11,900		10,292
Issuance of Class B Common Stock in connection with stock award		—		4,776

See accompanying notes to condensed consolidated financial statements.

COCA-COLA CONSOLIDATED, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

(in thousands, except share data)	Common Stock	Class B Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock - Common Stock	Treasury Stock - Class B Common Stock	Total Equity of Coca-Cola Consolidated, Inc.	Non-controlling Interest	Total Equity
Balance on December 30, 2018	**$ 10,204**	**$ 2,839**	**$ 124,228**	**$ 359,435**	**$ (77,265)**	**$ (60,845)**	**$ (409)**	**$ 358,187**	**$ 96,979**	**$ 455,166**
Net income	—	—	—	8,539	—	—	—	8,539	2,739	11,278
Other comprehensive income, net of tax	—	—	—	—	1,171	—	—	1,171	—	1,171
Cash dividends paid:										
Common Stock ($0.50 per share)	—	—	—	(3,570)	—	—	—	(3,570)	—	(3,570)
Class B Common Stock ($0.50 per share)	—	—	—	(1,112)	—	—	—	(1,112)	—	(1,112)
Issuance of 19,224 shares of Class B Common Stock	—	21	4,755	—	—	—	—	4,776	—	4,776
Reclassification of stranded tax effects	—	—	—	19,720	(19,720)	—	—	—	—	—
Balance on June 30, 2019	**$ 10,204**	**$ 2,860**	**$ 128,983**	**$ 383,012**	**$ (95,814)**	**$ (60,845)**	**$ (409)**	**$ 367,991**	**$ 99,718**	**$ 467,709**
Balance on December 29, 2019	**$ 10,204**	**$ 2,860**	**$ 128,983**	**$ 381,161**	**$ (115,002)**	**$ (60,845)**	**$ (409)**	**$ 346,952**	**$ 104,164**	**$ 451,116**
Net income	—	—	—	54,231	—	—	—	54,231	3,983	58,214
Other comprehensive loss, net of tax	—	—	—	—	921	—	—	921	—	921
Cash dividends paid:										
Common Stock ($0.50 per share)	—	—	—	(3,571)	—	—	—	(3,571)	—	(3,571)
Class B Common Stock ($0.50 per share)	—	—	—	(1,115)	—	—	—	(1,115)	—	(1,115)
Balance on June 28, 2020	**$ 10,204**	**$ 2,860**	**$ 128,983**	**$ 430,706**	**$ (114,081)**	**$ (60,845)**	**$ (409)**	**$ 397,418**	**$ 108,147**	**$ 505,565**

See accompanying notes to condensed consolidated financial statements.

1. Critical Accounting Policies and Recent Accounting Pronouncements

The condensed consolidated financial statements include the accounts of Coca-Cola Consolidated, Inc. and its majority-owned subsidiaries (the "Company"). All significant intercompany accounts and transactions have been eliminated. The condensed consolidated financial statements reflect all adjustments, including normal, recurring accruals, which, in the opinion of management, are necessary for a fair statement of the results for the interim periods presented:

- The financial position as of June 28, 2020 and December 29, 2019.
- The results of operations and comprehensive income for the 13-week periods ended June 28, 2020 (the "second quarter" of fiscal 2020 ("2020")) and June 30, 2019 (the "second quarter" of fiscal 2019 ("2019")), and the 26-week periods ended June 28, 2020 (the "first half" of 2020) and June 30, 2019 (the "first half" of 2019).
- The changes in cash flows and equity for the first half of 2020 and the first half of 2019.

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting and the instructions to Form 10-Q and Article 10 of Regulation S-X. 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 2019 filed with the Securities and Exchange Commission.

The preparation of condensed consolidated financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

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 condensed consolidated financial statements in conformity with GAAP. Actual results could differ significantly from those estimates under different assumptions and conditions. The Company included in its Annual Report on Form 10-K for 2019 under the caption "Discussion of Critical Accounting Policies and Estimates and Recent Accounting Pronouncements" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," a discussion of the Company's most critical accounting policies, which are those the Company believes to be the most important to the portrayal of its 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. Any changes in critical accounting policies and estimates are discussed with the Audit Committee of the Board of Directors of the Company during the quarter in which a change is contemplated and prior to making such change.

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2016-13, "Measurement of Credit Losses on Financial Instruments," which requires measurement and recognition of expected credit losses at the point a loss is probable to occur, rather than expected to occur, which will generally result in earlier recognition of allowances for credit losses. The new guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company adopted ASU 2016-13 in the first quarter of 2020 and the adoption did not have a material impact on its condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement," which removes, modifies and adds certain disclosure requirements in Accounting Standards Codification Topic 820, Fair Value Measurement. This ASU is effective for annual and interim reporting periods beginning after December 15, 2019. Certain amendments must be applied prospectively while others are to be applied on a retrospective basis to all periods presented. The Company adopted ASU 2018-13 in the first quarter of 2020. See Note 14 for additional information.

Recently Issued Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes," which will simplify the accounting for income taxes by removing certain exceptions to the general principles in income tax accounting and improve consistent application of and simplify GAAP for other areas of income tax accounting by clarifying and amending existing guidance. The new guidance is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently evaluating the impact ASU 2019-12 will have on its condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, "Compensation - Retirement Benefits - Defined Benefit Plans - General (Sub-topic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans," which is effective for fiscal years ending after December 15, 2020. Under this guidance, disclosures will be removed for the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year, the amount and timing of assets expected to be returned to the employer, certain related party disclosures, and the effects of a one-percentage-point change in the assumed health care cost trend rates. Additional disclosures will include the weighted average interest crediting rate for plans with promised crediting interest rates and an explanation of the reasons for significant gains and losses related to the benefit obligation for the period.

2. Related Party Transactions

The Coca-Cola Company

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 formulas under which the primary components of its soft drink products, either concentrate or syrup, are manufactured.

J. Frank Harrison, III, the Chairman of the Board of Directors and Chief Executive Officer of the Company, together with the trustees of certain trusts established for the benefit of certain relatives of the late J. Frank Harrison, Jr., control shares representing approximately 86% of the total voting power of the Company's total outstanding Common Stock and Class B Common Stock on a consolidated basis. As of June 28, 2020, The Coca-Cola Company owned approximately 27% of the Company's total outstanding Common Stock and Class B Common Stock on a consolidated basis, representing approximately 5% of the total voting power of the Company's Common Stock and Class B Common Stock voting together. As long as The Coca-Cola Company holds the number of shares of the Company's Common Stock it currently owns, it has the right to have its designee proposed by the Company for nomination to the Company's Board of Directors, and J. Frank Harrison, III and the trustees of the J. Frank Harrison, Jr. family trusts described above, have agreed to vote the shares of the Company's Class B Common Stock which they control in favor of such designee. The Coca-Cola Company does not own any shares of the Company's Class B Common Stock.

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

	Second Quarter		First Half	
(in thousands)	**2020**	**2019**	**2020**	**2019**
Payments made by the Company to The Coca-Cola Company for:				
Concentrate, syrup, sweetener and other purchases	$ 264,595	$ 344,841	$ 549,515	$ 611,484
Customer marketing programs	32,400	39,221	65,391	72,513
Cold drink equipment parts	4,039	7,067	10,380	14,049
Brand investment programs	3,988	3,473	7,250	6,593
Payments made by The Coca-Cola Company to the Company for:				
Marketing funding support payments	$ 15,449	$ 26,311	$ 36,995	$ 49,023
Fountain delivery and equipment repair fees	6,345	9,885	15,435	20,634
Presence marketing funding support on the Company's behalf	4,145	4,502	5,880	4,937
Facilitating the distribution of certain brands and packages to other Coca-Cola bottlers	1,161	1,351	2,318	2,350

In fiscal 2017, The Coca-Cola Company agreed to provide the Company a fee to compensate the Company for the net economic impact of changes made by The Coca-Cola Company to the authorized pricing on sales of covered beverages produced at certain manufacturing facilities owned by the Company (the "Legacy Facilities Credit"). The Company immediately recognized the portion of the Legacy Facilities Credit applicable to a regional manufacturing facility divested in fiscal 2017 and the remaining balance of the Legacy Facilities Credit will be amortized as a reduction to cost of sales over a period of 40 years. The portion of the deferred liability that is expected to be amortized in the next 12 months is classified as current.

Coca-Cola Refreshments USA, Inc. ("CCR")

The Company, The Coca-Cola Company and CCR, a wholly owned subsidiary of The Coca-Cola Company, entered into a comprehensive beverage agreement on March 31, 2017 (as amended, the "CBA"). Pursuant to the CBA, the Company is required to make quarterly sub-bottling payments to CCR on a continuing basis in exchange for the grant of exclusive rights to distribute, promote, market and sell the authorized brands of The Coca-Cola Company and related products in certain distribution territories the Company acquired from CCR. These sub-bottling payments are based on gross profit derived from sales of certain beverages and beverage products that are sold under the same trademarks that identify a covered beverage, beverage product or certain cross-licensed brands.

Sub-bottling payments to CCR were $20.5 million during the first half of 2020 and $12.8 million during the first half of 2019. The following table summarizes the liability recorded by the Company to reflect the estimated fair value of contingent consideration related to future sub-bottling payments to CCR:

(in thousands)	**June 28, 2020**	**December 29, 2019**
Current portion of acquisition related contingent consideration	$ 34,388	$ 41,087
Noncurrent portion of acquisition related contingent consideration	406,725	405,597
Total acquisition related contingent consideration	**$ 441,113**	**$ 446,684**

Upon the conversion of the Company's then-existing bottling agreements in fiscal 2017 pursuant to the CBA, the Company received a fee from CCR (the "Territory Conversion Fee"). The Territory Conversion Fee was recorded as a deferred liability and will be amortized as a reduction to cost of sales over a period of 40 years. The portion of the deferred liability that is expected to be amortized in the next 12 months is classified as current.

Southeastern Container ("Southeastern")

The Company is a shareholder of Southeastern, a plastic bottle manufacturing cooperative. The Company accounts for Southeastern as an equity method investment. The Company's investment in Southeastern, which was classified as other assets in the condensed consolidated balance sheets, was $22.6 million as of June 28, 2020 and $23.2 million as of December 29, 2019.

South Atlantic Canners, Inc. ("SAC")

The Company is a shareholder of SAC, a manufacturing cooperative in Bishopville, South Carolina. All of SAC's shareholders are Coca-Cola bottlers and each has equal voting rights. The Company accounts for SAC as an equity method investment. The Company's investment in SAC, which was classified as other assets in the condensed consolidated balance sheets, was $8.0 million as of June 28, 2020 and $8.2 million as of December 29, 2019.

The Company receives a fee for managing the day-to-day operations of SAC pursuant to a management agreement. Proceeds from management fees received from SAC, which were classified as a reduction to cost of sales in the condensed consolidated statements of operations, were $4.7 million in the first half of 2020 and $4.5 million in the first half of 2019.

Coca-Cola Bottlers' Sales and Services Company, LLC ("CCBSS")

Along with other Coca-Cola bottlers in the United States and Canada, the Company is a member of CCBSS, a company formed to provide certain procurement and other services with the intention of enhancing the efficiency and competitiveness of the Coca-Cola bottling system. The Company accounts for CCBSS as an equity method investment and its investment in CCBSS is not material.

CCBSS negotiates the procurement for the majority of the Company's raw materials, excluding concentrate, and the Company receives a rebate from CCBSS for the purchase of these raw materials. The Company had rebates due from CCBSS of $12.4 million on June 28, 2020 and $10.0 million on December 29, 2019, which were classified as accounts receivable, other in the condensed consolidated balance sheets.

In addition, the Company pays an administrative fee to CCBSS for its services. The Company incurred administrative fees to CCBSS of $1.6 million in the first half of 2020 and $1.0 million in the first half of 2019, which were classified as selling, delivery and administrative ("SD&A") expenses in the condensed consolidated statements of operations.

CONA Services LLC ("CONA")

The Company is a member of CONA, an entity formed with The Coca-Cola Company and certain other Coca-Cola bottlers to provide business process and information technology services to its members. The Company accounts for CONA as an equity method investment. The Company's investment in CONA, which was classified as other assets in the condensed consolidated balance sheets, was $11.3 million as of June 28, 2020 and $10.5 million as of December 29, 2019.

Pursuant to an amended and restated master services agreement with CONA, the Company is authorized to use the Coke One North America system (the "CONA System"), a uniform information technology system developed to promote operational efficiency and uniformity among North American Coca-Cola bottlers. In exchange for the Company's rights to use the CONA System and receive CONA-related services, it is charged service fees by CONA. The Company incurred CONA service fees of $11.6 million in the first half of 2020 and $11.5 million in the first half of 2019.

Related Party Leases

The Company leases its headquarters office facility and an adjacent office facility in Charlotte, North Carolina from Beacon Investment Corporation ("Beacon"), of which J. Frank Harrison, III, Chairman of the Board of Directors and Chief Executive Officer of the Company, is the majority stockholder and Morgan H. Everett, Vice Chair of the Companys Board of Directors, is a minority stockholder. During the first quarter of 2020, the Company entered into a new lease agreement, effective January 1, 2020, with Beacon to continue to lease its corporate facilities. The new lease expires on December 31, 2029. The principal balance outstanding under the new lease was $31.8 million on June 28, 2020 and the principal balance outstanding under the previous lease, which was replaced by the new lease, was $6.8 million on December 29, 2019. See Note 9 for additional information.

The Company leases the Snyder Production Center and an adjacent sales facility in Charlotte, North Carolina from Harrison Limited Partnership One ("HLP"), which is directly and indirectly owned by trusts of which J. Frank Harrison, III and Sue Anne H. Wells, a director of the Company, are trustees and beneficiaries and of which Morgan H. Everett is a permissible, discretionary beneficiary. The principal balance outstanding under this lease was $2.2 million on June 28, 2020 and $4.3 million on December 29, 2019. Subsequent to quarter end, the Company entered into an amendment to this lease, effective June 30, 2020, with HLP to continue to lease its production facility in Charlotte, North Carolina. The amendment extended the term of the original lease agreement by 15 years from December 31, 2020 through December 31, 2035. This lease will continue to be classified as a financing lease and the additional lease liability associated with this lease commitment is $60.1 million.

A summary of rental payments related to these leases is as follows:

	Second Quarter		First Half	
(in thousands)	**2020**	**2019**	**2020**	**2019**
Company headquarters	$ 826	$ 1,151	$ 1,652	$ 2,261
Snyder Production Center	1,113	1,081	2,226	2,161

Long-Term Performance Equity Plan

The Long-Term Performance Equity Plan compensates J. Frank Harrison, III based on the Company's performance. Awards granted under the Long-Term Performance Equity Plan are earned based on the Company's attainment during a performance period of certain performance measures, each as specified by the Compensation Committee of the Company's Board of Directors. These awards may be settled in cash and/or shares of the Company's Class B Common Stock, based on the average of the closing prices of the Company's Common Stock during the last 20 trading days of the performance period. Compensation expense for the Long-Term Performance Equity Plan, which is included in SD&A expenses in the condensed consolidated statements of operations, was $4.3 million in the first half of 2020 and $6.7 million in the first half of 2019.

3. Revenue Recognition

The Company offers a range of nonalcoholic beverage products and flavors designed to meet the demands of its consumers, including both sparkling and still beverages. Sparkling beverages are carbonated beverages and the Company's principal sparkling beverage is Coca-Cola. Still beverages include energy products and noncarbonated beverages such as bottled water, tea, ready to drink coffee, enhanced water, juices and sports drinks.

The Company's products are sold and distributed in the United States through various channels, which include selling directly to retail stores and other outlets such as food markets, institutional accounts and vending machine outlets. The Company typically collects payment from customers within 30 days from the date of sale.

The Company's sales are divided into two main categories: (i) bottle/can sales and (ii) other sales. Bottle/can sales include products packaged primarily in plastic bottles and aluminum cans. Bottle/can net pricing is based on the invoice price charged to customers reduced by any promotional allowances. Bottle/can net pricing per unit is impacted by the price charged per package, the sales volume generated for each package and the channels in which those packages are sold. Other sales include sales to other Coca-Cola bottlers, "post-mix" products, transportation revenue and equipment maintenance revenue. Post-mix products are dispensed through equipment that mixes fountain syrups with carbonated or still water, enabling fountain retailers to sell finished products to consumers in cups or glasses.

The Company's contracts are derived from customer orders, including customer sales incentives, generated through an order processing and replenishment model. Generally, the Company's service contracts and contracts related to the delivery of specifically identifiable products have a single performance obligation. Revenues do not include sales or other taxes collected from customers. The Company has defined its performance obligations for its contracts as either at a point in time or over time. Bottle/can sales, sales to other Coca-Cola bottlers and post-mix sales are recognized when control transfers to a customer, which is generally upon delivery and is considered a single point in time ("point in time"). Point in time sales accounted for approximately 97% of the Company's net sales in the first half of 2020 and approximately 96% of the Company's net sales in the first half of 2019. Substantially all of the Company's revenue is recognized at a point in time and is included in the Nonalcoholic Beverages segment.

Other sales, which include revenue for service fees related to the repair of cold drink equipment and delivery fees for freight hauling and brokerage services, are recognized over time ("over time"). Revenues related to cold drink equipment repair are recognized as the respective services are completed using a cost-to-cost input method. Repair services are generally completed in less than one day but can extend up to one month. Revenues related to freight hauling and brokerage services are recognized as the delivery occurs using a miles driven output method. Generally, delivery occurs and freight charges are recognized in the same day. Over time sales orders open at the end of a financial period are not material to the condensed consolidated financial statements.

The following table represents a disaggregation of revenue from contracts with customers:

	Second Quarter		First Half	
(in thousands)	**2020**	**2019**	**2020**	**2019**
Point in time net sales:				
Nonalcoholic Beverages - point in time	$ 1,188,485	$ 1,227,977	$ 2,320,960	$ 2,288,248
Total point in time net sales	**$ 1,188,485**	**$ 1,227,977**	**$ 2,320,960**	**$ 2,288,248**
Over time net sales:				
Nonalcoholic Beverages - over time	$ 7,039	$ 10,908	$ 17,145	$ 22,864
All Other - over time	31,691	34,774	62,131	65,459
Total over time net sales	**$ 38,730**	**$ 45,682**	**$ 79,276**	**$ 88,323**
Total net sales	**$ 1,227,215**	**$ 1,273,659**	**$ 2,400,236**	**$ 2,376,571**

The Company participates in various sales programs with The Coca-Cola Company, other beverage companies and customers to increase the sale of its products. Programs negotiated with customers include arrangements under which allowances can be earned for attaining agreed-upon sales levels. The cost of these various sales incentives is not considered a separate performance obligation and is included as a deduction to net sales.

Allowance payments made to customers can be conditional on the achievement of volume targets and/or marketing commitments. Payments made in advance are recorded as prepayments and amortized in the condensed consolidated statements of operations over the relevant period for which the customer commitment is made. In the event there is no separate identifiable benefit or the fair value of such benefit cannot be established, the amortization of the prepayment is included as a deduction to net sales.

The Company sells its products and extends credit, generally without requiring collateral, based on an ongoing evaluation of the customer’s business prospects and financial condition. The Company evaluates the collectability of its trade accounts receivable based on a number of factors, including the Company’s historic collections pattern and changes to a specific customer’s ability to meet its financial obligations. The Company has established an allowance for doubtful accounts to adjust the recorded receivable to the estimated amount the Company believes will ultimately be collected.

The nature of the Company’s contracts gives rise to several types of variable consideration, including prospective and retrospective rebates. The Company accounts for its prospective and retrospective rebates using the expected value method, which estimates the net price to the customer based on the customer’s expected annual sales volume projections.

The Company experiences customer returns primarily as a result of damaged or out-of-date product. At any given time, the Company estimates less than 1% of bottle/can sales and post-mix sales could be at risk for return by customers. The Company’s reserve for customer returns, which was classified as allowance for doubtful accounts in the condensed consolidated balance sheets, was $3.6 million as of both June 28, 2020 and December 29, 2019. Returned product is recognized as a reduction to net sales.

The Company recognizes an allowance for credit losses related to its accounts receivable to present the net amount expected to be collected at the balance sheet date. The Company estimates this allowance based on historical data such as days' sales outstanding trends, previous write-offs of balances, and monthly reviews of aged trial balances, among others. Accounts receivable balances are written off when deemed uncollectible and are recognized as a deduction from the allowance for credit losses. Expected recoveries, not to exceed the amount previously written off, are considered in determining the reserve balance at the balance sheet date. Below is a summary of activity for the allowance for credit losses as of the end of the first half of 2020:

(in thousands)	Allowance for Credit Losses to Accounts Receivable
Balance at December 29, 2019	$ 10,232
Additions charged to costs and expenses	9,376
Write-offs, net of recoveries	(1,914)
Balance at June 28, 2020	**$ 17,694**

The additions to the allowance for credit losses for the first half of 2020 include a $5.0 million adjustment to address the COVID-19-related collectability risk primarily for our on-premise customers.

4. Segments

The Company evaluates segment reporting in accordance with the FASB Accounting Standards Codification Topic 280, Segment Reporting, each reporting period, including evaluating the reporting package reviewed by the Chief Operating Decision Maker (the "CODM"). The Company has concluded the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer, as a group, represent the CODM. Asset information is not provided to the CODM.

The Company believes three operating segments exist. Nonalcoholic Beverages represents the vast majority of the Company's consolidated revenues and income from operations. The additional two operating segments do not meet the quantitative thresholds for separate reporting, either individually or in the aggregate, and, therefore, have been combined into "All Other."

The Company's segment results are as follows:

	Second Quarter		First Half	
(in thousands)	**2020**	**2019**	**2020**	**2019**
Net sales:				
Nonalcoholic Beverages	$ 1,195,524	$ 1,238,885	$ 2,338,105	$ 2,311,112
All Other	80,329	94,942	161,630	182,857
Eliminations(1)	(48,638)	(60,168)	(99,499)	(117,398)
Consolidated net sales	**$ 1,227,215**	**$ 1,273,659**	**$ 2,400,236**	**$ 2,376,571**
Income from operations:				
Nonalcoholic Beverages	$ 83,907	$ 57,724	$ 119,524	$ 72,365
All Other	(789)	9,490	(3,585)	15,003
Consolidated income from operations	**$ 83,118**	**$ 67,214**	**$ 115,939**	**$ 87,368**
Depreciation and amortization:				
Nonalcoholic Beverages	$ 39,909	$ 42,568	$ 80,667	$ 85,919
All Other	2,928	2,488	5,729	4,909
Consolidated depreciation and amortization	**$ 42,837**	**$ 45,056**	**$ 86,396**	**$ 90,828**

(1) The entire net sales elimination for each period presented represents net sales from the All Other segment to the Nonalcoholic Beverages segment. Sales between these segments are recognized at either fair market value or cost depending on the nature of the transaction.

5. 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:

	Second Quarter		First Half	
(in thousands, except per share data)	2020	2019	2020	2019
Numerator for basic and diluted net income per Common Stock and Class B Common Stock share:				
Net income attributable to Coca-Cola Consolidated, Inc.	$ 39,569	$ 15,370	$ 54,231	$ 8,539
Less dividends:				
Common Stock	1,785	1,785	3,571	3,570
Class B Common Stock	557	558	1,115	1,112
Total undistributed earnings	**$ 37,227**	**$ 13,027**	**$ 49,545**	**$ 3,857**
Common Stock undistributed earnings – basic	$ 28,362	$ 9,925	$ 37,747	$ 2,941
Class B Common Stock undistributed earnings – basic	8,865	3,102	11,798	916
Total undistributed earnings – basic	**$ 37,227**	**$ 13,027**	**$ 49,545**	**$ 3,857**
Common Stock undistributed earnings – diluted	$ 28,161	$ 9,874	$ 37,479	$ 2,925
Class B Common Stock undistributed earnings – diluted	9,066	3,153	12,066	932
Total undistributed earnings – diluted	**$ 37,227**	**$ 13,027**	**$ 49,545**	**$ 3,857**
Numerator for basic net income per Common Stock share:				
Dividends on Common Stock	$ 1,785	$ 1,785	$ 3,571	$ 3,570
Common Stock undistributed earnings – basic	28,362	9,925	37,747	2,941
Numerator for basic net income per Common Stock share	**$ 30,147**	**$ 11,710**	**$ 41,318**	**$ 6,511**
Numerator for basic net income per Class B Common Stock share:				
Dividends on Class B Common Stock	$ 557	$ 558	$ 1,115	$ 1,112
Class B Common Stock undistributed earnings – basic	8,865	3,102	11,798	916
Numerator for basic net income per Class B Common Stock share	**$ 9,422**	**$ 3,660**	**$ 12,913**	**$ 2,028**
Numerator for diluted net income per Common Stock share:				
Dividends on Common Stock	$ 1,785	$ 1,785	$ 3,571	$ 3,570
Dividends on Class B Common Stock assumed converted to Common Stock	557	558	1,115	1,112
Common Stock undistributed earnings – diluted	37,227	13,027	49,545	3,857
Numerator for diluted net income per Common Stock share	**$ 39,569**	**$ 15,370**	**$ 54,231**	**$ 8,539**

(in thousands, except per share data)	Second Quarter 2020	Second Quarter 2019	First Half 2020	First Half 2019
Numerator for diluted net income per Class B Common Stock share:				
Dividends on Class B Common Stock	$ 557	$ 558	$ 1,115	$ 1,112
Class B Common Stock undistributed earnings – diluted	9,066	3,153	12,066	932
Numerator for diluted net income per Class B Common Stock share	**$ 9,623**	**$ 3,711**	**$ 13,181**	**$ 2,044**
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	7,141	7,141
Class B Common Stock weighted average shares outstanding – basic	2,232	2,232	2,232	2,225
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)	9,440	9,421	9,440	9,415
Class B Common Stock weighted average shares outstanding – diluted	2,299	2,280	2,299	2,274
Basic net income per share:				
Common Stock	$ 4.23	$ 1.64	$ 5.79	$ 0.91
Class B Common Stock	$ 4.23	$ 1.64	$ 5.79	$ 0.91
Diluted net income per share:				
Common Stock	$ 4.19	$ 1.64	$ 5.74	$ 0.91
Class B Common Stock	$ 4.18	$ 1.63	$ 5.73	$ 0.90

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) For periods presented during which the Company has net income, the denominator for diluted net income per share for Common Stock and Class B Common Stock included the dilutive effect of shares relative to the Long-Term Performance Equity Plan. For periods presented during which the Company has net loss, the unvested performance units granted pursuant to the Long-Term Performance Equity Plan are excluded from the calculation of diluted net loss per share, as the effect of these awards would be anti-dilutive. See Note 2 for additional information on the Long-Term Performance Equity Plan.

(4) The Long-Term Performance Equity Plan awards may be settled in cash and/or shares of the Company's Class B Common Stock. Once an election has been made to settle an award in cash, the dilutive effect of shares relative to such award is prospectively removed from the denominator for the calculation of diluted net income per share.

(5) The Company did not have anti-dilutive shares for any periods presented.

6. Inventories

Inventories consisted of the following:

(in thousands)	June 28, 2020	December 29, 2019
Finished products	$ 134,731	$ 142,363
Manufacturing materials	40,436	45,267
Plastic shells, plastic pallets and other inventories	35,961	38,296
Total inventories	**$ 211,128**	**$ 225,926**

7. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

(in thousands)	June 28, 2020	December 29, 2019
Repair parts	$ 28,994	$ 28,967
Prepaid software	6,494	5,850
Prepaid marketing	6,314	5,658
Prepaid taxes	5,138	4,359
Prepayments for sponsorship contracts	3,412	8,696
Other prepaid expenses and other current assets	21,818	15,931
Total prepaid expenses and other current assets	**$ 72,170**	**$ 69,461**

8. Property, Plant and Equipment, Net

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

(in thousands)	June 28, 2020	December 29, 2019	Estimated Useful Lives
Land	$ 83,168	$ 76,860	
Buildings	225,665	223,500	8-50 years
Machinery and equipment	357,535	355,575	5-20 years
Transportation equipment	421,858	417,532	4-20 years
Furniture and fixtures	94,918	92,059	3-10 years
Cold drink dispensing equipment	479,272	489,050	5-17 years
Leasehold and land improvements	148,204	145,341	5-20 years
Software for internal use	129,646	128,792	3-10 years
Construction in progress	46,850	29,369	
Total property, plant and equipment, at cost	1,987,116	1,958,078	
Less: Accumulated depreciation and amortization	1,001,938	960,675	
Property, plant and equipment, net	**$ 985,178**	**$ 997,403**	

9. Leases

The Company leases office and warehouse space, machinery and other equipment under noncancelable operating lease agreements and also leases certain warehouse space under financing lease agreements. The Company uses the following policies and assumptions to evaluate its population of leases:

- **Determining a lease:** The Company assesses contracts at inception to determine whether an arrangement is or includes a lease, which conveys the Company’s right to control the use of an identified asset for a period of time in exchange for consideration. Operating lease right-of-use assets and associated liabilities are recognized at the commencement date and initially measured based on the present value of lease payments over the defined lease term.
- **Allocating lease and non-lease components:** The Company has elected the practical expedient to not separate lease and non-lease components for certain classes of underlying assets. The Company has equipment and vehicle lease

agreements, which generally have the lease and associated non-lease components accounted for as a single lease component. The Company has real estate lease agreements with lease and non-lease components, which are generally accounted for separately where applicable.

- **Calculating the discount rate:** The Company calculates the discount rate based on the discount rate implicit in the lease, or if the implicit rate is not readily determinable from the lease, then the Company calculates an incremental borrowing rate using a portfolio approach. The incremental borrowing rate is calculated using the contractual lease term and the Company's borrowing rate.
- **Recognizing leases:** The Company does not recognize leases with a contractual term of less than 12 months on its condensed consolidated balance sheets. Lease expense for these short-term leases is expensed on a straight-line basis over the lease term.
- **Including rent increases or escalation clauses:** Certain leases contain scheduled rent increases or escalation clauses, which can be based on the Consumer Price Index or other rates. The Company assesses each contract individually and applies the appropriate variable payments based on the terms of the agreement.
- **Including renewal options and/or purchase options:** Certain leases include renewal options to extend the lease term and/or purchase options to purchase the leased asset. The Company assesses these options using a threshold of reasonably certain, which is a high threshold and, therefore, the majority of the Company's leases do not include renewal periods or purchase options for the measurement of the right-of-use asset and the associated lease liability. For leases the Company is reasonably certain to renew or purchase, those options are included within the lease term and, therefore, included in the measurement of the right-of-use asset and the associated lease liability.
- **Including options to terminate:** Certain leases include the option to terminate the lease prior to its scheduled expiration. This allows a contractually bound party to terminate its obligation under the lease contract, typically in return for an agreed-upon financial consideration. The terms and conditions of the termination options vary by contract.
- **Including residual value guarantees, restrictions or covenants:** The Company's lease agreements do not contain residual value guarantees, restrictions or covenants.

Following is a summary of the weighted average remaining lease term and weighted average discount rate for the Company's population of leases:

	June 28, 2020	December 29, 2019
Weighted average remaining lease term:		
Operating leases	10.0 years	10.2 years
Financing leases	5.8 years	4.8 years
Weighted average discount rate:		
Operating leases	4.1 %	4.1 %
Financing leases	5.5 %	5.7 %

During the first quarter of 2020, the Company entered into a lease agreement, effective January 1, 2020, with Beacon to continue to lease its headquarters office facility and an adjacent office facility in Charlotte, North Carolina. The new lease has a 10-year term and expires on December 31, 2029. This lease is classified as an operating lease and the additional lease liability associated with this lease was $31.8 million as of June 28, 2020. This lease replaced the previous lease agreement, which was classified as a financing lease and was scheduled to expire on December 31, 2021, and had a $6.8 million principal balance outstanding as of December 29, 2019.

As of June 28, 2020, the Company had two real estate lease commitments that had not yet commenced. The Company amended an existing lease agreement, effective July 6, 2020, to continue to lease its warehouse in North Charleston, South Carolina. The amendment extended the term of the original lease agreement by three years from April 5, 2027 through April 5, 2030. This lease will continue to be classified as an operating lease and the additional lease liability associated with this lease commitment is expected to be $0.8 million. The Company amended an existing lease agreement, effective June 30, 2020, with HLP to continue to lease its production facility in Charlotte, North Carolina. The amendment extended the term of the original lease agreement by 15 years from December 31, 2020 through December 31, 2035. This lease will continue to be classified as a financing lease and the additional lease liability associated with this lease commitment is $60.1 million.

Following is a summary of balances related to the Company's lease portfolio within the condensed consolidated statements of operations:

	Second Quarter		First Half	
(in thousands)	2020	2019	2020	2019
Cost of sales impact:				
Operating lease costs	$ 1,385	$ 1,342	$ 2,770	$ 2,683
Short-term and variable leases	3,057	2,317	5,657	4,579
Depreciation expense from financing leases	353	354	707	707
Total cost of sales impact	**$ 4,795**	**$ 4,013**	**$ 9,134**	**$ 7,969**
SD&A expenses impact:				
Operating lease costs	$ 4,710	$ 3,026	$ 9,379	$ 5,922
Short-term and variable leases	451	779	1,341	1,838
Depreciation expense from financing leases	571	1,137	1,142	2,276
Total SD&A expenses impact	**$ 5,732**	**$ 4,942**	**$ 11,862**	**$ 10,036**
Interest expense, net impact:				
Interest expense on financing lease obligations	$ 241	$ 715	$ 507	$ 1,417
Total interest expense, net impact	**$ 241**	**$ 715**	**$ 507**	**$ 1,417**
Total lease cost	**$ 10,768**	**$ 9,670**	**$ 21,503**	**$ 19,422**

The future minimum lease payments related to the Company's lease portfolio include renewal options the Company has determined to be reasonably certain and exclude payments to landlords for real estate taxes and common area maintenance. Following is a summary of future minimum lease payments for all noncancelable operating leases and financing leases as of June 28, 2020:

(in thousands)	Operating Leases	Financing Leases	Total
Remainder of 2020	$ 11,371	$ 3,518	$ 14,889
2021	21,017	2,628	23,645
2022	18,264	2,694	20,958
2023	15,971	2,750	18,721
2024	15,326	2,808	18,134
Thereafter	90,229	5,407	95,636
Total minimum lease payments including interest	**$ 172,178**	**$ 19,805**	**$ 191,983**
Less: Amounts representing interest	32,523	2,786	35,309
Present value of minimum lease principal payments	**139,655**	**17,019**	**156,674**
Less: Current portion of lease liabilities - operating and financing leases	17,602	4,070	21,672
Noncurrent portion of lease liabilities - operating and financing leases	**$ 122,053**	**$ 12,949**	**$ 135,002**

Following is a summary of future minimum lease payments for all noncancelable operating leases and financing leases as of December 29, 2019:

(in thousands)	Operating Leases	Financing Leases	Total
2020	$ 19,236	$ 10,611	$ 29,847
2021	16,815	6,215	23,030
2022	14,016	2,694	16,710
2023	11,704	2,750	14,454
2024	10,989	2,808	13,797
Thereafter	67,556	5,406	72,962
Total minimum lease payments including interest	**$ 140,316**	**$ 30,484**	**$ 170,800**
Less: Amounts representing interest	27,527	3,678	31,205
Present value of minimum lease principal payments	**112,789**	**26,806**	**139,595**
Less: Current portion of lease liabilities - operating and financing leases	15,024	9,403	24,427
Noncurrent portion of lease liabilities - operating and financing leases	**$ 97,765**	**$ 17,403**	**$ 115,168**

Following is a summary of balances related to the Company's lease portfolio within the condensed consolidated statements of cash flows:

	First Half	
(in thousands)	2020	2019
Cash flows from operating activities impact:		
Operating leases	$ 8,633	$ 8,515
Interest payments on financing lease obligations	507	1,417
Total cash flows from operating activities impact	**$ 9,140**	**$ 9,932**
Cash flows from financing activities impact:		
Principal payments on financing lease obligations	$ 3,001	$ 4,261
Total cash flows from financing activities impact	**$ 3,001**	**$ 4,261**

10. Distribution Agreements, Net

Distribution agreements, net, which are amortized on a straight-line basis and have an estimated useful life of 10 to 40 years, consisted of the following:

(in thousands)	June 28, 2020	December 29, 2019
Distribution agreements at cost	$ 950,549	$ 950,549
Less: Accumulated amortization	86,595	74,453
Distribution agreements, net	**$ 863,954**	**$ 876,096**

11. Customer Lists and Other Identifiable Intangible Assets, Net

Customer lists and other identifiable intangible assets, net, which are amortized on a straight-line basis and have an estimated useful life of 5 to 12 years, consisted of the following:

(in thousands)	June 28, 2020	December 29, 2019
Customer lists and other identifiable intangible assets at cost	$ 25,288	$ 25,288
Less: Accumulated amortization	11,564	10,645
Customer lists and other identifiable intangible assets, net	**$ 13,724**	**$ 14,643**

12. Other Accrued Liabilities

Other accrued liabilities consisted of the following:

(in thousands)	June 28, 2020	December 29, 2019
Accrued insurance costs	$ 47,629	$ 44,584
Current portion of acquisition related contingent consideration	34,388	41,087
Accrued marketing costs	34,346	34,947
Employee and retiree benefit plan accruals	29,752	33,699
Accrued taxes (other than income taxes)	10,061	6,366
Commodity hedges at fair market value	2,918	1,174
Checks and transfers yet to be presented for payment from zero balance cash accounts	2,412	20,199
Current deferred proceeds from Territory Conversion Fee	2,286	2,286
Federal income taxes	—	1,651
All other accrued expenses	26,226	22,841
Total other accrued liabilities	**$ 190,018**	**$ 208,834**

13. Derivative Financial Instruments

The Company is subject to the risk of increased costs arising from adverse changes in certain 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 condensed consolidated balance sheets. These derivative instruments are not designated as hedging instruments under GAAP and are used as "economic hedges" to manage certain commodity price risk. Derivative instruments held 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 in the condensed 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 would be exposed to credit loss in the event of nonperformance by these counterparties, the Company does not anticipate nonperformance by these parties.

The following table summarizes pre-tax changes in the fair value of the Company's commodity derivative financial instruments and the classification of such changes in the condensed consolidated statements of operations:

		Second Quarter		First Half	
(in thousands)	Classification of Gain (Loss)	2020	2019	2020	2019
Commodity hedges	Cost of sales	$ 1,266	$ (4,874)	$ (270)	$ (969)
Commodity hedges	Selling, delivery and administrative expenses	805	(66)	(1,524)	2,649
Total gain (loss)		**$ 2,071**	**$ (4,940)**	**$ (1,794)**	**$ 1,680**

The following table summarizes the fair values and classification in the condensed consolidated balance sheets of derivative instruments held by the Company:

(in thousands)	**Balance Sheet Classification**	**June 28, 2020**	**December 29, 2019**
Assets:			
Commodity hedges at fair market value	Prepaid expenses and other current assets	$ 823	$ 1,007
Total assets		**$ 823**	**$ 1,007**
Liabilities:			
Commodity hedges at fair market value	Other accrued liabilities	$ 2,918	$ 1,174
Total liabilities		**$ 2,918**	**$ 1,174**

The Company has master agreements with the counterparties to its derivative financial agreements that provide for net settlement of derivative transactions. Accordingly, the net amounts of derivative assets are recognized in either prepaid expenses and other current assets or other assets in the condensed consolidated balance sheets and the net amounts of derivative liabilities are recognized in other accrued liabilities or other liabilities in the condensed consolidated balance sheets.

The following table summarizes the Company's gross derivative assets and gross derivative liabilities in the condensed consolidated balance sheets:

(in thousands)	**June 28, 2020**	**December 29, 2019**
Gross derivative assets	$ 904	$ 3,298
Gross derivative liabilities	2,999	3,465

The following table summarizes the Company's outstanding commodity derivative agreements:

(in thousands)	**June 28, 2020**	**December 29, 2019**
Notional amount of outstanding commodity derivative agreements	$ 123,428	$ 171,699
Latest maturity date of outstanding commodity derivative agreements	December 2020	December 2020

14. Fair Values of Financial Instruments

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

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The following methods and assumptions were used by the Company in estimating the fair values of its financial instruments. There were no transfers of assets or liabilities between levels in any period presented.

Financial Instrument	Fair Value Level	Methods and Assumptions
Deferred compensation plan assets and liabilities	Level 1	The fair value of the Company's non-qualified deferred compensation plan for certain executives and other highly compensated employees is based on the fair values of associated assets and liabilities, which are held in mutual funds and are based on the quoted market value of the securities held within the mutual funds.
Commodity hedging agreements	Level 2	The fair values of the Company's commodity hedging agreements are based on current settlement values at each balance sheet date. The fair values of the commodity hedging agreements at each balance sheet date represent the estimated amounts the Company would have received or paid upon termination of these agreements. The Company's credit risk related to the derivative financial instruments is managed by requiring high standards for its counterparties and periodic settlements. The Company considers nonperformance risk in determining the fair values of derivative financial instruments.
Nonpublic variable rate debt	Level 2	The carrying amounts of the Company's nonpublic variable rate debt approximate their fair values due to variable interest rates with short reset periods.
Nonpublic fixed rate debt	Level 2	The fair values of the Company's nonpublic fixed rate debt are based on estimated current market prices.
Public debt securities	Level 2	The fair values of the Company's public debt securities are based on estimated current market prices.
Acquisition related contingent consideration	Level 3	The fair values of acquisition related contingent consideration are based on internal forecasts and the weighted average cost of capital ("WACC") derived from market data.

The following tables summarize, by assets and liabilities, the carrying amounts and fair values by level of the Company's deferred compensation plan, commodity hedging agreements, debt and acquisition related contingent consideration:

	June 28, 2020				
(in thousands)	Carrying Amount	Total Fair Value	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
Assets:					
Deferred compensation plan assets	$ 43,904	$ 43,904	$ 43,904	$ —	$ —
Commodity hedging agreements	823	823	—	823	—
Liabilities:					
Deferred compensation plan liabilities	43,904	43,904	43,904	—	—
Commodity hedging agreements	2,918	2,918	—	2,918	—
Nonpublic variable rate debt	247,338	247,500	—	247,500	—
Nonpublic fixed rate debt	374,734	391,700	—	391,700	—
Public debt securities	348,102	385,000	—	385,000	—
Acquisition related contingent consideration	441,113	441,113	—	—	441,113

(in thousands)	December 29, 2019 Carrying Amount	Total Fair Value	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
Assets:					
Deferred compensation plan assets	$ 42,543	$ 42,543	$ 42,543	$ —	$ —
Commodity hedging agreements	1,007	1,007	—	1,007	—
Liabilities:					
Deferred compensation plan liabilities	42,543	42,543	42,543	—	—
Commodity hedging agreements	1,174	1,174	—	1,174	—
Nonpublic variable rate debt	307,250	307,500	—	307,500	—
Nonpublic fixed rate debt	374,723	383,900	—	383,900	—
Public debt securities	347,947	367,300	—	367,300	—
Acquisition related contingent consideration	446,684	446,684	—	—	446,684

The acquisition related contingent consideration is valued using a probability weighted discounted cash flow model based on internal forecasts and the WACC derived from market data, which are considered Level 3 inputs. Each reporting period, the Company adjusts its acquisition related contingent consideration liability related to the distribution territories to fair value by discounting future expected sub-bottling payments required under the CBA using the Company's estimated WACC.

The future expected sub-bottling payments extend through the life of the applicable distribution assets acquired from CCR, which is generally 40 years. As a result, the fair value of the acquisition related contingent consideration liability is impacted by the Company's WACC, management's estimate of the amounts that will be paid in the future under the CBA, and current sub-bottling payments (all Level 3 inputs). Changes in any of these Level 3 inputs, particularly the underlying risk-free interest rate used to estimate the Company's WACC, could result in material changes to the fair value of the acquisition related contingent consideration and could materially impact the amount of non-cash income or expense recorded each reporting period.

The acquisition related contingent consideration liability is the Company's only Level 3 asset or liability. A reconciliation of the Level 3 activity is as follows:

(in thousands)	Second Quarter 2020	Second Quarter 2019	First Half 2020	First Half 2019
Beginning balance - Level 3 liability	**$ 437,094**	**$ 393,007**	**$ 446,684**	**$ 382,898**
Payments of acquisition related contingent consideration	(10,079)	(6,599)	(20,531)	(12,836)
Reclassification to current payables	(450)	(3,180)	(300)	(880)
Increase in fair value	14,548	29,222	15,260	43,268
Ending balance - Level 3 liability	**$ 441,113**	**$ 412,450**	**$ 441,113**	**$ 412,450**

The increase in the fair value of the acquisition related contingent consideration liability during the first half of 2020 was primarily driven by changes in future cash flow projections of the distribution territories subject to sub-bottling fees, partially offset by an increase in the discount rate used to calculate the fair values. The increase in the fair value of the acquisition related contingent consideration liability during the first half of 2019 was primarily driven by a decrease in the discount rate and changes in future cash flow projections of the distribution territories subject to sub-bottling fees. These fair value adjustments were recorded in other expense, net in the condensed consolidated statements of operations.

The anticipated amount the Company could pay annually under acquisition related contingent consideration arrangements is expected to be in the range of $28 million to $52 million.

15. Income Taxes

The Company's effective income tax rate, calculated by dividing income tax expense by income before income taxes, was 26.1% for the first half of 2020 and 27.0% for the first half of 2019. The decrease in the effective income tax rate was primarily driven by improved financial results and the extension of certain tax credits in 2020.

The Company's effective income tax rate, calculated by dividing income tax expense by income before income taxes minus net income attributable to noncontrolling interest, was 27.5% for the first half of 2020 and 32.8% for the first half of 2019.

The Company had uncertain tax positions, including accrued interest, of $3.4 million on June 28, 2020 and $2.5 million on December 29, 2019, all of which would affect the Company's effective income tax rate if recognized. While it is expected the amount of uncertain tax positions may change in the next 12 months, the Company does not expect such change would have a significant impact on the condensed consolidated financial statements.

Prior tax years beginning in year 2002 remain open to examination by the Internal Revenue Service, and various tax years beginning in year 1998 remain open to examination by certain state taxing authorities.

16. Pension and Postretirement Benefit Obligations

Pension Plans

There are two Company-sponsored pension plans. The primary Company-sponsored pension plan was frozen as of June 30, 2006 and no benefits accrued to participants after this date. The second Company-sponsored pension plan (the "Bargaining Plan") is for certain employees under collective bargaining agreements. Benefits under the Bargaining Plan are determined in accordance with negotiated formulas for the respective participants. Contributions to the plans are based on actuarially determined amounts and are limited to the amounts currently deductible for income tax purposes.

The components of net periodic pension cost were as follows:

	Second Quarter		First Half	
(in thousands)	**2020**	**2019**	**2020**	**2019**
Service cost	$ 1,658	$ 1,206	$ 3,317	$ 2,413
Interest cost	2,760	3,062	5,520	6,125
Expected return on plan assets	(3,383)	(2,574)	(6,766)	(5,148)
Recognized net actuarial loss	1,190	900	2,379	1,801
Amortization of prior service cost	4	7	9	12
Net periodic pension cost	**$ 2,229**	**$ 2,601**	**$ 4,459**	**$ 5,203**

The Company did not make any contributions to the two Company-sponsored pension plans during the first half of 2020. Contributions to the two Company-sponsored pension plans are expected to be in the range of $8 million to $12 million for the remainder of 2020.

Postretirement Benefits

The Company provides postretirement benefits for employees meeting specified criteria. 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:

	Second Quarter		First Half	
(in thousands)	**2020**	**2019**	**2020**	**2019**
Service cost	$ 376	$ 389	$ 752	$ 778
Interest cost	504	693	1,007	1,386
Recognized net actuarial loss	87	195	175	391
Amortization of prior service cost	—	(322)	—	(646)
Net periodic postretirement benefit cost	**$ 967**	**$ 955**	**$ 1,934**	**$ 1,909**

17. Other Liabilities

Other liabilities consisted of the following:

(in thousands)		June 28, 2020		December 29, 2019
Noncurrent portion of acquisition related contingent consideration	$	406,725	$	405,597
Accruals for executive benefit plans		135,001		141,380
Noncurrent deferred proceeds from Territory Conversion Fee		81,733		82,877
Noncurrent deferred proceeds from Legacy Facilities Credit		29,170		29,569
Deferral of payroll taxes under CARES Act		13,128		—
Other		8,912		9,143
Total other liabilities	**$**	**674,669**	**$**	**668,566**

18. Debt

Following is a summary of the Company's debt:

(in thousands)	Maturity Date	Interest Rate	Interest Paid	Public or Nonpublic		June 28, 2020		December 29, 2019
Term loan facility[1]	6/7/2021	Variable	Varies	Nonpublic	$	247,500	$	262,500
Senior notes	2/27/2023	3.28%	Semi-annually	Nonpublic		125,000		125,000
Revolving credit facility[2]	6/8/2023	Variable	Varies	Nonpublic		—		45,000
Senior notes	11/25/2025	3.80%	Semi-annually	Public		350,000		350,000
Senior notes	10/10/2026	3.93%	Quarterly	Nonpublic		100,000		100,000
Senior notes	3/21/2030	3.96%	Quarterly	Nonpublic		150,000		150,000
Unamortized discount on senior notes[3]	11/25/2025					(48)		(52)
Debt issuance costs						(2,278)		(2,528)
Long-term debt					**$**	**970,174**	**$**	**1,029,920**

(1) The Company intends to refinance principal payments due in the next 12 months under the term loan facility, and has the capacity to do so under its revolving credit facility, which is classified as long-term debt. As such, any amounts due in the next 12 months were classified as noncurrent.

(2) The Company's revolving credit facility has an aggregate maximum borrowing capacity of $500 million, which may be increased at the Company's option to $750 million, subject to obtaining commitments from the lenders and satisfying other conditions specified in the credit agreement. The Company currently believes all banks participating in the revolving credit facility have the ability to and will meet any funding requests from the Company.

(3) The senior notes due in 2025 were issued at 99.975% of par.

The Company mitigates its financing risk by using multiple financial institutions and only entering into credit arrangements with institutions with investment grade credit ratings. The Company monitors counterparty credit ratings on an ongoing basis.

In 2019, the Company entered into a $100 million fixed rate swap maturing June 7, 2021, to hedge a portion of the interest rate risk on the Company's term loan facility. This interest rate swap is designated as a cash flow hedging instrument and changes in its fair value are not expected to be material to the condensed consolidated balance sheets. Changes in the fair value of this interest rate swap were classified as accumulated other comprehensive loss on the condensed consolidated balance sheets and included in the condensed consolidated statements of comprehensive income.

The indentures under which the Company's public debt was issued do not include financial covenants but do limit the incurrence of certain liens and encumbrances as well as indebtedness by the Company's subsidiaries in excess of certain amounts. The agreements under which the Company's nonpublic debt was issued include two financial covenants: a consolidated cash flow/fixed charges ratio and a consolidated funded indebtedness/cash flow ratio, each as defined in the respective agreements. The Company was in compliance with these covenants as of June 28, 2020. These covenants do not currently, and the Company does not anticipate they will, restrict its liquidity or capital resources.

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

19. Commitments and Contingencies

Manufacturing Cooperatives

The Company is obligated to purchase at least 80% of its requirements of plastic bottles for certain designated territories from Southeastern. The Company is also obligated to purchase 17.5 million cases of finished product from SAC on an annual basis through June 2024. The Company purchased 15.1 million cases and 14.3 million cases of finished product from SAC in the first half of 2020 and the first half of 2019, respectively.

The following table summarizes the Company's purchases from these manufacturing cooperatives:

	Second Quarter		First Half	
(in thousands)	2020	2019	2020	2019
Purchases from Southeastern	$ 32,611	$ 36,614	$ 63,639	$ 70,940
Purchases from SAC	40,385	39,993	82,219	77,439
Total purchases from manufacturing cooperatives	**$ 72,996**	**$ 76,607**	**$ 145,858**	**$ 148,379**

The Company guarantees a portion of SAC's debt, which expires at various dates through 2024. The amount guaranteed was $14.7 million on both June 28, 2020 and December 29, 2019. In the event SAC fails to fulfill its commitments under the related debt, the Company would be responsible for payment to the lenders up to the level of the guarantee. The Company does not anticipate SAC will fail to fulfill its commitments related to the debt. The Company further believes SAC has sufficient assets, including production equipment, facilities and working capital, and the ability to adjust selling prices of its products to adequately mitigate the risk of material loss from the Company's guarantee.

The Company holds no assets as collateral against the SAC guarantee, the fair value of which is immaterial to the condensed consolidated financial statements. The Company monitors its investment in SAC and would be required to write down its investment if an impairment was identified and the Company determined it to be other than temporary. No impairment of the Company's investment in SAC was identified as of June 28, 2020, and there was no impairment identified in 2019.

Other Commitments and Contingencies

The Company has standby letters of credit, primarily related to its property and casualty insurance programs. These letters of credit totaled $37.6 million on June 28, 2020 and $35.6 million on December 29, 2019.

The Company participates in long-term marketing contractual arrangements with certain prestige properties, athletic venues and other locations. As of June 28, 2020, the future payments related to these contractual arrangements, which expire at various dates through 2033, amounted to $178.1 million.

The Company is involved in various claims and legal proceedings which have arisen in the ordinary course of its business. Although it is difficult to predict the ultimate outcome of these claims and legal proceedings, management believes that the ultimate disposition of these matters will not have a material adverse effect on the financial condition, results of operations or cash flows 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 audits by tax authorities in jurisdictions where it conducts business. These audits may result in assessments that are subsequently resolved with the authorities or potentially through the courts. Management believes the Company has adequately provided for any assessments likely to result from these audits; however, final assessments, if any, could be different than the amounts recorded in the condensed consolidated financial statements.

20. Accumulated Other Comprehensive Income (Loss)

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

A summary of AOCI(L) for the second quarter of 2020 and the second quarter of 2019 is as follows:

(in thousands)	March 29, 2020	Pre-tax Activity	Tax Effect	June 28, 2020
Net pension activity:				
Actuarial loss	$ (92,278)	$ 1,190	$ (293)	$ (91,381)
Prior service costs	(3)	4	(1)	—
Net postretirement benefits activity:				
Actuarial loss	(1,125)	87	(21)	(1,059)
Prior service costs	(624)	—	—	(624)
Interest rate swap	(1,285)	3	(1)	(1,283)
Foreign currency translation adjustment	(17)	4	(1)	(14)
Reclassification of stranded tax effects	(19,720)	—	—	(19,720)
Total AOCI(L)	**$ (115,052)**	**$ 1,288**	**$ (317)**	**$ (114,081)**

(in thousands)	March 31, 2019	Pre-tax Activity	Tax Effect	June 30, 2019
Net pension activity:				
Actuarial loss	$ (72,011)	$ 900	$ (221)	$ (71,332)
Prior service costs	(20)	7	(2)	(15)
Net postretirement benefits activity:				
Actuarial loss	(4,754)	195	(48)	(4,607)
Prior service costs	107	(322)	79	(136)
Foreign currency translation adjustment	(9)	7	(2)	(4)
Reclassification of stranded tax effects	(19,720)	—	—	(19,720)
Total AOCI(L)	**$ (96,407)**	**$ 787**	**$ (194)**	**$ (95,814)**

A summary of AOCI(L) for the first half of 2020 and the first half of 2019 is as follows:

(in thousands)	December 29, 2019	Pre-tax Activity	Tax Effect	June 28, 2020
Net pension activity:				
Actuarial loss	$ (93,174)	$ 2,379	$ (586)	$ (91,381)
Prior service costs	(7)	9	(2)	—
Net postretirement benefits activity:				
Actuarial loss	(1,191)	175	(43)	(1,059)
Prior service costs	(624)	—	—	(624)
Interest rate swap	(270)	(1,344)	331	(1,283)
Foreign currency translation adjustment	(16)	3	(1)	(14)
Reclassification of stranded tax effects	(19,720)	—	—	(19,720)
Total AOCI(L)	**$ (115,002)**	**$ 1,222**	**$ (301)**	**$ (114,081)**

(in thousands)	December 30, 2018	Pre-tax Activity	Tax Effect	June 30, 2019
Net pension activity:				
Actuarial loss	$ (72,690)	$ 1,801	$ (443)	$ (71,332)
Prior service costs	(24)	12	(3)	(15)
Net postretirement benefits activity:				
Actuarial loss	(4,902)	391	(96)	(4,607)
Prior service costs	351	(646)	159	(136)
Foreign currency translation adjustment	—	(3)	(1)	(4)
Reclassification of stranded tax effects	—	—	(19,720)	(19,720)
Total AOCI(L)	**$ (77,265)**	**$ 1,555**	**$ (20,104)**	**$ (95,814)**

A summary of the impact of AOCI(L) on certain statements of operations line items is as follows:

	Second Quarter 2020				
(in thousands)	Net Pension Activity	Net Postretirement Benefits Activity	Interest Rate Swap	Foreign Currency Translation Adjustment	Total
Cost of sales	$ 360	$ 57	$ —	$ —	$ 417
Selling, delivery and administrative expenses	834	30	3	4	871
Subtotal pre-tax	1,194	87	3	4	1,288
Income tax expense	294	21	1	1	317
Total after tax effect	**$ 900**	**$ 66**	**$ 2**	**$ 3**	**$ 971**

	Second Quarter 2019				
(in thousands)	Net Pension Activity	Net Postretirement Benefits Activity	Interest Rate Swap	Foreign Currency Translation Adjustment	Total
Cost of sales	$ 266	$ (66)	$ —	$ —	$ 200
Selling, delivery and administrative expenses	641	(61)	—	7	587
Subtotal pre-tax	907	(127)	—	7	787
Income tax expense (benefit)	223	(31)	—	2	194
Total after tax effect	**$ 684**	**$ (96)**	**$ —**	**$ 5**	**$ 593**

(in thousands)	First Half 2020 Net Pension Activity	Net Postretirement Benefits Activity	Interest Rate Swap	Foreign Currency Translation Adjustment	Total
Cost of sales	$ 694	$ 105	$ —	$ —	$ 799
Selling, delivery and administrative expenses	1,694	70	(1,344)	3	423
Subtotal pre-tax	2,388	175	(1,344)	3	1,222
Income tax expense (benefit)	588	43	(331)	1	301
Total after tax effect	**$ 1,800**	**$ 132**	**$ (1,013)**	**$ 2**	**$ 921**

(in thousands)	First Half 2019 Net Pension Activity	Net Postretirement Benefits Activity	Interest Rate Swap	Foreign Currency Translation Adjustment	Total
Cost of sales	$ 529	$ (133)	$ —	$ —	$ 396
Selling, delivery and administrative expenses	1,284	(122)	—	(3)	1,159
Subtotal pre-tax	1,813	(255)	—	(3)	1,555
Income tax expense (benefit)	446	(63)	—	1	384
Total after tax effect	**$ 1,367**	**$ (192)**	**$ —**	**$ (4)**	**$ 1,171**

21. Supplemental Disclosures of Cash Flow Information

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

(in thousands)	First Half 2020	2019
Accounts receivable, trade, net	$ (30,948)	$ (20,374)
Accounts receivable from The Coca-Cola Company	14,319	(23,273)
Accounts receivable, other	3,676	(8,199)
Inventories	14,798	(20,865)
Prepaid expenses and other current assets	(2,709)	(2,408)
Accounts payable, trade	37,015	32,761
Accounts payable to The Coca-Cola Company	31,081	28,237
Other accrued liabilities	(20,160)	(52,688)
Accrued compensation	(25,645)	(10,256)
Accrued interest payable	(492)	(1,777)
Change in current assets less current liabilities	**$ 20,935**	**$ (78,842)**

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 of Coca-Cola Consolidated, Inc., a Delaware corporation (together with its majority-owned subsidiaries, the "Company," "we," "us" or "our"), should be read in conjunction with the condensed consolidated financial statements of the Company and the accompanying notes to the condensed consolidated financial statements.

The Company's fiscal year generally ends on the Sunday closest to December 31 of each year. The condensed consolidated financial statements presented are:

- The financial position as of June 28, 2020 and December 29, 2019.
- The results of operations and comprehensive income for the 13-week periods ended June 28, 2020 (the "second quarter" of fiscal 2020 ("2020")) and June 30, 2019 (the "second quarter" of fiscal 2019 ("2019")), and the 26-week periods ended June 28, 2020 (the "first half" of 2020) and June 30, 2019 (the "first half" of 2019).
- The changes in cash flows and equity for the first half of 2020 and the first half of 2019.

All comparisons are to the corresponding period in the prior year unless specified otherwise.

The condensed consolidated financial statements include the consolidated operations of the Company and its majority-owned subsidiaries, including Piedmont Coca-Cola Bottling Partnership ("Piedmont"), the Company's only subsidiary with a significant noncontrolling interest. This noncontrolling interest consists of The Coca-Cola Company's interest in Piedmont, which was 22.7% for all periods presented.

Our Business and the Nonalcoholic Beverage Industry

We distribute, market and manufacture nonalcoholic beverages in territories spanning 14 states and the District of Columbia. The Company was incorporated in 1980 and, together with its predecessors, has been in the nonalcoholic beverage manufacturing and distribution business since 1902. We are the largest Coca-Cola bottler in the United States. Approximately 85% of our total bottle/can sales volume to retail customers consists of products of The Coca-Cola Company, which include some of the most recognized and popular beverage brands in the world. We also distribute products for several other beverage companies, including BA Sports Nutrition, LLC ("BodyArmor"), Keurig Dr Pepper Inc. ("Dr Pepper") and Monster Energy Company. Our purpose is to honor God, to serve others, to pursue excellence and to grow profitably. Our stock is traded on the NASDAQ Global Select Market under the symbol "COKE."

We offer a range of nonalcoholic beverage products and flavors designed to meet the demands of our consumers, including both sparkling and still beverages. Sparkling beverages are carbonated beverages and the Company's principal sparkling beverage is Coca-Cola. Still beverages include energy products and noncarbonated beverages such as bottled water, tea, ready to drink coffee, enhanced water, juices and sports drinks.

Our sales are divided into two main categories: (i) bottle/can sales and (ii) other sales. Bottle/can sales include products packaged primarily in plastic bottles and aluminum cans. Other sales include sales to other Coca-Cola bottlers, "post-mix" products, transportation revenue and equipment maintenance revenue. Post-mix products are dispensed through equipment that mixes fountain syrups with carbonated or still water, enabling fountain retailers to sell finished products to consumers in cups or glasses.

Bottle/can net pricing is based on the invoice price charged to customers reduced by any promotional allowances. Bottle/can net pricing per unit is impacted by the price charged per package, the sales volume generated for each package and the channels in which those packages are sold. The Company's products are sold and distributed in the United States through various channels, which include selling directly to retail stores and other outlets such as food markets, institutional accounts and vending machine outlets.

The nonalcoholic beverage industry is highly competitive for both sparkling and still beverages. Our competitors include bottlers and distributors of nationally and regionally advertised and marketed products, as well as bottlers and distributors of private label beverages. Our principal competitors include local bottlers of PepsiCo, Inc. products and, in some regions, local bottlers of Dr Pepper products.

The principal methods of competition in the nonalcoholic beverage industry are new brand and product introductions, point-of-sale merchandising, new vending and dispensing equipment, packaging changes, pricing, sales promotions, product quality, retail space management, customer service, frequency of distribution and advertising. We believe we are competitive in our territories with respect to these methods of competition.

Business seasonality results primarily from higher unit sales of the Company's products in the second and third quarters of the fiscal year. We believe that we and other manufacturers from whom we purchase finished products have adequate production capacity to meet sales demand for sparkling and still beverages during these peak periods. Sales volume can also be impacted by weather conditions. Fixed costs, such as depreciation expense, are not significantly impacted by business seasonality.

COVID-19 Impact on Customer, Teammate and Community Safety

The Company continues to diligently monitor the impact of the COVID-19 pandemic on all aspects of its business, including the impact on its customers, teammates, suppliers and distribution network. Our business has been recognized by the United States Department of Homeland Security and state and local governments in the communities in which we operate as "essential," as all of our teammates support beverage manufacturing and distribution.

The Company has taken the following actions to protect our customers, teammates and communities, while it continues to manufacture and distribute its products:

- We continue to execute our Infectious Disease Response Plan and Incident Management Crisis Response protocols as the macro environment moves through the Response, Reopen and Recovery phases of the COVID-19 pandemic.
- We have established a cross-functional Health & Wellness Task Force to manage and monitor all risk mitigation and safety activities related to COVID-19. In addition, a subset of leaders from the Health & Wellness Task Force conducts case management activities that follow prescribed company and other accepted standards (e.g., Centers for Disease Control and Prevention ("CDC") and local health authorities).
- We have established a process for the reporting of COVID-19 symptoms, exposures, and positive test results of teammates and of incidents in our customer accounts that our teammates have serviced. This reporting process enables the Company to follow appropriate quarantine protocols and to communicate to our workforce in a timely and appropriate manner.
- We have increased our communications with our teammates through podcasts, meetings, videos and emails about safety protocols, Personal Protective Equipment ("PPE"), such as disposable gloves and masks, and CDC requirements and recommendations.
- We have increased our sanitation protocols to sanitize equipment and common areas multiple times per day in order to mitigate risk and exposure situations.
- We have promoted hygiene practices recommended by the CDC, including social distancing requiring six or more feet between teammates where possible, and staggered work start and stop times and lunch breaks.
- We have utilized daily health and wellness monitoring, PPE and other measures to promote workplace safety and remain in compliance with local or state regulatory requirements.
- We have restricted access to our facilities for non-essential visitors, vendors and contractors. For essential visitors, vendors and contractors we require health and wellness certifications to be completed and the use of PPE as the Company deems appropriate.
- We have restricted business travel to "essential travel" to curtail exposure risks for all teammates.
- We have provided sanitation solution and supplies for our front-line teammates who interact with our products, customers, communities and office environments.
- We have implemented work-from-home routines for teammates whose work duties permit it and are utilizing virtual technology to replace many of our in-person meetings.
- We have developed a comprehensive Return to Office Program of Guidelines to manage a phased, measured approach and to prepare our higher density locations with safety modifications, signage, and process changes to promote a safe work environment.
- We have offered our teammates 40 hours of supplemental sick time for non-exempt teammates to encourage our teammates to stay home if they or their family members are experiencing COVID-19 symptoms.
- We have modified our healthcare plans for COVID-19-related events to cover the costs of COVID-19 treatment to remove a barrier for our teammates to receive care if they are experiencing symptoms.
- We have worked with state and local elected officials in order to quickly implement newly enacted state and local government regulatory safety requirements and guidelines.

Executive Summary for the Second Quarter of 2020

Physical case volume increased 0.6% in the second quarter of 2020. COVID-19-related stay-at-home orders resulted in extreme volatility in our revenue and physical case sales during the quarter as the shift towards multi-serve packages sold in larger retail stores caused by the closure of on-premise outlets that started during March continued during the second quarter of 2020. Volume was strong in our Sparkling category, increasing 3.7% in the second quarter of 2020. Still beverage volume declined 6.6%, as convenience retail and on-premise outlets were negatively impacted by less consumer traffic. Our Still beverage portfolio relies more heavily on single serve sales in our small stores and accounts where our products are consumed on-premise. Consumer demand was highly volatile during the quarter but improved sequentially as stay-at-home orders were lifted and local economies re-opened. Our bottle/can physical case sales volume monthly growth/(decline) compared to the same month of 2019 was (6.1)%, 1.9% and 4.7% for April, May and June 2020, respectively. We don't expect the demand experienced in June to sustain itself in future months, but we are encouraged by the volume growth generated in the second quarter of 2020.

Revenue decreased 3.6% in the second quarter of 2020. Revenue from our bottle/can Sparkling beverages increased 4.4% in the second quarter of 2020, driven primarily by volume growth and price realization within this category. Revenue from our Still beverages declined 4.7% in the second quarter of 2020 as a result of lower sales volume in small store and on-premise outlets. Revenue from fountain syrup, which is primarily sold through restaurants, convenience stores, amusement parks and other on-premise outlets, declined $29.3 million, or 56.6%, during the second quarter of 2020. The significant decline in fountain syrup revenue is a direct result of the previously mentioned stay-at-home orders. For the first half of 2020, revenue increased $23.7 million, or 1.0%. While sales within our Sparkling and Still categories grew 5.1% and 2.2% for the first half of 2020, respectively, fountain syrup sales decreased 32.8%.

Gross profit decreased $6.5 million, or 1.5%, in the second quarter of 2020, while gross margin increased 80 basis points to 35.0%, primarily driven by a shift in our product mix to Sparkling take home packages which generally carry a lower per case gross profit than immediate consumption packages. The negative mix impact was partially offset by commodity price favorability and favorable manufacturing costs. On an adjusted basis, as defined in the "Adjusted Non-GAAP Results" section below, gross profit declined $13.2 million, or 3.0%, in the second quarter of 2020. Adjusted gross margin increased 20 basis points to 34.9% primarily as a result of favorable commodity prices. Gross profit for the first half of 2020 increased $9.5 million, or 1.2%. On an adjusted basis, gross profit increased $8.8 million compared to the first half of 2019,while adjusted gross margin was 34.8%, consistent with the prior year period.

Selling, delivery and administrative ("SD&A") expenses in the second quarter of 2020 decreased $22.4 million, or 6.1%. SD&A expenses as a percentage of net sales decreased 70 basis points in the second quarter of 2020. Adjusted SD&A expenses in the second quarter of 2020 decreased $17.4 million, or 4.8%. The decrease in SD&A expenses relates to lower labor costs as a result of adjustments we made to our operating model in response to COVID-19-related impacts on our business. In April, we furloughed approximately 700 employees, most of whom returned to work in mid-June. We estimate these furloughs resulted in approximately $6.0 million of payroll savings for the second quarter of 2020. Additionally, we generated favorable results in a number of expense categories due to reductions in local market activity and diligent management of our variable operating expenses. SD&A expenses in the first half of 2020 decreased $19.1 million or 2.6%. SD&A expenses as a percentage of net sales decreased 110 basis points in the first half of 2020 as compared to the first half of 2019.

Income from operations in the second quarter of 2020 was $83.1 million, compared to $67.2 million in the second quarter of 2019, an increase of 23.7%. Adjusted income from operations in the second quarter of 2020 was $81.7 million, an increase of 5.4% For the first half of 2020, income from operations increased $28.6 million to $115.9 million. Adjusted income from operations in the first half of 2020 was $118.5 million, an increase of $20.2 million, or 20.5% compared to the first half of 2019.

Net income in the second quarter of 2020 was $39.6 million, compared to $15.4 million in the second quarter of 2019, an improvement of $24.2 million. Net income for the second quarter of 2020 was adversely impacted by fair value adjustments to our acquisition related contingent consideration liability, driven by changes in future cash flow projections. Fair value adjustments to this liability are non-cash in nature and a routine part of our quarterly financial closing process. Net income increased $45.7 million for the first half of 2020 to $54.2 million as compared to the first half of 2019.

Cash flows provided by operations for the first half of 2020 were $229.0 million, compared to $88.6 million for the first half of 2019. The significant increase in operating cash flows for the first half of 2020 was primarily a result of our strong operating performance and working capital improvement, primarily related to a reduction in inventory related to the June sales trends, the timing of accounts payable and the deferral of payroll taxes permitted under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act").

We do not currently expect the COVID-19 pandemic to materially impact our liquidity position or access to capital in the short term. Our revolving credit facility matures on June 8, 2023 and has an aggregate maximum borrowing capacity of $500 million, which may be increased at the Company's option to $750 million, subject to obtaining commitments from the lenders and satisfying other conditions specified in the credit agreement. We had no borrowings under the revolving credit facility as of June 28, 2020.

Our supply chain is dependent on several key raw materials, including aluminum, PET resin and high-fructose corn syrup. As overall beverage consumption continues to shift from restaurants and on-premise locations to homes during the COVID-19 pandemic, the supply of aluminum cans has tightened. Further, many new product offerings within the beverage industry, both alcoholic and non-alcoholic, are coming to the market in cans. During the pandemic, consumers appear to be favoring the portability and storability of cans as they spend more time at home. We have made changes to our typical sourcing model and product offerings to address the supply constraints for can production. Specifically, we have sourced cans from international locations and have limited our can product package offerings. We will continue to monitor and react as needed to the limited supply of cans in the marketplace.

We do not expect any material impairments or adjustments to the fair value of our assets as a result of the COVID-19 pandemic. Through the normal course of business, we have assessed the collectability of our receivables and have recorded any expected losses as of June 28, 2020. During the second quarter of 2020, we recorded a $3.5 million reserve against our accounts receivable balance to address the COVID-19-related collectability risk for primarily our on-premise customers. The charge related to this additional reserve is included in SD&A expenses for the second quarter of 2020. Further, there have been no triggering events identified during the second quarter of 2020 that would indicate an impairment of our goodwill, intangible assets and long-lived assets. We will continue to monitor the valuation of our assets and the collectability of our receivables and record any adjustments as necessary.

We have assessed the COVID-19-related circumstances around work routines, including remote work arrangements, and their impact on our internal controls over financial reporting. We do not anticipate any material impact to our control procedures that would materially affect our internal controls over financial reporting.

Areas of Emphasis

Key priorities for the Company include commercial execution, revenue management, supply chain optimization and cash flow generation.

Commercial Execution: Our success is dependent on our ability to execute our commercial strategy within our customers’ stores. Our ability to obtain shelf space within stores and remain in-stock across our portfolio of brands and packages in a profitable manner will have a significant impact on our results. We are focused on execution at every step in our supply chain, including raw material and finished goods procurement, manufacturing conversion, transportation, warehousing and distribution, to ensure in-store execution can occur. We are investing in tools and technology to enable our teammates to operate more effectively and efficiently with our customers and drive value in our business for the long term.

Revenue Management: Our revenue management strategy focuses on the optimal pricing of our brands and packages within product categories and channels, creating effective working relationships with our customers, and disciplined fact-based decision-making. Pricing decisions are made considering a variety of factors, including brand strength, competitive environment, input costs, the roles certain brands play in our product portfolio, and other market conditions.

Supply Chain Optimization: In October 2017, we completed a multi-year series of transactions through which we acquired and exchanged distribution territories and manufacturing facilities (the “System Transformation”). We are focused on optimizing our supply chain as we continue to integrate the acquired territories and facilities into our operations. We are in the process of integrating our Memphis, Tennessee production center with our West Memphis, Arkansas operations, which is expected to greatly expand our West Memphis production capabilities and to reduce our overall production costs. Additionally, we are planning to consolidate our Anderson, Bloomington, Lafayette, Shelbyville and Speedway, Indiana warehousing and distribution operations into a new facility in Whitestown, Indiana by the spring of 2021. This increased space and capacity will allow us to expand our operations and better serve our customers and consumers in Indiana and the surrounding areas. We will continue to look for opportunities to invest in our supply chain to optimize our costs.

Cash Flow Generation: Cash flow generation continues to be a key focus area for us. We have several initiatives in place to optimize cash flow, improve profitability and prudently manage capital expenditures, as we continue to prioritize debt repayment and to focus on strengthening our balance sheet.

Results of Operations

Second Quarter Results

The Company’s results of operations for the second quarter of 2020 and the second quarter of 2019 are summarized in the table below and discussed in the following paragraphs.

	Second Quarter		
(in thousands)	**2020**	**2019**	**Change**
Net sales	$ 1,227,215	$ 1,273,659	$ (46,444)
Cost of sales	797,914	837,880	(39,966)
Gross profit	429,301	435,779	(6,478)
Selling, delivery and administrative expenses	346,183	368,565	(22,382)
Income from operations	83,118	67,214	15,904
Interest expense, net	9,184	11,995	(2,811)
Other expense, net	16,134	31,181	(15,047)
Income before income taxes	57,800	24,038	33,762
Income tax expense	15,187	7,182	8,005
Net income	42,613	16,856	25,757
Less: Net income attributable to noncontrolling interest	3,044	1,486	1,558
Net income attributable to Coca-Cola Consolidated, Inc.	**$ 39,569**	**$ 15,370**	**$ 24,199**
Other comprehensive income, net of tax	971	593	378
Comprehensive income attributable to Coca-Cola Consolidated, Inc.	**$ 40,540**	**$ 15,963**	**$ 24,577**

Items Impacting Operations and Financial Condition

Second Quarter 2020

- $14.5 million recorded in other expense, net as a result of an increase in the fair value of the Company’s acquisition related contingent consideration liability;
- $2.1 million in pre-tax unfavorable mark-to-market adjustments related to the Company’s commodity hedging program; and
- $0.6 million of net expense related to the impairment and accelerated depreciation of property, plant and equipment as the Company continues to optimize the efficiency of its supply chain.

Second Quarter 2019

- $29.2 million recorded in other expense, net as a result of an increase in the fair value of the Company’s acquisition related contingent consideration liability;
- $4.9 million in pre-tax favorable mark-to-market adjustments related to the Company’s commodity hedging program;
- $2.2 million of expenses related to the System Transformation transactions, the majority of which were information technology-related costs; and
- $1.9 million adjustment to reflect the prospective change of increasing the capitalization thresholds on certain low-cost, short-lived assets.

Net Sales

Net sales decreased $46.4 million, or 3.6%, to $1.23 billion in the second quarter of 2020, as compared to $1.27 billion in the second quarter of 2019. The decrease in net sales was primarily attributable to the following (in millions):

Second Quarter 2020		Attributable to:
$	(34.2)	Decrease in net sales primarily driven by a decrease in fountain syrup sales mainly sold in on-premise outlets impacted by COVID-19-related stay-at-home orders and closures
	(9.4)	Decrease in sales volume to other Coca-Cola bottlers
	(2.8)	Other
$	**(46.4)**	**Total decrease in net sales**

Net sales by product category were as follows:

	Second Quarter		
(in thousands)	2020	2019	% Change
Bottle/can sales:			
Sparkling beverages	$ 694,162	$ 664,906	4.4 %
Still beverages	397,045	416,568	(4.7) %
Total bottle/can sales	**1,091,207**	**1,081,474**	**0.9 %**
Other sales:			
Sales to other Coca-Cola bottlers	79,904	89,278	(10.5) %
Post-mix and other	56,104	102,907	(45.5) %
Total other sales	**136,008**	**192,185**	**(29.2) %**
Total net sales	**$ 1,227,215**	**$ 1,273,659**	**(3.6) %**

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

	Bottle/Can Sales Volume		
	Second Quarter		Bottle/Can Sales
Product Category	**2020**	**2019**	**Volume % Change**
Sparkling beverages	72.0 %	69.8 %	3.7 %
Still beverages	28.0 %	30.2 %	(6.6) %
Total bottle/can sales volume	**100.0 %**	**100.0 %**	**0.6 %**

As the Company introduces new products, it reassesses the category assigned to its products at the SKU level, therefore categorization could differ from previously presented results to conform with current period categorization. Any differences are not material.

Cost of Sales

Inputs representing a substantial portion of the Company’s cost of sales include: (i) purchases of finished products, (ii) raw material costs, including aluminum cans, plastic bottles and sweetener, (iii) concentrate costs and (iv) manufacturing costs, including labor, overhead and warehouse costs. In addition, cost of sales includes shipping, handling and fuel costs related to the movement of finished goods from manufacturing facilities to distribution centers, amortization expense of distribution rights, distribution fees of certain products and marketing credits from brand companies. Raw material costs represent approximately 20% of total cost of sales on an annual basis.

Cost of sales decreased $40.0 million, or 4.8%, to $797.9 million in the second quarter of 2020, as compared to $837.9 million in the second quarter of 2019. The decrease in cost of sales was primarily attributable to the following (in millions):

Second Quarter 2020		Attributable to:
$	(26.0)	Decrease in cost of sales primarily driven by a decrease in fountain syrup sales mainly sold in on-premise outlets impacted by COVID-19-related stay-at-home orders and closures, a favorable commodity environment and lower manufacturing costs
	(9.8)	Decrease in sales volume to other Coca-Cola bottlers
	(6.1)	Decrease in cost of sales due to changes in the fair value adjustments on commodity hedges
	1.9	Other
$	**(40.0)**	**Total decrease in cost of sales**

The Company relies extensively on advertising and sales promotion in the marketing of its products. The Coca-Cola Company and other beverage companies that supply concentrates, syrups and finished products to the Company make substantial marketing and advertising expenditures to promote sales in the Company’s territories. Certain of the marketing expenditures by The Coca-Cola Company and other beverage companies are made pursuant to annual arrangements. The Company also benefits from national advertising programs conducted by The Coca-Cola Company and other beverage companies. Total marketing funding support from The Coca-Cola Company and other beverage companies, which includes both direct payments to the Company and payments to customers for marketing programs, was $26.3 million in the second quarter of 2020, as compared to $34.7 million in the second quarter of 2019.

The Company’s cost of sales may not be comparable to other peer companies, as some peer companies include all costs related to their distribution network in cost of sales. The Company includes a portion of these costs in SD&A expenses, as described below.

Selling, Delivery and Administrative Expenses

SD&A expenses include the following: sales management labor costs, distribution costs resulting from transporting finished products from distribution centers to customer locations, distribution center overhead including depreciation expense, distribution center warehousing costs, 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.

SD&A expenses decreased by $22.4 million, or 6.1%, to $346.2 million in the second quarter of 2020, as compared to $368.6 million in the second quarter of 2019. SD&A expenses as a percentage of net sales decreased to 28.2% in the second quarter of 2020 from 28.9% in the second quarter of 2019. The decrease in SD&A expenses was primarily attributable to the following (in millions):

Second Quarter 2020		Attributable to:
$	(13.1)	Decrease in payroll costs and employee benefits including bonuses and incentives, primarily as a result of the furloughs of 700 teammates during the majority of the second quarter of 2020 and structural changes made to certain portions of our business
	(8.6)	Decrease in a number of expense categories due to reductions in discretionary spending, including travel and entertainment and local marketing activities
	(2.2)	Decrease in System Transformation transaction expenses
	1.5	Other
$	**(22.4)**	**Total decrease in SD&A expenses**

The Company has three primary delivery systems: (i) bulk delivery for large supermarkets, mass merchandisers and club stores, (ii) advanced sale delivery for convenience stores, drug stores, small supermarkets and on-premise accounts and (iii) full-service delivery for its full-service vending customers. Shipping and handling costs related to the movement of finished goods from manufacturing locations to distribution centers are included in cost of sales. Shipping and handling costs related to the movement of finished goods from distribution centers to customer locations, including distribution center warehousing costs, totaled $149.1 million in the second quarter of 2020 and $155.8 million in the second quarter of 2019.

Interest Expense, Net

Interest expense, net decreased $2.8 million, or 23.4%, to $9.2 million in the second quarter of 2020, as compared to $12.0 million in the second quarter of 2019. The decrease was primarily a result of lower average interest rates and lower average debt balances.

Other Expense, Net

A summary of other expense, net is as follows:

	Second Quarter	
(in thousands)	**2020**	**2019**
Increase in the fair value of the acquisition related contingent consideration liability	$ 14,548	$ 29,222
Non-service cost component of net periodic benefit cost	1,586	1,959
Total other expense, net	**$ 16,134**	**$ 31,181**

Each reporting period, the Company adjusts its contingent consideration liability related to the distribution territories subject to sub-bottling fees to fair value. The fair value is determined by discounting future expected sub-bottling payments required under the Company's comprehensive beverage agreement, which extend through the life of the applicable distribution assets, using the Company's estimated weighted average cost of capital ("WACC"), which is impacted by many factors, including long-term interest rates and projections of future cash flows. The life of these distribution assets is generally 40 years. The Company is required to pay the current portion of the sub-bottling fee on a quarterly basis.

The increase in the fair value of the acquisition related contingent consideration liability during the second quarter of 2020 was primarily driven by changes in future cash flow projections of the distribution territories subject to sub-bottling fees. The increase in the fair value of the acquisition related contingent consideration liability during the second quarter of 2019 was primarily driven by a decrease in the discount rate and changes in future cash flow projections of the distribution territories subject to sub-bottling fees.

Income Tax Expense

The Company's effective income tax rate, calculated by dividing income tax expense by income before income taxes, was 26.3% for the second quarter of 2020 and 29.9% for the second quarter of 2019. The decrease in the effective income tax rate was primarily driven by improved financial results. The Company's effective income tax rate, calculated by dividing income tax expense by income before income taxes minus net income attributable to noncontrolling interest, was 27.7% for the second quarter of 2020 and 31.8% for the second quarter of 2019.

Noncontrolling Interest

The Company recorded net income attributable to noncontrolling interest of $3.0 million in the second quarter of 2020 and $1.5 million in the second quarter of 2019, each related to the portion of Piedmont owned by The Coca-Cola Company.

Other Comprehensive Income, Net of Tax

Other comprehensive income, net of tax was $1.0 million in the second quarter of 2020 and $0.6 million in the second quarter of 2019.

First Half Results

Our results of operations for the first half of 2020 and the first half of 2019 are highlighted in the table below and discussed in the following paragraphs.

(in thousands)	First Half 2020	First Half 2019	Change
Net sales	$ 2,400,236	$ 2,376,571	$ 23,665
Cost of sales	1,565,640	1,551,484	14,156
Gross profit	834,596	825,087	9,509
Selling, delivery and administrative expenses	718,657	737,719	(19,062)
Income from operations	115,939	87,368	28,571
Interest expense, net	18,745	24,881	(6,136)
Other expense, net	18,432	47,032	(28,600)
Income before income taxes	78,762	15,455	63,307
Income tax expense	20,548	4,177	16,371
Net income	58,214	11,278	46,936
Less: Net income attributable to noncontrolling interest	3,983	2,739	1,244
Net income attributable to Coca-Cola Consolidated, Inc.	**$ 54,231**	**$ 8,539**	**$ 45,692**
Other comprehensive income, net of tax	921	1,171	(250)
Comprehensive income attributable to Coca-Cola Consolidated, Inc.	**$ 55,152**	**$ 9,710**	**$ 45,442**

Items Impacting Operations and Financial Condition

First Half 2020

- $15.3 million recorded in other expense, net as a result of an increase in the fair value of the Company’s acquisition related contingent consideration liability;
- $1.8 million in pre-tax favorable mark-to-market adjustments related to the Company’s commodity hedging program; and
- $0.7 million of net expense related to the impairment and accelerated depreciation of property, plant and equipment as the Company continues to optimize the efficiency of its supply chain.

First Half 2019

- $43.3 million recorded in other expense, net as a result of an increase in the fair value of the Company’s acquisition related contingent consideration liability;
- $6.9 million of expenses related to the System Transformation transactions, the majority of which were information technology-related costs;
- $4.4 million adjustment to reflect the prospective change of increasing the capitalization thresholds on certain low-cost, short-lived assets; and
- $1.7 million in pre-tax unfavorable mark-to-market adjustments related to the Company’s commodity hedging program.

Net Sales

Net sales increased $23.7 million, or 1.0%, to $2.40 billion in the first half of 2020, as compared to $2.38 billion in the first half of 2019. The increase in net sales was primarily attributable to the following (in millions):

First Half 2020	Attributable to:
$ 32.4	Increase in net sales primarily driven by an increase in bottle/can sales volume partially offset by a decrease in fountain syrup sales mainly sold in on-premise outlets impacted by COVID-19-related stay-at-home orders and closures
(5.8)	Decrease in sales volume to other Coca-Cola bottlers
(2.9)	Other
$ 23.7	**Total increase in net sales**

Net sales by product category were as follows:

(in thousands)	First Half 2020	First Half 2019	% Change
Bottle/can sales:			
Sparkling beverages	$ 1,324,854	$ 1,260,565	5.1 %
Still beverages	769,849	753,573	2.2 %
Total bottle/can sales	**2,094,703**	**2,014,138**	**4.0 %**
Other sales:			
Sales to other Coca-Cola bottlers	165,143	170,950	(3.4) %
Post-mix and other	140,390	191,483	(26.7) %
Total other sales	**305,533**	**362,433**	**(15.7) %**
Total net sales	**$ 2,400,236**	**$ 2,376,571**	**1.0 %**

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

	Bottle/Can Sales Volume		
	First Half		Bottle/Can Sales
Product Category	**2020**	**2019**	**Volume % Change**
Sparkling beverages	71.3 %	71.1 %	3.5 %
Still beverages	28.7 %	28.9 %	2.2 %
Total bottle/can sales volume	**100.0 %**	**100.0 %**	**3.1 %**

As the Company introduces new products, it reassesses the category assigned to its products at the SKU level, therefore categorization could differ from previously presented results to conform with current period categorization. Any differences are not material.
The following table summarizes the percentage of the Company's total bottle/can sales volume to its largest customers, as well as the percentage of the Company's total net sales that such volume represents:

	First Half 2020	First Half 2019
Approximate percent of the Company's total bottle/can sales volume:		
Wal-Mart Stores, Inc.	20 %	19 %
The Kroger Company	14 %	12 %
Total approximate percent of the Company's total bottle/can sales volume	**34 %**	**31 %**
Approximate percent of the Company's total net sales:		
Wal-Mart Stores, Inc.	14 %	14 %
The Kroger Company	10 %	8 %
Total approximate percent of the Company's total net sales	**24 %**	**22 %**

Cost of Sales

Cost of sales increased $14.2 million, or 0.9%, to $1.57 billion in the first half of 2020, as compared to $1.55 billion in the first half of 2019. The increase in cost of sales was primarily attributable to the following (in millions):

First Half 2020		Attributable to:
$	15.7	Increase in cost of sales primarily driven by an increase in bottle/can sales volume partially offset by a decrease in fountain syrup sales mainly sold in on-premise outlets impacted by COVID-19-related stay-at-home orders and closures
	(6.5)	Decrease in sales volume to other Coca-Cola bottlers
	5.0	Other
$	**14.2**	**Total increase in cost of sales**

Total marketing funding support from The Coca-Cola Company and other beverage companies was $56.6 million in the first half of 2020, as compared to $66.0 million in the first half of 2019.

Selling, Delivery and Administrative Expenses

SD&A expenses decreased by $19.1 million, or 2.6%, to $718.7 million in the first half of 2020, as compared to $737.7 million in the first half of 2019. SD&A expenses as a percentage of net sales decreased to 29.9% in the first half of 2020 from 31.0% in the first half of 2019. The decrease in SD&A expenses was primarily attributable to the following (in millions):

First Half 2020		Attributable to:
$	(8.8)	Decrease in payroll costs and employee benefits including bonuses and incentives, primarily as a result of the furloughs of 700 teammates during the majority of the second quarter of 2020 and structural changes made to certain portions of our business
	(6.9)	Decrease in System Transformation transaction expenses
	(3.4)	Other
$	**(19.1)**	**Total decrease in SD&A expenses**

Shipping and handling costs related to the movement of finished goods from distribution centers to customer locations, including distribution center warehousing costs, totaled $309.2 million in the first half of 2020 and $304.7 million in the first half of 2019.

Interest Expense, Net

Interest expense, net decreased $6.1 million, or 24.7%, to $18.7 million in the first half of 2020, as compared to $24.9 million in the first half of 2019. The decrease was primarily a result of lower average interest rates and lower average debt balances.

Other Expense, Net

A summary of other expense, net is as follows:

	First Half			
(in thousands)		**2020**		**2019**
Increase in the fair value of the acquisition related contingent consideration liability	$	15,260	$	43,268
Non-service cost component of net periodic benefit cost		3,172		3,920
Other		—		(156)
Total other expense, net	**$**	**18,432**	**$**	**47,032**

The increase in the fair value of the acquisition related contingent consideration liability during the first half of 2020 was primarily driven by changes in future cash flow projections of the distribution territories subject to sub-bottling fees. The increase in the fair value of the acquisition related contingent consideration liability during the first half of 2019 was primarily driven by a decrease in the discount rate and changes in future cash flow projections of the distribution territories subject to sub-bottling fees.

Income Tax Expense

The Company's effective income tax rate, calculated by dividing income tax expense by income before income taxes, was 26.1% for the first half of 2020 and 27.0% for the first half of 2019. The decrease in the effective income tax rate was primarily driven by improved financial results and the extension of certain tax credits in 2020. The Company's effective income tax rate, calculated by dividing income tax expense by income before income taxes minus net income attributable to noncontrolling interest, was 27.5% for the first half of 2020 and 32.8% for the first half of 2019.

Noncontrolling Interest

The Company recorded net income attributable to noncontrolling interest of $4.0 million in the first half of 2020 and $2.7 million in the first half of 2019, each related to the portion of Piedmont owned by The Coca-Cola Company.

Other Comprehensive Income, Net of Tax

Other comprehensive income, net of tax was $0.9 million in the first half of 2020 and $1.2 million in the first half of 2019.

Segment Operating Results

The Company evaluates segment reporting in accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 280, Segment Reporting, each reporting period, including evaluating the reporting package reviewed by the Chief Operating Decision Maker (the "CODM"). The Company has concluded the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer, as a group, represent the CODM. Asset information is not provided to the CODM.

The Company believes three operating segments exist. Nonalcoholic Beverages represents the vast majority of the Company's consolidated revenues and income from operations. The additional two operating segments do not meet the quantitative thresholds for separate reporting, either individually or in the aggregate, and, therefore, have been combined into "All Other."

The Company's segment results are as follows:

	Second Quarter		First Half	
(in thousands)	2020	2019	2020	2019
Net sales:				
Nonalcoholic Beverages	$ 1,195,524	$ 1,238,885	$ 2,338,105	$ 2,311,112
All Other	80,329	94,942	161,630	182,857
Eliminations[1]	(48,638)	(60,168)	(99,499)	(117,398)
Consolidated net sales	**$ 1,227,215**	**$ 1,273,659**	**$ 2,400,236**	**$ 2,376,571**
Income from operations:				
Nonalcoholic Beverages	$ 83,907	$ 57,724	$ 119,524	$ 72,365
All Other	(789)	9,490	(3,585)	15,003
Consolidated income from operations	**$ 83,118**	**$ 67,214**	**$ 115,939**	**$ 87,368**
Depreciation and amortization:				
Nonalcoholic Beverages	$ 39,909	$ 42,568	$ 80,667	$ 85,919
All Other	2,928	2,488	5,729	4,909
Consolidated depreciation and amortization	**$ 42,837**	**$ 45,056**	**$ 86,396**	**$ 90,828**

(1) The entire net sales elimination for each period presented represents net sales from the All Other segment to the Nonalcoholic Beverages segment. Sales between these segments are recognized at either fair market value or cost depending on the nature of the transaction.

Adjusted Non-GAAP Results

The Company reports its financial results in accordance with accounting principles generally accepted in the United States ("GAAP"). However, management believes that certain non-GAAP financial measures provide users with additional meaningful financial information that should be considered when assessing the Company's ongoing performance. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating the Company's performance.

Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP. The Company's non-GAAP financial information does not represent a comprehensive basis of accounting. The following tables reconcile reported results (GAAP) to adjusted results (non-GAAP):

	Second Quarter 2020					
(in thousands, except per share data)	**Gross profit**	**SD&A expenses**	**Income from operations**	**Income before income taxes**	**Net income**	**Basic net income per share**
Reported results (GAAP)	**$ 429,301**	**$ 346,183**	**$ 83,118**	**$ 57,800**	**$ 39,569**	**$ 4.23**
Fair value adjustment of acquisition related contingent consideration[1]	—	—	—	14,548	10,941	1.16
Fair value adjustments for commodity hedges[2]	(1,266)	805	(2,071)	(2,071)	(1,557)	(0.17)
Supply chain optimization and consolidation[3]	671	30	641	641	482	0.05
Other tax adjustments[4]	—	—	—	—	(511)	(0.05)
Total reconciling items	**(595)**	**835**	**(1,430)**	**13,118**	**9,355**	**0.99**
Adjusted results (non-GAAP)	**$ 428,706**	**$ 347,018**	**$ 81,688**	**$ 70,918**	**$ 48,924**	**$ 5.22**

	Second Quarter 2019					
(in thousands, except per share data)	**Gross profit**	**SD&A expenses**	**Income from operations**	**Income before income taxes**	**Net income**	**Basic net income per share**
Reported results (GAAP)	**$ 435,779**	**$ 368,565**	**$ 67,214**	**$ 24,038**	**$ 15,370**	**$ 1.64**
System Transformation transaction expenses[5]	—	(2,185)	2,185	2,185	1,643	0.18
Fair value adjustment of acquisition related contingent consideration[1]	—	—	—	29,222	21,975	2.34
Fair value adjustments for commodity hedges[2]	4,874	(66)	4,940	4,940	3,715	0.40
Capitalization threshold change for certain assets[6]	—	(1,903)	1,903	1,903	1,431	0.15
Supply chain optimization and consolidation[3]	1,294	—	1,294	1,294	973	0.10
Other tax adjustments[4]	—	—	—	—	(2,815)	(0.30)
Total reconciling items	**6,168**	**(4,154)**	**10,322**	**39,544**	**26,922**	**2.87**
Adjusted results (non-GAAP)	**$ 441,947**	**$ 364,411**	**$ 77,536**	**$ 63,582**	**$ 42,292**	**$ 4.51**

	First Half 2020					
(in thousands, except per share data)	Gross profit	SD&A expenses	Income from operations	Income before income taxes	Net income	Basic net income per share
Reported results (GAAP)	**$ 834,596**	**$ 718,657**	**$ 115,939**	**$ 78,762**	**$ 54,231**	**$ 5.79**
Fair value adjustment of acquisition related contingent consideration(1)	—	—	—	15,260	11,476	1.22
Fair value adjustments for commodity hedges(2)	270	(1,524)	1,794	1,794	1,349	0.14
Supply chain optimization and consolidation(3)	1,319	601	718	718	540	0.06
Other tax adjustments(4)	—	—	—	—	(682)	(0.07)
Total reconciling items	**1,589**	**(923)**	**2,512**	**17,772**	**12,683**	**1.35**
Adjusted results (non-GAAP)	**$ 836,185**	**$ 717,734**	**$ 118,451**	**$ 96,534**	**$ 66,914**	**$ 7.14**

	First Half 2019					
(in thousands, except per share data)	Gross profit	SD&A expenses	Income from operations	Income before income taxes	Net income	Basic net income per share
Reported results (GAAP)	**$ 825,087**	**$ 737,719**	**$ 87,368**	**$ 15,455**	**$ 8,539**	**$ 0.91**
System Transformation transaction expenses(5)	—	(6,915)	6,915	6,915	5,200	0.56
Fair value adjustment of acquisition related contingent consideration(1)	—	—	—	43,268	32,538	3.47
Fair value adjustments for commodity hedges(2)	969	2,649	(1,680)	(1,680)	(1,263)	(0.13)
Capitalization threshold change for certain assets(6)	—	(4,379)	4,379	4,379	3,293	0.35
Supply chain optimization and consolidation (3)	1,294	—	1,294	1,294	973	0.10
Other tax adjustments(4)	—	—	—	—	(3,660)	(0.39)
Total reconciling items	**2,263**	**(8,645)**	**10,908**	**54,176**	**31,881**	**3.96**
Adjusted results (non-GAAP)	**$ 827,350**	**$ 729,074**	**$ 98,276**	**$ 69,631**	**$ 40,420**	**$ 4.87**

Following is an explanation of non-GAAP adjustments:

(1) This non-cash, fair value adjustment of acquisition related contingent consideration fluctuates based on factors such as long-term interest rates and projections of future cash flows of distribution territories subject to sub-bottling fees.

(2) The Company enters into derivative instruments from time to time to hedge some or all of its projected purchases of aluminum, PET resin, diesel fuel and unleaded gasoline in order to mitigate commodity risk. The Company accounts for its commodity hedges on a mark-to-market basis.

(3) Adjustment reflects expenses within the Nonalcoholic Beverages segment related to the impairment and accelerated depreciation of property, plant and equipment as the Company continues to optimize efficiency opportunities across its business.

(4) Adjustment reflects the impact from the reconciling items to reported results on the annualized adjusted effective income tax rate.

(5) Adjustment reflects expenses incurred during the applicable period of 2019 related to the System Transformation transactions, which primarily includes information technology system conversions.

(6) Adjustment reflects the prospective change of increasing the capitalization thresholds during the applicable period of 2019 on certain low-cost, short-lived assets.

Financial Condition

Total assets were $3.18 billion on June 28, 2020, which was an increase of $57.7 million from December 29, 2019. Net working capital, defined as current assets less current liabilities, was $265.9 million on June 28, 2020, which was an increase of $57.8 million from December 29, 2019.

Significant changes in net working capital on June 28, 2020 from December 29, 2019 were as follows:

- An increase in cash and cash equivalents of $67.9 million as a result of our strong operating performance and working capital improvement, primarily related to a reduction in inventory related to the June sales trends, the timing of accounts payable and the deferral of payroll taxes permitted under the CARES Act.
- An increase in accounts receivable, trade of $38.4 million driven primarily by an increase in average daily sales in June 2020, as compared to December 2019.
- A decrease in accounts receivable from The Coca-Cola Company of $14.3 million, primarily as a result of the timing of cash receipts.
- A decrease in inventory of $14.8 million, primarily as a result of higher than anticipated sales volume in June that resulted in lower inventory levels.
- An increase in accounts payable, trade of $28.7 million and an increase in accounts payable to The Coca-Cola Company of $31.1 million, both primarily as a result of the timing of cash payments.
- A decrease in other accrued compensation of $25.6 million, primarily as a result of the timing of bonus and incentive payments in the first quarter of 2020.

Liquidity and Capital Resources

The Company's sources of capital include cash flows from operations, available credit facilities and the issuance of debt and equity securities. The Company has obtained its long-term debt from public markets, private placements and bank facilities. Management believes the Company has sufficient sources of capital available to refinance its maturing debt, finance its business plan, meet its working capital requirements and maintain an appropriate level of capital spending for at least the next 12 months from the issuance of the condensed consolidated financial statements. At this time, the Company does not expect the COVID-19 pandemic to have a material impact on its liquidity or sources of capital. 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 or paid in the future.

The Company's total debt as of June 28, 2020 and December 29, 2019 was as follows:

(in thousands)	**Maturity Date**	**June 28, 2020**	**December 29, 2019**
Term loan facility[1]	6/7/2021	$ 247,500	$ 262,500
Senior notes	2/27/2023	125,000	125,000
Revolving credit facility	6/8/2023	—	45,000
Senior notes and unamortized discount on senior notes[2]	11/25/2025	349,952	349,948
Senior notes	10/10/2026	100,000	100,000
Senior notes	3/21/2030	150,000	150,000
Debt issuance costs		(2,278)	(2,528)
Long-term debt		**$ 970,174**	**$ 1,029,920**

(1) The Company intends to refinance principal payments due in the next 12 months under the term loan facility, and has the capacity to do so under its revolving credit facility, which is classified as long-term debt. As such, any amounts due in the next 12 months were classified as noncurrent.
(2) The senior notes due in 2025 were issued at 99.975% of par.

The Company's term loan facility matures on June 7, 2021. The original aggregate principal amount borrowed by the Company under the facility was $300 million and repayment of principal amounts outstanding began in 2018. The Company may request additional term loans under the term loan facility, provided the Company's aggregate borrowings under the facility do not exceed $500 million.

In 2019, the Company entered into a $100 million fixed rate swap maturing June 7, 2021, to hedge a portion of the interest rate risk on the Company's term loan facility. This interest rate swap is designated as a cash flow hedging instrument and changes in its fair value are not expected to be material to the condensed consolidated balance sheets. Changes in the fair value of this interest rate swap were classified as accumulated other comprehensive loss on the condensed consolidated balance sheets and included in the condensed consolidated statements of comprehensive income.

As discussed below under "Cash Flows From Financing Activities," in the first quarter of 2019, the Company sold $100 million aggregate principal amount of senior unsecured notes due in 2026 to MetLife Investment Advisors, LLC ("MetLife") and certain of its affiliates. The Company may request that MetLife consider the purchase of additional senior unsecured notes of the Company under the agreement in an aggregate principal amount of up to $200 million.

The Company's revolving credit facility matures on June 8, 2023 and has an aggregate maximum borrowing capacity of $500 million, which may be increased at the Company's option to $750 million, subject to obtaining commitments from the lenders and satisfying other conditions specified in the credit agreement. The Company currently believes all banks participating in the revolving credit facility have the ability to and will meet any funding requests from the Company. As of June 28, 2020, the Company had no outstanding borrowings under the revolving credit facility, and, therefore, had $500 million borrowing capacity available.

The indentures under which the Company's public debt was issued do not include financial covenants but do limit the incurrence of certain liens and encumbrances as well as indebtedness by the Company's subsidiaries in excess of certain amounts. The agreements under which the Company's nonpublic debt was issued include two financial covenants: a consolidated cash flow/fixed charges ratio and a consolidated funded indebtedness/cash flow ratio, each as defined in the respective agreements. The Company was in compliance with these covenants as of June 28, 2020. These covenants do not currently, and the Company does not anticipate they will, restrict its liquidity or capital resources.

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

The Company's credit ratings are reviewed periodically by certain nationally recognized 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 adverse impact on the Company's operating results or financial position. During the first quarter of 2020, Standard & Poor's reaffirmed the Company's BBB rating and revised the Company's rating outlook to stable from negative. Moody's rating outlook for the Company is stable. As of June 28, 2020, the Company's credit ratings were as follows:

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

The Company is subject to interest rate risk on its variable rate debt, including its revolving credit facility and term loan facility. Assuming no changes in the Company's capital structure, if market interest rates average 1% more over the next 12 months than the interest rates as of June 28, 2020, interest expense for the next 12 months would increase by approximately $1.5 million.

The Company's only Level 3 asset or liability is the acquisition related contingent consideration liability. There were no transfers of assets or liabilities from Level 1 or Level 2 in any period presented. Fair value adjustments were non-cash, and, therefore, did not impact the Company's liquidity or capital resources. Following is a summary of the Level 3 activity:

	Second Quarter		**First Half**	
(in thousands)	**2020**	**2019**	**2020**	**2019**
Beginning balance - Level 3 liability	**$ 437,094**	**$ 393,007**	**$ 446,684**	**$ 382,898**
Payments of acquisition related contingent consideration	(10,079)	(6,599)	(20,531)	(12,836)
Reclassification to current payables	(450)	(3,180)	(300)	(880)
Increase in fair value	14,548	29,222	15,260	43,268
Ending balance - Level 3 liability	**$ 441,113**	**$ 412,450**	**$ 441,113**	**$ 412,450**

Cash Sources and Uses

A summary of cash-based activity is as follows:

(in thousands)	First Half 2020	First Half 2019
Cash Sources:		
Borrowings under revolving credit facility	$ 235,000	$ 206,339
Proceeds from issuance of senior notes	—	100,000
Net cash provided by operating activities[1]	229,003	88,586
Proceeds from the sale of property, plant and equipment	1,764	823
Total cash sources	**$ 465,767**	**$ 395,748**
Cash Uses:		
Payments on revolving credit facility	$ 280,000	$ 186,339
Payments on term loan facility and senior notes	15,000	132,500
Additions to property, plant and equipment	72,886	57,581
Payments of acquisition related contingent consideration	20,531	12,836
Cash dividends paid	4,686	4,682
Payments on financing lease obligations	3,001	4,261
Other distribution agreements	—	4,654
Other	1,727	751
Total cash uses	**$ 397,831**	**$ 403,604**
Net increase (decrease) in cash during period	**$ 67,936**	**$ (7,856)**

(1) Net cash provided by operating activities in the first half of 2020 included net income tax payments of $2.9 million and net cash provided by operating activities in the first half of 2019 included net income tax payments of $0.1 million.

Cash Flows From Operating Activities

During the first half of 2020, cash provided by operating activities was $229.0 million, which was an increase of $140.4 million as compared to the first half of 2019. The increase was primarily a result of our strong operating performance and working capital improvement, primarily related to a reduction in inventory related to the June sales trends, the timing of accounts payable and the deferral of payroll taxes permitted under the CARES Act.

Cash Flows From Investing Activities

During the first half of 2020, cash used in investing activities was $72.7 million, which was an increase of $10.8 million as compared to the first half of 2019.

Additions to property, plant and equipment were $72.9 million during the first half of 2020. As of June 28, 2020, $11.9 million of additions to property, plant and equipment were accrued in accounts payable, trade.

Additions to property, plant and equipment were $57.6 million during the first half of 2019. As of June 30, 2019, $10.3 million of additions to property, plant and equipment were accrued in accounts payable, trade.

Cash Flows From Financing Activities

During the first half of 2020, cash used in financing activities was $88.4 million, which was an increase of $53.8 million as compared to the first half of 2019. The change was primarily driven by an increase in cash flows from operating activities as noted above which enabled the Company to repay debt of $59.7 million.

The Company had cash payments for acquisition related contingent consideration of $20.5 million during the first half of 2020 and $12.8 million during the first half of 2019. The Company anticipates that the amount it could pay annually under the acquisition related contingent consideration arrangements for the distribution territories subject to sub-bottling fees will be in the range of $28 million to $52 million.

In the first quarter of 2019, the Company sold $100 million aggregate principal amount of senior unsecured notes due in 2026 to MetLife and certain of its affiliates pursuant to a note purchase and private shelf agreement, dated January 23, 2019, between the Company, MetLife and the other parties thereto. These notes bear interest at 3.93%, payable quarterly in arrears, and will mature on October 10, 2026, unless earlier redeemed by the Company. The Company used the proceeds to refinance the senior notes due on April 15, 2019. The Company may request that MetLife consider the purchase of additional senior unsecured notes of the Company under the agreement in an aggregate principal amount of up to $200 million.

Critical Accounting Policies

See Note 1, Note 3 and Note 9 to the condensed consolidated financial statements for information on the Company's critical accounting policies.

Off-Balance Sheet Arrangements

The Company is a shareholder of South Atlantic Canners, Inc. ("SAC"), a manufacturing cooperative in Bishopville, South Carolina. All of SAC's shareholders are Coca-Cola bottlers and each has equal voting rights. As of June 28, 2020, the Company had guaranteed $14.7 million of SAC's debt. In the event SAC fails to fulfill its commitments under the related debt, the Company would be responsible for payment to the lenders up to the level of the guarantee. The Company does not anticipate SAC will fail to fulfill its commitments related to the debt. The Company further believes SAC has sufficient assets, including production equipment, facilities and working capital, and the ability to adjust selling prices of its products to adequately mitigate the risk of material loss from the Company's guarantee. See Note 19 to the condensed consolidated financial statements for additional information.

Hedging Activities

The Company uses derivative financial instruments to manage its exposure to movements in certain commodity prices. Fees paid by the Company for derivative instruments are amortized over the corresponding period of the instrument. The Company accounts for its commodity hedges on a mark-to-market basis with any expense or income being reflected as an adjustment to cost of sales or SD&A expenses.

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. The net impact of the commodity hedges on the condensed consolidated statements of operations was as follows:

	Second Quarter		First Half	
(in thousands)	2020	2019	2020	2019
Increase in cost of sales	$ 378	$ 7,784	$ 2,592	$ 5,795
Increase (decrease) in SD&A expenses	219	388	2,995	(1,985)
Net impact	**$ 597**	**$ 8,172**	**$ 5,587**	**$ 3,810**

Cautionary Information Regarding Forward-Looking Statements

Certain statements contained in this report, or in other public filings, press releases, or other written or oral communications made by the Company or its representatives, which are not historical facts, are forward-looking statements subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements address, among other things, Company plans, activities or events which the Company expects will or may occur in the future and may include express or implied projections of revenue or expenditures; statements of plans and objectives for future operations, growth or initiatives; statements of future economic performance, including, but not limited to, the state of the economy, capital investment and financing plans, net sales, cost of sales, SD&A expenses, gross profit, income tax rates, earnings per diluted share, dividends, pension plan contributions and estimated acquisition related contingent consideration payments; statements regarding the outcome or impact of certain recent accounting pronouncements and pending or threatened litigation; or statements regarding the impact of the COVID-19 pandemic on the Company's business, financial condition, results of operations or cash flows.

These forward-looking statements may be identified by the use of the words "will," "may," "believe," "plan," "estimate," "expect," "anticipate," "probably," "should," "project," "intend," "continue," "could," and other similar terms and expressions. Various factors, risks and uncertainties may cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements. Factors, risks and uncertainties that may result in actual results differing from such forward-looking information include, but are not limited to, those listed in "Item 1A. Risk Factors" of our Annual Report on Form 10-K for 2019 and in "Item 1A. Risk Factors" of this report and elsewhere herein, including, without limitation, the factors described under "Critical Accounting Policies" in Note 1 to the condensed consolidated financial statements, or in other filings or statements made by the Company. All of the forward-looking statements in this report and other documents or statements are qualified by these and other factors, risks and uncertainties.

Caution should be taken not to place undue reliance on the forward-looking statements included in this report. The Company assumes no obligation to update any forward-looking statements, even if experience or future changes make it clear that projected results expressed or implied in such statements will not be realized, except as may be required by law. In evaluating forward-looking statements, these risks and uncertainties should be considered, together with the other risks described from time to time in the Company's other reports and documents filed with the Securities and Exchange Commission.

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 or speculative 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 variable rate debt, including its revolving credit facility and term loan facility. Assuming no changes in the Company's capital structure, if market interest rates average 1% more over the next 12 months than the interest rates as of June 28, 2020, interest expense for the next 12 months would increase by approximately $1.5 million. This amount was determined by calculating the effect of the hypothetical interest rate on the unhedged portion of the Company's variable rate debt. This calculated, hypothetical increase in interest expense for the following 12 months may be different from the actual increase in interest expense from a 1% increase in interest rates due to varying interest rate reset dates on the Company's variable rate debt.

The Company's acquisition related contingent consideration, which is adjusted to fair value each reporting period, is also impacted by changes in interest rates. The risk-free interest rate used to estimate the Company's WACC is a component of the discount rate used to calculate the present value of future cash flows due under the Company's comprehensive beverage agreement. As a result, any changes in the underlying risk-free interest rate will impact the fair value of the acquisition related contingent consideration and could materially impact the amount of non-cash expense (or income) recorded each reporting period.

Raw Material and Commodity Price Risk

The Company is also subject to commodity price risk arising from price movements for certain commodities included as part of its raw materials. The Company manages this commodity price risk in some cases by entering into contracts with adjustable prices to hedge commodity purchases. The Company periodically uses derivative commodity instruments in the management of this risk. The Company estimates a 10% increase in the market prices of commodities included as part of its raw materials over the current market prices would cumulatively increase costs during the next 12 months by approximately $55.9 million assuming no change in volume.

Fees paid by the Company for agreements to hedge commodity purchases are amortized over the corresponding period of the agreement. The Company accounts for its commodity hedges on a mark-to-market basis with any expense or income being reflected as an adjustment to cost of sales or SD&A expenses.

Effects of Changing Prices

The annual rate of inflation in the United States, as measured by year-over-year changes in the Consumer Price Index (the "CPI"), was 2.3% in 2019 and 2.4% in 2018. Inflation in the prices of those commodities important to the Company's business is reflected in changes in the CPI, but commodity prices are volatile and in recent years have moved at a faster rate of change than the CPI.

The principal effect of inflation in both commodity and consumer prices on the Company's operating results is to increase costs, both of goods sold and SD&A expenses. Although the Company can offset these cost increases by increasing selling prices for its products, consumers may not have the buying power to cover these increased costs and may reduce their volume of purchases of those products. In that event, selling price increases may not be sufficient to offset completely the Company's cost increases.

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, as amended (the "Exchange Act")), pursuant to Rule 13a-15(b) of the Exchange Act. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 28, 2020.

There has been no change in the Company's internal control over financial reporting during the quarter ended June 28, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

Except as set forth below, there have been no material changes in the Company's risk factors from those disclosed in "Item 1A. Risk Factors" of the Company's Annual Report on Form 10-K for 2019.

The COVID-19 pandemic and other pandemic outbreaks in the future could materially adversely affect our business, financial condition, results of operations or cash flows.

The COVID-19 pandemic has had a significant impact on our business and results of operations, as government-imposed restrictions on social and commercial activity to promote social distancing have caused significant changes to consumer purchasing behavior. Governmental and societal impositions of restrictions on public gatherings have had, and we expect will continue to have, adverse effects on our business, including, but not limited to, the following:

- Due to the closing or restrictive operations of restaurants, schools and amusement and recreational facilities, we saw a decrease in on-premise consumption and sales in the second quarter of 2020. This negative trend is likely to continue throughout the remainder of 2020, and, if the COVID-19 pandemic continues or intensifies, its negative impacts on our sales could be more prolonged and may become more severe. While since the outbreak we have experienced increased sales in our larger retail customer outlets from pantry loading as consumers stock up on certain of our products with the expectation of spending more time at home during the crisis, such increased sales levels may not continue in the longer term and may not offset the pressure we are experiencing in our on-premise customer outlets.

- Consumer demand has shifted away from some of our more profitable products sold for immediate consumption through smaller retail store and on-premise outlets to lower margin, take home products sold in larger retail store outlets, including grocery stores and mass merchandise outlets. We expect this shift in consumer purchasing patterns is likely to continue while shelter-in-place and social distancing behaviors are mandated or encouraged, and possibly for a period of time thereafter. As a result, our profitability could decline significantly if this shift in our business continues.

- Deteriorating economic conditions in our territory affected by the COVID-19 pandemic, such as increasing unemployment, decreasing disposable income, declining consumer confidence, or economic slowdowns or recessions, could cause a decrease in demand for our products overall or in different channels.

- Disruptions in our concentrate suppliers' production and distribution operations could increase concentrate costs and may create delays in delivery of concentrate, which could adversely impact our ability to manufacture and distribute certain of our products to our customers. Further, disruptions in supply chains have placed, and may continue to place, constraints on our ability to procure beverage containers, such as plastic bottles and cans, which has increased, and in the future, could increase our packaging costs and alter the product offerings to our customers.

- We may be required to write off obsolete inventory, accounts receivable, and balances of advanced funding provided to customers that permanently close or suffer financial hardships as a result of the COVID-19 pandemic's damaging impacts on their respective businesses.

- The current uncertain credit market conditions and their actual or perceived effects on our financial condition and results of operations, along with the current unfavorable economic environment in the United States, may increase the likelihood that one or more of the major independent credit agencies will downgrade our credit ratings, which could have a negative effect on our borrowing costs and our ability to access bank and capital markets.

- Governmental authorities in the United States may increase or impose new income taxes or indirect taxes, or revise interpretations of existing tax rules and regulations, as a means of financing the costs of stimulus and other measures enacted or taken, or that may be enacted or taken in the future, to protect populations and economies from the impact of the COVID-19 pandemic. Such actions could have an adverse effect on our results of operations or cash flows.

- We rely on third-party service providers and business partners, such as cloud data storage and other information technology service providers, suppliers, distributors, contractors, joint venture partners and other external business partners, for certain functions or for services in support of key portions of our operations. These third-party service providers and business partners are subject to risks and uncertainties related to the COVID-19 pandemic, which may interfere with their ability to fulfill their respective commitments and responsibilities to us in a timely manner and in accordance with our agreed-upon terms.

- As a result of the COVID-19 pandemic, including related governmental guidance or directives, we have encouraged, and in some cases required, most office-based employees, including most employees based at our corporate headquarters in Charlotte, North Carolina, to work remotely. We may experience reductions in productivity and disruptions to our business routines while our remote-work policy remains in place.

- Actions we have taken or may take, or decisions we have made or may make, because of the COVID-19 pandemic may result in legal claims or litigation against us.

- The resumption of normal business operations after the disruptions caused by the COVID-19 pandemic may be delayed or constrained by its lingering effects on our consumers, customers, suppliers and/or third-party service providers.

Any of the negative impacts of the COVID-19 pandemic, including those described above, alone or in combination with others, may have a material adverse effect on our business, financial condition, results of operations or cash flows. Any of these negative impacts, alone or in combination with others, could exacerbate many of the risk factors discussed in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for 2019. The full extent to which the COVID-19 pandemic will negatively affect our business, financial condition, results of operations or cash flows will depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic. Future pandemics may also pose risks similar to or more severe than the risks associated with the COVID-19 pandemic, which are impossible to predict at this time.

Item 6. Exhibits.

Exhibit No.	Description	Incorporated by Reference or Filed/Furnished Herewith
3.1	Restated Certificate of Incorporation of the Company.	Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 2, 2017 (File No. 0-9286).
3.2	Certificate of Amendment to Restated Certificate of Incorporation of the Company.	Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 2, 2019 (File No. 0-9286).
3.3	Amended and Restated By-laws of the Company.	Exhibit 3.2 to the Company's Current Report on Form 8-K filed on January 2, 2019 (File No. 0-9286).
10.1	First Amendment to Lease Agreement, dated as of June 30, 2020, between the Company and Harrison Limited Partnership One.	Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 7, 2020 (File No. 0-9286).
10.2*	Separation Agreement and Release, dated as of July 14, 2020, by and between the Company and William J. Billiard.	Filed herewith.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	Filed herewith.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	Filed herewith.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	Filed herewith.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	Filed herewith.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith.
104	Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	Filed herewith.

(*) Indicates a management contract or compensatory plan or arrangement.

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 CONSOLIDATED, INC. (REGISTRANT)
Date: August 4, 2020	By:	/s/ F. Scott Anthony
		F. Scott Anthony Executive Vice President and Chief Financial Officer (Principal Financial Officer of the Registrant)
Date: August 4, 2020	By:	/s/ William J. Billiard
		William J. Billiard Senior Vice President and Chief Accounting Officer (Principal Accounting Officer of the Registrant)

SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release (this "Agreement") dated as of July 14, 2020 (the "Execution Date"), by and between Coca-Cola Consolidated, Inc., a Delaware corporation (the "Company"), and William J. Billiard ("Executive").

RECITALS

WHEREAS, Executive currently serves as Senior Vice President, Chief Accounting Officer of the Company;

WHEREAS, Executive's employment with the Company will terminate as of the end of August 9, 2020 (the "Separation Date"); and

WHEREAS, the Company and Executive desire to set forth in writing their agreement regarding Executive's separation, the benefits to be provided to Executive in connection with such separation and Executive's post-separation responsibilities to the Company.

NOW, THEREFORE, in consideration of the foregoing premises and the respective agreements of the Company and Executive set forth below, the Company and Executive, intending to be legally bound, agree as follows:

1. Confirmation of Separation from Employment. Executive hereby confirms his separation from employment and resignation from all positions and offices Executive held at any time with the Company and its subsidiaries and affiliates (collectively, "Company Group"), all effective as of the Separation Date.

2. Salary and Benefits through Separation Date. As compensation for his services through the Separation Date, the Company shall continue to pay and provide Executive his annual base salary and benefits, all as in effect immediately prior to the Execution Date.

3. Separation Benefits.

(a) The Company will pay Executive Eighteen Thousand Six Hundred One AND 36/100 Dollars ($18,601.36) each regular bi-weekly pay period for twenty-six (26) consecutive pay periods. The payments described in this Section 2(a) will commence within fifteen (15) business days following the later of (i) the Separation Date and (ii) Company's receipt of an effective release hereunder from Executive and, once they commence, will include any unpaid amounts described in Section 2(a) accrued from your Separation Date.

(b) Executive's active participation in the Company's 2020 Annual Bonus Plan shall cease as of the Separation Date and Executive's award thereunder will be based on the Company's performance during the 2020 performance period and prorated for the portion of the performance period of Executive's employment through the Separation Date, such prorated award to be paid to Executive no later than March 15, 2021.

(c) Executive's active participation in the Company's 2018-2020 and 2019-2021 Long-Term Performance Plans shall cease as of the Separation Date and Executive's awards thereunder will be based on the Company's performance during the 2018-2020 and 2019-2021 performance periods and prorated for the portion of the performance periods of Executive's employment through the Separation Date, such prorated awards to be paid to Executive no later than March 15 following the end of the applicable performance period. Executive will have no right to participation in the Company's 2020-2022 Long-Term Performance Plan, and any award made to Executive thereunder is forfeited.

(d) The Company will provide to Executive, free of charge, outplacement services at an outplacement firm and service level selected by the Company, for a consecutive six-month period of Executive's choice following the Effective Date (as defined in Section 13(f)).

(e) All payments made hereunder will be subject to applicable standard deductions and withholdings.

(f) Notwithstanding the foregoing, the Company shall not be obligated to provide Executive the foregoing separation benefits described in this Section 3 if Executive is not in substantial compliance with the material terms of this Agreement as of the dates of the payments.

4. Return of Property. Executive represents and covenants that, no later than the expiration of the Separation Date, he will have returned to the Company all property of the Company Group (including, but not limited to, passwords/encryption keys for all Company-related files or equipment, all confidential information, trade secrets, keys and access cards to the Company's offices, all equipment, documents, customer lists, written information, forms, formulae, plans, manuals, designs, blueprints, notebooks, tools, credit cards, passwords, documents or other hard copy, audio/visual, or electronic material or data, software or firmware, records, or copies of the same, belonging to the Company, which are in Executive's possession or control, without retaining any copy or summary thereof).

5. Continuing Cooperation. Until the expiration of the applicable statutes of limitation, Executive agrees to provide continuing cooperation to the Company in the defense of any asserted or unasserted claims, charges or lawsuits pending against the Company Group or made against it in connection with Executive's employment with the Company Group. Such cooperation shall include, but not be limited to, providing the Company with information, affidavits, deposition testimony or testimony as a witness in any forum. Executive shall be reimbursed for any reasonable, out-of-pocket expenses incurred at the Company's request in connection with providing such continuing cooperation.

6. Representations and Warranties. Executive represents and warrants to the Company that Executive has not engaged in any act of fraud, embezzlement or material dishonesty with respect to the Company or any of its employees, suppliers, clients, affiliates or customers. If the Company becomes aware of a breach of Executive's representation and warranty, the Company shall be entitled to recover from the Executive previous payments of the separation benefits described in Section 2(a) and terminate any future separation benefits due under this Agreement. The Company shall also be entitled to receive from Executive all costs of collecting amounts due under this Section, including its attorneys' fees. The Company may offset all amounts due it hereunder against any other amounts the Company or any of its affiliates may owe to Executive.

7. Non-Disparagement. Without limitation as to time, Executive agrees that Executive shall refrain from making any derogatory, disparaging or negative comments, written or oral, about the Company, or any of the CCCI Releasees (as defined in Section 12(h)), to the press, to present or former Company Group employees or customers, to any individual or entity with whom or which the Company Group has a current or prospective business relationship, or to anyone else which could adversely affect the conduct of the Company's business or the Company's reputation.

8. Non-Competition; Non-Interference. During the twelve (12) months following the Separation Date and for six (6) months thereafter, Executive shall not:

(a) directly or indirectly provide or perform any services for a "Competing Enterprise" (as defined below), whether as an employee, consultant, agent, contractor, officer, director or any other capacity; or

(b) interfere, directly or indirectly, with any of the Company's relationships with its existing or potential employees, suppliers or customers.

For purposes of this Agreement, the term “Competing Enterprise” means PepsiCo, Inc. or its affiliates and any bottler of beverage products distinguished by trademarks owned by PepsiCo, Inc. or its affiliates.

9. Confidential Information. Without limitation as to time, Executive shall not disclose to others or use, whether directly or indirectly, any Confidential Information (as hereinafter defined). For purposes of this Agreement, the term “Confidential Information” means information about the Company Group or any of its clients or customers that was learned by Executive in the course of his employment by the Company, including, without limitation, any proprietary knowledge, trade secrets, data, formulae, information and client and customer lists and all papers, resumes and records (including computer records) of the documents containing such Confidential Information, but excludes information (i) which is in the public domain through no unauthorized act or omission of Executive; or (ii) which becomes available to Executive on a non-confidential basis from a source other than the Company without breach of such source’s confidentiality or non-disclosure obligations to the Company.

10. Protected Disclosures. Pursuant to the Defend Trade Secrets Act of 2016 (18 U.S.C. § 1833(b)), Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret of the Company that (i) is made (A) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive’s attorney and use the trade secret information in the court proceeding, if Executive (i) files any document containing the trade secret under seal and (ii) does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or to create liability for disclosures of trade secrets that are expressly allowed by such section. Notwithstanding any provision in any agreement between Executive and the Company, Executive may disclose any confidential or non-public information (i) to report possible violations of federal law or regulation to any governmental agency or entity, including, but not limited to, the Department of Justice, the Securities and Exchange Commission, the United States Congress and any agency Inspector General, or to make other disclosures that are protected under the whistleblower provisions of federal law or regulation or (ii) as required by law or order by a court; provided, however, Executive agrees to notify the Company in advance if Executive is required to provide information or testimony in connection with any action brought by a non-governmental or non-regulatory person or entity.

11. Injunctive Relief. Executive agrees that the provisions herein are important to and of material consideration to the Company and that the Company considers that monetary damages alone are an inadequate remedy to the Company for any breach of the provisions herein. Executive further stipulates that, upon any material breach by Executive of the provisions herein, the Company shall be entitled to injunctive relief against Executive from a court having personal jurisdiction of Executive. This Section 11 shall not be deemed to limit the legal and equitable remedies available to the Company or to limit the nature and extent of any claim by the Company for damages caused by Executive for breach of this Agreement.

12. Comprehensive Release of Claims and Covenant Not to Sue.

(a) Executive agrees that, in consideration for the separation benefits provided for under Section 3, Executive, for himself, and for his heirs, executors, administrators and assigns, hereby releases, waives and forever discharges the CCCI Releasees from any and all claims or liabilities of whatever kind or nature which he ever had or which he now has, known or unknown, against any and all CCCI Releasees that are attributable to or arose during all periods of time occurring on or prior to the Execution Date (collectively, the “Released Claims”).

(b) The Released Claims expressly include, without limitation, to the fullest extent allowed by law, any and all actions, claims, allegations or violations that Executive might have or raise (i) under or in relation to Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act) (the “ADEA”); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990 and the Americans with Disabilities Amendments Act; the Rehabilitation Act; the Lilly Ledbetter Fair Pay Act; the Genetic Information Nondiscrimination Act; the National Labor Relations Act; the Family and Medical Leave Act of 1993, as amended; the Civil Rights Act of 1866, as amended; the Worker Adjustment Retraining and Notification Act; the Executive Retirement Income Security Act of 1974; any applicable Executive Order programs; the Sarbanes-Oxley Act of 2002, or its state or local counterparts; any other federal, state or local civil, whistleblower or human rights law, or any other federal, state, local or municipal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under any policies, practices or procedures of the Company; (ii) for or in relation to any breach of contract, negligence, breach of fiduciary duty, breach of implied duty of good faith and fair dealing, unfair competition, defamation, wrongful or unlawful discharge, constructive discharge, retaliation, invasion of privacy, personal injury, loss or injury to property, intentional or negligent infliction of emotional distress, disputed or unpaid wages, salary, bonuses, earnings, equity awards, deferred compensation or other forms of compensation; and (iii) including all claims of any nature whatsoever arising out of Executive's employment with the Company and any claim for costs, fees or other expenses, including attorneys' fees incurred in the matters provided for in this release.

(c) Except to the extent contemplated by Section 12(f), Executive covenants not to sue or bring a claim or any legal action whatsoever against any of the CCCI Releasees with respect to any Released Claim in any forum for any reason. If Executive sues or brings any action against any CCCI Releasee in violation of the foregoing covenant not to sue, Executive agrees that Executive shall pay all reasonable fees, costs and expenses incurred by the CCCI Releasees in defending against any such suit or action, including, but not limited to, reasonable attorneys' fees.

(d) Executive understands that Executive may later discover claims or facts that may be different than, or in addition to, those that Executive now knows or believes to exist regarding the subject matter of the Released Claims, and which, if known at the time of signing this Agreement, may have materially affected this Agreement and Executive's decision to enter into this Agreement and grant the release and covenant not to sue contained herein. Nevertheless, Executive, for himself, and for his heirs, executors, administrators and assigns, intends to fully, finally and forever settle and release all Released Claims that now exist, may exist or previously existed, as set forth herein, whether known or unknown, foreseen or unforeseen, matured or unmatured, suspected or unsuspected, existing or claimed to exist, fixed or contingent, both at law and in equity, and the release given herein is and will remain in effect as a complete release, notwithstanding the discovery or existence of such different or additional facts.

(e) In signing this Agreement, Executive acknowledges and intends that it shall be effective to the fullest extent allowed by law as a bar to each and every one of the Released Claims hereinabove mentioned or implied. If it is determined by a court of competent jurisdiction that any Released Claim cannot be waived as a matter of law, Executive expressly agrees that the release contained herein shall nevertheless remain valid and fully enforceable as to the remaining Released Claims.

(f) Nothing in this Agreement prohibits or restricts Executive from filing a claim with or participating in an investigation conducted by the United States Equal Employment Opportunity Commission, or any state or local fair employment practices agency, or any similar federal or state agency that is responsible for enforcing a law on behalf of the government. However, Executive understands and agrees that under this Agreement Executive is waiving, discharging and releasing any claim against the CCCI Releasees for obtaining any personal or monetary relief for Executive, or any legal fees, based on or arising out of any such claim or investigation.

(g) Notwithstanding any contrary provision of this Agreement, this Agreement does not waive or release Executive's rights or claims to any benefits that are vested and accrued immediately prior to the Separation Date under an employee benefit plan or program maintained by the Company Group or claims for advancement or indemnification permitted by and pursuant to (i) the Company's organizational documents or policies or (ii) any liability insurance policy maintained by the Company in each case relating to advancement of expenses or indemnification of directors, officers and employees of the Company.

(h) For purposes of this Agreement, the term "CCCI Releasees" means each member of the Company Group and its predecessors, affiliates, parents, subsidiaries and joint ventures, its present, former and future successors and assigns and all of its present, former and future owners, directors, managers, officers, stockholders, members, employees, representatives, agents, assigns, insurers, trustees, employee benefit plans and programs (and the trustees, administrators, fiduciaries and insurers of such plans and programs) and attorneys, both individually and in their representative capacities.

13. Compliance with Older Workers Benefit Protection Act. By signing this Agreement, Executive specifically acknowledges and represents that:

(a) Executive has been given a consideration period of twenty-one (21) days within which to consider the terms of this Agreement; Executive may execute this Agreement prior to the expiration of the consideration period, in order to expedite the execution of this Agreement and the payment of the consideration hereunder; if the full twenty-one (21) day consideration period has not elapsed at the time Executive signs this Agreement, by Executive's signature at that time and on that date, Executive expressly acknowledges that Executive has knowingly and voluntarily chosen to sign this Agreement before the expiration of the consideration period;

(b) The Released Claims include any and all claims Executive has or may have arising out of or related to Executive's employment with the Company or termination of that employment, including any and all claims under the ADEA;

(c) The ADEA claims being waived, released and discharged pursuant to Section 12 do not include any claims that may arise after the date Executive signs this Agreement;

(d) The benefits the Company will provide to Executive under this Agreement include consideration and benefits that Executive was not otherwise entitled to receive before signing this Agreement;

(e) Executive is hereby advised, and hereby acknowledges that Executive has been advised, to consult with an attorney of Executive's choice and at Executive's expense prior to signing this Agreement;

(f) In accordance with the notice provisions set forth in Section 21, Executive may revoke this Agreement at any time within seven (7) calendar days after the day Executive signs this Agreement (that is, at any time within seven (7) days after the Execution Date), and this document will not become effective or enforceable as to any claims under the ADEA until the eighth day after the Execution Date, on which day (the "Effective Date"), this Agreement will automatically become effective and enforceable (unless previously revoked within that seven (7)-day period); and

(g) The terms of this Agreement are clear and understandable to Executive; and EXECUTIVE HAS CAREFULLY READ THIS DOCUMENT, AND FULLY UNDERSTANDS EACH AND EVERY TERM.

14. No Admission. Executive acknowledges that the Company does not admit any liability or wrongdoing by entering into this Agreement. Neither this Agreement nor anything contained herein shall be admissible in any proceeding as evidence of or an admission by the Company of any violation of any law or regulation or of any liability whatsoever to Executive. Notwithstanding the foregoing, this Agreement may be introduced into a proceeding solely for the purpose of enforcing this Agreement.

15. Severability and Reformation. If any part or provision of this Agreement is found to be illegal, invalid or unenforceable by a court of competent jurisdiction, the illegal, invalid or unenforceable terms shall be redefined and this Agreement shall be deemed amended to the extent required to render the otherwise illegal, invalid or unenforceable provision, and the rest of this Agreement, legal, valid and enforceable. If such court declines to

amend this Agreement as provided for herein, Executive agrees that such illegal, invalid or unenforceable provision shall be fully severable, and this Agreement and its terms shall be construed and enforced as if such illegal, invalid or unenforceable provision had never been a part of this Agreement.

16. No Waiver. No waiver by Executive or the Company of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

17. Complete Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes and cancels all prior or contemporaneous oral or written agreements and understandings between them with respect to the subject matter hereof.

18. Governing Law; Venue. This Agreement and the legal relations thus created hereunder shall be governed by and construed in accordance with the laws of the State of North Carolina (without regard to conflict of laws principles). In the event of any dispute arising as to the parties' rights and obligations hereunder or otherwise relating to Executive's employment with the Company and the termination of that employment, the Company and Executive expressly consent to the sole and exclusive venue and jurisdiction of the federal and state courts of the State of North Carolina, sitting in Mecklenburg County, North Carolina, and hereby waive any defense of inconvenient forum and any right of jurisdiction on account of Executive's place of residence or domicile.

19. Counterparts; Electronic Transmission of Signatures. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument. Transmission of images of signed signature pages by facsimile, e-mail or other electronic means shall have the same effect as the delivery of original signed documents in person, and an electronically transmitted copy of a fully executed document shall be sufficient for the enforcement of this Agreement.

20. Assignment. Executive represents and warrants that Executive has not assigned or in any other manner conveyed any right or claim that Executive has or may have to any third party, and Executive shall not assign or convey to any assignee for any reason any right or claim covered by this Agreement, this Agreement, or the consideration, monetary or other, to be received by Executive hereunder. The Company may assign its rights and obligations under this Agreement to any third party at its discretion.

21. Notice Provisions for Signing; Revocation Right. If Executive chooses to revoke his acceptance of this Agreement after having signed it, Executive must provide notice of such revocation delivered to the Company no later than midnight, Eastern Time, on the last day of the seven (7)-day revocation period. To revoke, notice of the same shall be given by submitting a written statement of revocation via hand delivery or mail to the Company's representative at the notice address provided below. To be effective, Executive's revocation must be in writing and explicitly revoke this Agreement. No attempted revocation after the expiration of such seven (7)-day period shall have any effect on the terms of this Agreement. If Executive revokes this Agreement prior to the Effective Date, its terms and provisions shall be void and without legal effect, and the Company shall have no obligation to provide Executive with any further consideration hereunder. The notice address for the Company shall be as set forth below:

Coca-Cola Consolidated, Inc.
4100 Coca-Cola Plaza
Charlotte, NC 28211
ATTN: Executive Vice President & General Counsel

22. Further Acknowledgement. Executive has read and carefully considered this Agreement, has had an opportunity to ask questions about it and has had any questions answered to his satisfaction. Further, the Company has indicated that Executive is free to discuss this Agreement with Executive's spouse and Executive's attorney. Executive is signing this Agreement knowledgeably, voluntarily and without coercion of any kind.

23. Section 409A of the Code. This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986 (and any regulations and guidelines issued thereunder) ("Section 409A") to the extent this Agreement is subject thereto, and this Agreement shall be interpreted on a basis consistent with such intent. If an amendment of this Agreement is necessary in order for it to comply with Section 409A, the parties hereto will negotiate in good faith to amend the Agreement in a manner that preserves the original intent of the parties to the extent reasonably possible. No action or failure by the Company in good faith to act, pursuant to this Section, shall subject Company to any claim, liability, or expense, and Company shall not have any obligation to indemnify or otherwise protect Executive from the obligation to pay any taxes pursuant to Section 409A.

–Signature Page Follows –

IN WITNESS WHEREOF, Executive and the Company have executed this Separation Agreement and Release as of the Execution Date.

COMPANY:

Coca-Cola Consolidated, Inc.

By: /s/ Scott Anthony
Name: Scott Anthony
Title: Executive Vice President and
Chief Financial Officer

EXECUTIVE:

/s/ William J. Billiard
William J. Billiard

Exhibit 31.1

CERTIFICATION

I, J. Frank Harrison, III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Coca-Cola Consolidated, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2020

By: /s/ J. Frank Harrison, III

J. Frank Harrison, III

Chairman of the Board of Directors
and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, F. Scott Anthony, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Coca-Cola Consolidated, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. `The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2020	By:	/s/ F. Scott Anthony
		F. Scott Anthony
		Executive Vice President and Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Coca-Cola Consolidated, Inc. (the “Company”) for the quarter ended June 28, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, J. Frank Harrison, III, Chairman of the Board of Directors and Chief Executive Officer of the Company, and F. Scott Anthony, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ J. Frank Harrison, III

J. Frank Harrison, III
Chairman of the Board of Directors and
Chief Executive Officer
August 4, 2020

/s/ F. Scott Anthony

F. Scott Anthony
Executive Vice President and Chief Financial Officer
August 4, 2020