

**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 29, 2003**

Commission File Number

**0-9286**

**COCA-COLA BOTTLING CO. CONSOLIDATED**

(Exact name of registrant as specified in its charter)

**Delaware**

**56-0950585**

(State or other jurisdiction of incorporation or organization)

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

**4100 Coca-Cola Plaza, Charlotte, North Carolina 28211**

(Address of principal executive offices) (Zip Code)

**(704) 557-4400**

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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

<u>Class</u>	<u>Outstanding at August 1, 2003</u>
Common Stock, \$1.00 Par Value	6,642,577
Class B Common Stock, \$1.00 Par Value	2,400,752

## PART I—FINANCIAL INFORMATION

## Item I. Financial Statements

Coca-Cola Bottling Co. Consolidated  
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

In Thousands (Except Per Share Data)

	Second Quarter		First Half	
	2003	2002	2003	2002
Net sales	\$ 318,165	\$ 329,512	\$ 593,365	\$ 601,130
Cost of sales, excluding depreciation shown below	164,505	170,068	304,811	307,212
Gross margin	153,660	159,444	288,554	293,918
Selling, general and administrative expenses, excluding depreciation shown below	106,789	106,757	208,914	203,169
Depreciation expense	19,282	18,857	38,297	36,842
Amortization of intangibles	767	686	1,465	1,373
Income from operations	26,822	33,144	39,878	52,534
Interest expense	10,916	11,877	21,287	24,017
Other income (expense), net	(246)	(650)	(445)	(1,549)
Minority interest	1,142	2,764	1,258	3,523
Income before income taxes	14,518	17,853	16,888	23,445
Income taxes	2,618	7,070	3,581	9,284
Net income	\$ 11,900	\$ 10,783	\$ 13,307	\$ 14,161
Basic net income per share	\$ 1.32	\$ 1.23	\$ 1.47	\$ 1.61
Diluted net income per share	\$ 1.32	\$ 1.21	\$ 1.47	\$ 1.60
Weighted average number of common shares outstanding	9,043	8,784	9,043	8,779
Weighted average number of common shares outstanding-assuming dilution	9,043	8,880	9,043	8,869
Cash dividends per share				
Common Stock	\$ .25	\$ .25	\$ .50	\$ .50
Class B Common Stock	\$ .25	\$ .25	\$ .50	\$ .50

See Accompanying Notes to Consolidated Financial Statements

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

	Unaudited June 29, 2003	Dec. 29, 2002	Unaudited June 30, 2002
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash	\$ 7,272	\$ 18,193	\$ 8,667
Accounts receivable, trade, less allowance for doubtful accounts of \$1,854, \$1,676 and \$1,951	84,858	79,548	93,548
Accounts receivable from The Coca-Cola Company	12,586	12,992	15,729
Accounts receivable, other	2,770	17,001	5,610
Inventories	40,114	38,648	42,020
Prepaid expenses and other current assets	8,565	4,588	7,404
<b>Total current assets</b>	<b>156,165</b>	<b>170,970</b>	<b>172,978</b>
Property, plant and equipment, net	461,707	466,840	472,790
Leased property under capital leases, net	44,342	44,623	48,532
Other assets	60,912	58,167	73,376
Franchise rights, net	520,672	504,374	505,253
Goodwill, net	101,754	101,754	101,754
Other identifiable intangible assets, net	9,631	6,797	7,340
<b>Total</b>	<b>\$ 1,355,183</b>	<b>\$ 1,353,525</b>	<b>\$ 1,382,023</b>

See Accompanying Notes to Consolidated Financial Statements

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

	Unaudited June 29, 2003	Dec. 29, 2002	Unaudited June 30, 2002
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities:</b>			
Portion of long-term debt payable within one year	\$ 39	\$ 31	\$ 215,631
Current portion of obligations under capital leases	4,091	3,960	4,777
Accounts payable, trade	38,083	38,303	42,257
Accounts payable to The Coca-Cola Company	8,229	9,823	6,646
Accrued compensation	12,904	20,462	11,570
Other accrued liabilities	76,748	72,647	82,261
Accrued interest payable	11,962	10,649	11,140
<b>Total current liabilities</b>	<b>152,056</b>	<b>155,875</b>	<b>374,282</b>
Deferred income taxes	158,874	155,964	164,485
Pension and postretirement benefit obligations	39,286	37,227	30,893
Other liabilities	60,248	58,261	61,133
Obligations under capital leases	42,182	42,066	42,123
Long-term debt	825,078	807,725	620,125
<b>Total liabilities</b>	<b>1,277,724</b>	<b>1,257,118</b>	<b>1,293,041</b>
<b>Commitments and Contingencies (Note 14)</b>			
Minority interest	32,832	63,540	59,356
<b>Stockholders' Equity:</b>			
Common Stock, \$1.00 par value:			
Authorized – 30,000,000 shares;			
Issued – 9,704,951, 9,704,851 and 9,497,916 shares	9,704	9,704	9,498
Class B Common Stock, \$1.00 par value:			
Authorized – 10,000,000 shares;			
Issued – 3,028,866, 3,008,966 and 3,008,996 shares	3,029	3,009	3,009
Capital in excess of par value	97,220	95,986	88,843
Retained earnings	14,828	6,043	1,854
Accumulated other comprehensive loss	(18,900)	(20,621)	(12,324)
	105,881	94,121	90,880
Less-Treasury stock, at cost:			
Common – 3,062,374 shares	60,845	60,845	60,845
Class B Common – 628,114 shares	409	409	409
<b>Total stockholders' equity</b>	<b>44,627</b>	<b>32,867</b>	<b>29,626</b>
<b>Total</b>	<b>\$1,355,183</b>	<b>\$1,353,525</b>	<b>\$1,382,023</b>

See Accompanying Notes to Consolidated Financial Statements

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

In Thousands

	Common Stock	Class B Common Stock	Capital in Excess of Par Value	Retained Earnings (Accum. Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance on December 30, 2001	\$ 9,454	\$ 2,989	\$91,004	\$ (12,307)	\$ (12,805)	\$ (61,254)	\$ 17,081
<b>Comprehensive income:</b>							
Net income				14,161			14,161
Change in fair market value of cash flow hedges, net of tax					(48)		(48)
Change in proportionate share of Piedmont's accum. other comprehensive loss, net of tax					529		529
<b>Total comprehensive income</b>							14,642
Cash dividends paid			(4,388)				(4,388)
Class B Common Stock issued related to stock award		20	748				768
Exercise of stock options	44		1,191				1,235
Deferred tax adjustments related to exercise of stock options			288				288
Balance on June 30, 2002	\$ 9,498	\$ 3,009	\$88,843	\$ 1,854	\$ (12,324)	\$ (61,254)	\$ 29,626
Balance on December 29, 2002	\$ 9,704	\$ 3,009	\$95,986	\$ 6,043	\$ (20,621)	\$ (61,254)	\$ 32,867
<b>Comprehensive income:</b>							
Net income				13,307			13,307
Change in fair market value of cash flow hedges, net of tax					1,721		1,721
<b>Total comprehensive income</b>							15,028
Cash dividends paid				(4,522)			(4,522)
Class B Common Stock issued related to stock award		20	1,234				1,254
Balance on June 29, 2003	\$ 9,704	\$ 3,029	\$97,220	\$ 14,828	\$ (18,900)	\$ (61,254)	\$ 44,627

See Accompanying Notes to Consolidated Financial Statements

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

	First Half	
	2003	2002
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 13,307	\$ 14,161
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	38,297	36,842
Amortization of intangibles	1,465	1,373
Deferred income taxes	3,581	4,670
Losses on sale of property, plant and equipment	399	1,685
Amortization of debt costs	536	354
Amortization of deferred gain related to terminated interest rate swap agreements	(964)	(964)
Minority interest	1,258	3,523
Decrease in current assets less current liabilities	1,180	10,616
Increase in other noncurrent assets	(2,307)	(5,663)
Increase (decrease) in other noncurrent liabilities	3,380	(7,058)
Other	(160)	(394)
<b>Total adjustments</b>	<b>46,665</b>	<b>44,984</b>
<b>Net cash provided by operating activities</b>	<b>59,972</b>	<b>59,145</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from the issuance of long-term debt	100,000	
Payment of long-term debt	(50,000)	
Payment of current portion of long-term debt	(39)	(154,208)
Proceeds from (payment of) lines of credit and revolving credit facility, net	(32,600)	118,100
Cash dividends paid	(4,522)	(4,388)
Payments on capital lease obligations	(631)	(996)
Debt issuance costs paid	(979)	
Proceeds from settlement of forward rate agreements	3,135	
Proceeds from exercise of stock options		1,235
Other	(406)	133
<b>Net cash provided by (used in) financing activities</b>	<b>13,958</b>	<b>(40,124)</b>
<b>Cash Flows from Investing Activities</b>		
Additions to property, plant and equipment	(32,838)	(21,482)
Proceeds from the sale of property, plant and equipment	533	2,895
Acquisition of companies, net	(52,546)	(8,679)
<b>Net cash used in investing activities</b>	<b>(84,851)</b>	<b>(27,266)</b>
<b>Net decrease in cash</b>	<b>(10,921)</b>	<b>(8,245)</b>
Cash at beginning of period	18,193	16,912
<b>Cash at end of period</b>	<b>\$ 7,272</b>	<b>\$ 8,667</b>
<b>Significant non-cash investing and financing activities:</b>		
Issuance of Class B Common Stock related to stock award	\$ 1,254	\$ 768
Capital lease obligations incurred	879	41,620

See Accompanying Notes to Consolidated Financial Statements

## 1. Accounting Policies

The consolidated financial statements include the accounts of Coca-Cola Bottling Co. Consolidated and its majority owned subsidiaries (the "Company"). All significant intercompany accounts and transactions have been eliminated.

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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accounting policies followed in the presentation of interim financial results are consistent with those followed on an annual basis. These policies are presented in Note 1 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 29, 2002 filed with the Securities and Exchange Commission. See Note 17 for new accounting pronouncements.

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

## 2. Piedmont Coca-Cola Bottling Partnership

On July 2, 1993, the Company and The Coca-Cola Company formed Piedmont Coca-Cola Bottling Partnership ("Piedmont") to distribute and market carbonated and noncarbonated beverages primarily in portions of North Carolina and South Carolina. The Company provides a portion of the soft drink products to Piedmont at cost and receives a fee for managing the business of Piedmont pursuant to a management agreement.

Prior to January 2, 2002, the Company and The Coca-Cola Company, through their respective subsidiaries, each beneficially owned a 50% interest in Piedmont. On January 2, 2002, the Company purchased an additional 4.651% interest in Piedmont from The Coca-Cola Company for \$10.0 million, increasing the Company's ownership in Piedmont to 54.651%. As a result of the increase in ownership, the results of operations, financial position and cash flows of Piedmont have been consolidated with those of the Company beginning in the first quarter of 2002. The excess of the purchase price over the net book value of the interest in Piedmont acquired was \$4.4 million and was recorded principally as an addition to franchise rights and other identifiable intangible assets. The Company's investment in Piedmont had been accounted for using the equity method in 2001 and prior years.

On March 28, 2003, the Company purchased half of The Coca-Cola Company's remaining interest in Piedmont for \$53.5 million. This transaction increased the Company's ownership interest in Piedmont from 54.651% to 77.326%. The excess of the purchase price over the net book value of the interest in Piedmont

2. Piedmont Coca-Cola Bottling Partnership

acquired was \$21.5 million and has been recorded principally as an addition to franchise rights and other identifiable intangible assets.

Summarized financial information for Piedmont was as follows:

<u>In Thousands</u>	<u>June 29, 2003</u>	<u>Dec. 29, 2002</u>	<u>June 30, 2002</u>
Current assets	\$ 36,131	\$ 31,571	\$ 37,990
Noncurrent assets	310,539	310,128	310,529
<b>Total assets</b>	<b>\$ 346,670</b>	<b>\$ 341,699</b>	<b>\$ 348,519</b>
Current liabilities	\$ 37,219	\$ 23,757	\$ 122,510
Noncurrent liabilities	164,648	178,434	95,727
<b>Total liabilities</b>	<b>201,867</b>	<b>202,191</b>	<b>218,237</b>
Partners' equity	144,803	139,508	134,062
Accumulated other comprehensive loss			(3,780)
<b>Total liabilities and partners' equity</b>	<b>\$ 346,670</b>	<b>\$ 341,699</b>	<b>\$ 348,519</b>

<u>In Thousands</u>	<u>First Half</u>	
	<u>2003</u>	<u>2002</u>
Net sales	\$ 142,200	\$ 143,600
Cost of sales	71,416	70,727
<b>Gross margin</b>	<b>70,784</b>	<b>72,873</b>
Income from operations	9,624	13,118
<b>Net income</b>	<b>\$ 5,294</b>	<b>\$ 7,768</b>



3. Inventories

Inventories were summarized as follows:

<u>In Thousands</u>	<u>June 29, 2003</u>	<u>Dec. 29, 2002</u>	<u>June 30, 2002</u>
Finished products	\$ 29,038	\$ 23,207	\$ 29,948
Manufacturing materials	6,159	10,609	7,103
Plastic pallets and other	4,917	4,832	4,969
<b>Total inventories</b>	<b>\$ 40,114</b>	<b>\$ 38,648</b>	<b>\$ 42,020</b>

4. Property, Plant and Equipment

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

<u>In Thousands</u>	<u>June 29, 2003</u>	<u>Dec. 29, 2002</u>	<u>June 30, 2002</u>	<u>Estimated Useful Lives</u>
Land	\$ 12,871	\$ 12,670	\$ 12,947	
Buildings	114,314	113,234	114,213	10-50 years
Machinery and equipment	94,953	96,080	93,840	5-20 years
Transportation equipment	150,295	143,932	138,885	4-13 years
Furniture and fixtures	40,011	39,222	38,720	4-10 years
Vending equipment	369,645	362,689	355,443	6-13 years
Leasehold and land improvements	49,626	47,312	47,277	5-20 years
Software for internal use	22,852	24,439	22,790	3-7 years
Construction in progress	12,423	3,416	3,864	
<b>Total property, plant and equipment, at cost</b>	<b>866,990</b>	<b>842,994</b>	<b>827,979</b>	
<b>Less: Accumulated depreciation and amortization</b>	<b>405,283</b>	<b>376,154</b>	<b>355,189</b>	
<b>Property, plant and equipment, net</b>	<b>\$ 461,707</b>	<b>\$ 466,840</b>	<b>\$ 472,790</b>	

5. Leased Property Under Capital Leases

<u>In Thousands</u>	<u>June 29, 2003</u>	<u>Dec. 29, 2002</u>	<u>June 30, 2002</u>	<u>Estimated Useful Lives</u>
Leased property under capital leases	\$ 48,497	\$ 47,618	\$ 56,892	1-29 years
Less: Accumulated amortization	4,155	2,995	8,360	
Leased property under capital leases, net	<u>\$ 44,342</u>	<u>\$ 44,623</u>	<u>\$ 48,532</u>	

6. Franchise Rights and Goodwill

<u>In Thousands</u>	<u>June 29, 2003</u>	<u>Dec 29, 2002</u>	<u>June 30, 2002</u>
Franchise rights	\$ 677,769	\$ 661,471	\$ 662,350
Goodwill	155,192	155,192	155,192
Franchise rights and goodwill	832,961	816,663	817,542
Less: Accumulated amortization	210,535	210,535	210,535
Franchise rights and goodwill, net	<u>\$ 622,426</u>	<u>\$ 606,128</u>	<u>\$ 607,007</u>

The Company adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangibles Assets," at the beginning of 2002, which resulted in goodwill and intangible assets with indefinite useful lives no longer being amortized. The Company will perform an annual impairment test in the third quarter of each year or earlier if significant impairment indicators arise.

7. Other Identifiable Intangible Assets

<u>In Thousands</u>	<u>June 29, 2003</u>	<u>Dec. 29, 2002</u>	<u>June 30, 2002</u>	<u>Estimated Useful Lives</u>
Customer lists	\$ 60,042	\$ 55,743	\$ 54,864	3-20 years
Less: Accumulated amortization	50,411	48,946	47,524	
Other identifiable intangible assets, net	<u>\$ 9,631</u>	<u>\$ 6,797</u>	<u>\$ 7,340</u>	

8. Long-Term Debt

Long-term debt was summarized as follows:

<u>In Thousands</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Interest Paid</u>	<u>June 29, 2003</u>	<u>Dec. 29, 2002</u>	<u>June 30, 2002</u>
Lines of Credit	2005	1.65%	Varies	\$ 5,000	\$ 37,600	\$ 18,100
Revolving Credit	2005		Varies			100,000
Term Loan Agreement	2004	1.70%	Varies	35,000	85,000	85,000
Term Loan Agreement	2005	1.70%	Varies	85,000	85,000	85,000
Term Loan Agreement	2003		Varies			97,500
Debentures	2007	6.85%	Semi-annually	100,000	100,000	100,000
Debentures	2009	7.20%	Semi-annually	100,000	100,000	100,000
Debentures	2009	6.38%	Semi-annually	250,000	250,000	250,000
Senior Notes	2012	5.00%	Semi-annually	150,000	150,000	
Senior Notes	2015	5.30%	Semi-annually	100,000		
Other notes payable	2003-2006	5.75%	Varies	117	156	156
				<u>825,117</u>	<u>807,756</u>	<u>835,756</u>
Less: Portion of long-term debt payable within one year				39	31	215,631
Long-term debt				<u>\$ 825,078</u>	<u>\$ 807,725</u>	<u>\$ 620,125</u>

## 8. Long-Term Debt

The Company borrows periodically under its available lines of credit. These lines of credit, in the aggregate amount of \$65 million at June 29, 2003, are made available at the discretion of the two participating banks and may be withdrawn at any time by such banks. On June 29, 2003, \$5.0 million was outstanding under these lines of credit. The Company intends to refinance short-term maturities with currently available lines of credit. To the extent that these borrowings do not exceed the amount available under the Company's \$125 million revolving credit facility, they are classified as noncurrent liabilities.

In December 2002, the Company entered into a new three-year, \$125 million revolving credit facility. This facility includes an option to extend the term for an additional year at the participating banks' discretion. The revolving credit facility bears interest at a floating rate of LIBOR plus an interest rate spread of .60%. In addition, there is a facility fee of .15% required for this revolving credit facility. Both the interest rate spread and the facility fee are determined from a commonly used pricing grid based on the Company's long-term senior unsecured noncredit-enhanced debt rating. This new revolving credit facility replaced the Company's \$170 million facility that expired in December 2002. The new facility contains covenants, which establish ratio requirements related to debt, interest expense and cash flow. On June 29, 2003, there were no amounts outstanding under this new facility.

In January 1999, the Company filed an \$800 million shelf registration for debt and equity securities. The Company has used this shelf registration to issue \$250 million in debentures in 1999, \$150 million in senior notes in 2002 and \$100 million in senior notes in 2003. The Company currently has \$300 million available for use under this shelf registration.

In November 2002, the Company issued \$150 million of ten-year senior notes at a coupon rate of 5.00%. The proceeds from this issuance were used to repay borrowings under the Company's revolving credit facility and lines of credit, and to loan amounts to Piedmont to enable it to repay a \$97.5 million term loan. In March 2003, the Company issued \$100 million of twelve-year senior notes at a coupon rate of 5.30%. The proceeds from this issuance were used to purchase an additional interest in Piedmont for \$53.5 million and repay a portion of the Company's \$170 million term loan, reducing the amount outstanding under the term loan to \$120 million.

With regards to the Company's \$120 million term loan agreement that matures in 2004 and 2005, the Company must maintain its public debt ratings at investment grade as determined by both Moody's and Standard & Poor's. If the Company's public debt ratings fall below investment grade within 90 days after the public announcement of certain designated events and such ratings stay below investment grade for an additional 40 days, a trigger event resulting in a default occurs. The Company does not anticipate a trigger event will occur in the foreseeable future.

During 2002, Piedmont refinanced a \$195 million term loan using the proceeds from a loan from the Company. The Company's source of funds for this loan to Piedmont included the issuance of \$150 million of senior notes, its lines of credit, its revolving credit facility and available cash flow. Piedmont pays the Company interest on the loan at the Company's average cost of funds plus 0.50%. The Company plans to provide for Piedmont's future financing requirements under these terms.

8. Long-Term Debt (cont.)

After taking into account all of the interest rate hedging activities, the Company had a weighted average interest rate of 5.0% for its debt and capital lease obligations in each of June 29, 2003, December 29, 2002 and June 30, 2002. The Company's overall weighted average borrowing rate on its debt and capital lease obligations was 4.9% for the first half of 2003 compared to 5.6% for the first half of 2002.

As of June 29, 2003, approximately 36% of the Company's debt and capital lease obligations was subject to changes in short-term interest rates. In July 2003, the Company entered into \$100 million of floating interest rate swap agreements that increased the percentage of the total debt and capital lease obligations subject to changes in short-term interest rates to approximately 48%. The Company considers all floating rate debt and fixed rate debt with a maturity of less than one year to be subject to changes in short-term interest rates.

If average interest rates for the floating rate component of the Company's debt and capital lease obligations increased by 1%, interest expense for the first half of 2003 would have increased by approximately \$.5 million and net income would have been reduced by approximately \$.3 million.

9. Derivative Financial Instruments

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

Derivative financial instruments were summarized as follows:

In Thousands	June 29, 2003		December 29, 2002		June 30, 2002	
	Notional Amount	Remaining Term	Notional Amount	Remaining Term	Notional Amount	Remaining Term
Interest rate swap agreement – fixed					\$ 27,000	.48 years
Interest rate swap agreement – fixed					19,000	.48 years
Interest rate swap agreement – fixed					90,000	.92 years
Interest rate swap agreement – floating	\$ 50,000	4.42 years	\$ 50,000	4.92 years		
Interest rate swap agreement – floating	50,000	6.08 years	50,000	6.58 years		
Interest rate swap agreement – floating	50,000	9.42 years	50,000	9.92 years		

9. Derivative Financial Instruments

In Thousands	June 29, 2003			December 29, 2002		
	Notional Amount	Start Date	Length of Term	Notional Amount	Start Date	Length of Term
Forward rate agreement-fixed	\$ 50,000	1/02/03	1 year	\$ 50,000	1/02/03	1 year
Forward rate agreement-fixed	50,000	5/01/03	1 year	50,000	5/01/03	1 year
Forward rate agreement-fixed	50,000	5/15/03	1 year	50,000	5/15/03	1 year
Forward rate agreement-fixed	50,000	5/30/03	3 months	50,000	5/30/03	3 months
Forward rate agreement-fixed	50,000	5/30/03	1 year			

During November 2002, the Company entered into three interest rate swap agreements in conjunction with the issuance of \$150 million of new debentures and the refinancing of other Company debt as previously discussed. The interest rate swap agreements effectively convert \$150 million of the Company's debt from fixed to floating rate in conjunction with its ongoing debt management strategy. These swap agreements were accounted for as fair value hedges.

During the fourth quarter of 2002, the Company terminated two interest rate swap agreements related to long-term debt that was retired early. These interest rate swap agreements were accounted for as cash flow hedges. The Company recorded interest expense in the fourth quarter of \$2.2 million related to the amounts paid upon termination of these interest rate swap agreements.

The Company has entered into five forward rate agreements, which fix short-term rates on certain components of the Company's floating rate debt for periods ranging from three to twelve months. Two of these forward rate agreements have been accounted for as cash flow hedges. The other three forward rate agreements do not meet the criteria set forth in Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended ("SFAS 133"), for hedge accounting and have been accounted for on a mark-to-market basis. The mark-to-market adjustment for these three forward rate agreements was an increase to interest expense of approximately \$.4 million during the first half of 2003.

In conjunction with the issuance of the senior notes in March 2003, the Company entered into certain forward rate agreements to hedge the issuance price. These forward rate agreements have been accounted for as a cash flow hedge. The Company received \$3.1 million from the settlement of this hedge which has been recorded in other comprehensive income, net of tax, and will be amortized as a reduction of interest expense over the life of the related senior notes.

Subsequent to June 29, 2003, the Company entered into three additional interest rate swap agreements totaling \$100 million. The new interest rate swap agreements allow the Company to pay floating rates on components of the Company's fixed rate debt portfolio. The new interest rate swap agreements meet the criteria set forth under SFAS 133 as fair value hedges.

The counterparties to these contractual arrangements are major financial institutions with which the Company also has other financial relationships. The Company is exposed to credit loss in the event of nonperformance by these counterparties. However, the Company does not anticipate nonperformance by the other parties.

10. Fair Values of Financial Instruments

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

**Cash, Accounts Receivable and Accounts Payable**

The fair values of cash, accounts receivable and accounts payable approximate carrying values due to the short maturity of these financial instruments.

**Public Debt**

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

**Non-Public Variable Rate Long-Term Debt**

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

**Non-Public Fixed Rate Long-Term Debt**

The fair values of the Company's fixed rate long-term borrowings are estimated using discounted cash flow analyses based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

**Derivative Financial Instruments**

Fair values for the Company's interest rate swap agreements and forward rate agreements are based on current settlement values.

The carrying amounts and fair values of the Company's long-term debt and derivative financial instruments were as follows:

In Thousands	June 29, 2003		December 29, 2002		June 30, 2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Public debt	\$ 700,000	\$ 764,198	\$ 600,000	\$ 634,150	\$ 450,000	\$ 464,315
Non-public variable rate long-term debt	125,000	125,000	207,600	207,600	385,600	385,600
Non-public fixed rate long-term debt	117	117	156	156	156	156
Interest rate swap agreements and forward rate agreements	(5,750)	(5,750)	(2,023)	(2,023)	3,852	3,852

The fair values of the interest rate swap agreements and forward rate agreements at June 29, 2003 and December 29, 2002 represent the estimated amounts the Company would have received upon termination of these agreements. The fair value of the interest rate swap agreements at June 30, 2002 represents the estimated amount the Company would have paid upon termination of these agreements.

11. Income Taxes

The provision for income taxes consisted of the following:

<u>In Thousands</u>	<u>June 29, 2003</u>	<u>June 30, 2002</u>
<b>Current:</b>		
Federal	\$ —	\$ 4,614
State	—	—
<b>Total current provision</b>	<b>—</b>	<b>4,614</b>
<b>Deferred:</b>		
Federal	5,733	3,481
State	(2,152)	1,189
<b>Total deferred provision</b>	<b>3,581</b>	<b>4,670</b>
<b>Income tax expense</b>	<b>\$ 3,581</b>	<b>\$ 9,284</b>

Current tax expense represents alternative minimum tax.

Reported income tax expense is reconciled to the amount computed on the basis of income before income taxes at the statutory rate as follows:

<u>In Thousands</u>	<u>June 29, 2003</u>	<u>June 30, 2002</u>
Statutory expense	\$ 5,911	\$ 8,206
State income taxes, net of federal benefit	620	773
Valuation allowance change	(3,106)	—
Other	156	305
<b>Income tax expense</b>	<b>\$ 3,581</b>	<b>\$ 9,284</b>



12. Supplemental Disclosures of Cash Flow Information

Changes in current assets and current liabilities affecting cash, net of effect of acquisitions, were as follows:

<u>In Thousands</u>	<u>First Half</u>	
	<u>2003</u>	<u>2002</u>
Accounts receivable, trade, net	\$ (5,310)	\$ (9,164)
Accounts receivable, The Coca-Cola Company	406	(10,725)
Accounts receivable, other	14,231	1,993
Inventories	(1,466)	3,792
Prepaid expenses and other current assets	(3,977)	(4,193)
Accounts payable, trade	(220)	8,043
Accounts payable, The Coca-Cola Company	(1,594)	(1,547)
Other accrued liabilities	4,101	29,282
Accrued compensation	(6,304)	(5,012)
Accrued interest payable	1,313	(1,853)
	<u>          </u>	<u>          </u>
Decrease in current assets less current liabilities	\$ 1,180	\$ 10,616

13. Earnings Per Share

The following table sets forth the computation of basic net income per share and diluted net income per share:

<u>In Thousands (Except Per Share Data)</u>	Second Quarter		First Half	
	2003	2002	2003	2002
<u>Numerator:</u>				
Numerator for basic net income per share and diluted net income per share	\$ 11,900	\$ 10,783	\$ 13,307	\$ 14,161
<u>Denominator:</u>				
Denominator for basic net income per share – weighted average common shares	9,043	8,784	9,043	8,779
Effect of dilutive securities – stock options	—	96	—	90
Denominator for diluted net income per share – adjusted weighted average common shares	9,043	8,880	9,043	8,869
Basic net income per share	\$ 1.32	\$ 1.23	\$ 1.47	\$ 1.61
Diluted net income per share	\$ 1.32	\$ 1.21	\$ 1.47	\$ 1.60

14. Commitments and Contingencies

The Company has guaranteed a portion of the debt for two cooperatives in which the Company is a member. The amounts guaranteed were \$40.6 million, \$34.8 million and \$35.1 million as of June 29, 2003, December 29, 2002 and June 30, 2002, respectively. The guarantees relate to debt and lease obligations, which resulted primarily from the purchase of production equipment and facilities. Both cooperatives consist solely of Coca-Cola bottlers. In the event either of these cooperatives fails to fulfill its commitments under the related debt and lease obligations, the Company would be responsible for payments to the lenders up to the level of the guarantees. If these cooperatives had borrowed up to their maximum borrowing capacity, the Company's maximum potential amount of payments under these guarantees on June 29, 2003 would have been \$59.3 million. The Company does not anticipate that either of these cooperatives will fail to fulfill their commitments under these agreements. The Company believes that each of these cooperatives has sufficient assets, including production equipment, facilities and working capital, to adequately mitigate the risk of material loss.

14. Commitments and Contingencies (cont.)

The Company has standby letters of credit, primarily related to its casualty insurance program. On June 29, 2003, these letters of credit totaled \$8.6 million.

The Company is involved in various claims and legal proceedings which have arisen in the ordinary course of business. Although it is difficult to predict the ultimate outcome of these cases, management believes, based on discussions with legal counsel, that the ultimate disposition of these claims will not have a material adverse effect on the financial condition, cash flows or results of operations of the Company.

15. Capital Transactions

On May 12, 1999, the stockholders of the Company approved a restricted stock award for J. Frank Harrison, III, the Company's Chairman of the Board of Directors and Chief Executive Officer, consisting of 200,000 shares of the Company's Class B Common Stock. The award provides that the shares of restricted stock vest at the rate of 20,000 shares per year over a ten-year period. The vesting of each annual installment is contingent upon the Company achieving at least 80% of the Overall Goal Achievement Factor for the selected performance indicators used in determining bonuses for all officers under the Company's Annual Bonus Plan. On March 5, 2002, the Compensation Committee of the Board of Directors determined that 20,000 shares of restricted Class B Common Stock, \$1.00 par value, vested pursuant to this performance-based award to J. Frank Harrison, III in connection with his services as Chairman of the Board of Directors and Chief Executive Officer of the Company. On March 4, 2003, the Compensation Committee determined that an additional 20,000 shares of restricted Class B Common Stock, \$1.00 par value, vested. The shares were issued without registration under the Securities Act of 1933 in reliance on Section 4(2) thereof.

On May 13, 2002, the Company announced that two of its directors, J. Frank Harrison, Jr., Chairman Emeritus, and J. Frank Harrison, III, Chairman and Chief Executive Officer, had entered into plans providing for sales of up to an aggregate total of 250,000 shares of the Company's Common Stock in accordance with Securities and Exchange Commission Rule 10b5-1. During the second quarter of 2002, 43,065 shares of Common Stock were sold under the plans and the Company received proceeds of \$1.2 million. During the last two quarters of 2002, the remaining 206,935 shares of Common Stock were sold under the plans and the Company received additional proceeds of \$6.0 million.

16. Related Party Transactions

The Company's business consists primarily of the production, marketing and distribution of soft drink products of The Coca-Cola Company, which is the sole owner of the secret formulas under which the primary components (either concentrate or syrup) of its soft drink products are manufactured. As of June 29, 2003, The Coca-Cola Company had a 27.4% interest in the Company's outstanding Common Stock and Class B Common Stock on a combined basis.

16. Related Party Transactions

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

In Millions	First Half 2003	First Half 2002
Payments by the Company for concentrate, syrup, sweetener and other miscellaneous purchases	\$ 136.7	\$ 138.0
Payments by the Company for customer marketing programs	25.7	24.6
Marketing funding support payments to the Company	27.9	26.2
Payments by the Company for local media	—	—
Local media and presence marketing funding support provided by The Coca-Cola Company	5.7	6.7

The Company has a production arrangement with Coca-Cola Enterprises Inc. (“CCE”) to buy and sell finished products at cost. Sales to CCE under this agreement were \$12.5 million and \$12.0 million in the first half of 2003 and the first half of 2002, respectively. Purchases from CCE under this arrangement were \$10.1 million in both the first half of 2003 and the first half of 2002. The Coca-Cola Company has significant equity interests in the Company and CCE. As of June 29, 2003, CCE held 10.5% of the Company’s outstanding Common Stock but held no shares of the Company’s Class B Common Stock, giving CCE a 7.7% interest in the Company’s outstanding Common Stock and Class B Common Stock on a combined basis.

On July 2, 1993, the Company and The Coca-Cola Company formed Piedmont. Prior to January 2, 2002, the Company and The Coca-Cola Company, through their respective subsidiaries, each beneficially owned a 50% interest in Piedmont. On January 2, 2002, the Company purchased an additional 4.651% interest in Piedmont from The Coca-Cola Company, increasing the Company’s ownership in Piedmont to 54.651%. On March 28, 2003, the Company purchased an additional 22.675% interest in Piedmont from The Coca-Cola Company, increasing the Company’s ownership to 77.326%. The Company provides a portion of the soft drink products for Piedmont at cost and receives a fee for managing the operations of Piedmont pursuant to a management agreement. The Company sold product at cost to Piedmont during the first half of 2003 and the first half of 2002 totaling \$29.4 million and \$29.3 million, respectively. The Company received \$8.6 million and \$9.1 million for management services pursuant to its management agreement with Piedmont for the first half of 2003 and the first half of 2002, respectively.

During 2002, Piedmont refinanced a \$195 million term loan using the proceeds from a loan from the Company. The Company’s source of funds for this loan to Piedmont included the issuance of \$150 million of senior notes, its lines of credit, the revolving credit facility and available cash flow. Piedmont pays the Company interest on the loan at the Company’s average cost of funds plus 0.50%. As of June 29, 2003, the Company has loaned \$138.3 million to Piedmont. The Company plans to provide for Piedmont’s future financing requirements under these terms.

16. Related Party Transactions (cont.)

The Company also subleases various fleet and vending equipment to Piedmont at cost. These sublease rentals amounted to \$4.2 million and \$4.1 million in the first half of 2003 and the first half of 2002, respectively. In addition, Piedmont subleases various fleet and vending equipment to the Company at cost. These sublease rentals amounted to approximately \$100,000 for the first half of 2003 and the first half of 2002.

The Company is a shareholder in two cooperatives from which it purchases substantially all its requirements for plastic bottles. Net purchases from these entities were approximately \$23.7 million and \$23.4 million in the first half of 2003 and the first half of 2002, respectively. In connection with its participation in one of these cooperatives, the Company has guaranteed a portion of the cooperative's debt. Such guarantee amounted to \$18.9 million as of June 29, 2003.

The Company is a member of South Atlantic Cannery, Inc. ("SAC"), a manufacturing cooperative. SAC sells finished products to the Company and Piedmont at cost. Purchases from SAC by the Company and Piedmont for finished products were \$55.8 million and \$53.0 million in the first half of 2003 and the first half of 2002, respectively. The Company also manages the operations of SAC pursuant to a management agreement. Management fees from SAC were \$.6 million and \$.7 million in the first half of 2003 and the first half of 2002, respectively. The Company has also guaranteed a portion of the debt for SAC and such guarantee was \$21.7 million as of June 29, 2003.

17. New Accounting Pronouncements

In November 2002, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 02-16, "Accounting by a Reseller for Cash Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)," ("EITF 02-16") addressing the recognition and income statement classification of various considerations given by a vendor to a customer. Among its requirements, the consensus requires that certain cash consideration received by a customer from a vendor is presumed to be a reduction of the price of the vendor's products, and therefore should be characterized as a reduction of cost of sales when recognized in the customer's income statement, unless certain criteria are met. EITF 02-16 was effective for the first quarter of 2003. Previously, the Company classified marketing funding support received from The Coca-Cola Company and other beverage companies as an adjustment to net sales. In accordance with EITF 02-16, the Company classified marketing funding support as a reduction of cost of sales beginning the first quarter 2003. Prior year amounts have been reclassified to conform to the current year presentation.

In January 2003, the Financial Accounting Standards Board issued Financial Interpretation No. 46, "Consolidation of Variable Interest Entities," ("FIN 46"). This interpretation addresses consolidation by business enterprises of variable interest entities with certain defined characteristics. The Company believes that the provisions of FIN 46 will not have any impact on the Company's results of operations or financial position at this time.

**Introduction:**

Coca-Cola Bottling Co. Consolidated (the "Company") produces, markets and distributes carbonated and noncarbonated beverages, primarily products of The Coca-Cola Company, which include some of the most recognized and popular beverage brands in the world. The Company is currently the second largest bottler of products of The Coca-Cola Company in the United States, operating in eleven states, primarily in the Southeast. The Company also distributes several other beverage brands. The Company's product offerings include carbonated soft drinks, bottled water, teas, juices, isotonic and energy drinks. Over the past several years, the Company has expanded its bottling territory primarily throughout the southeastern region of the United States via acquisitions and, combined with internally generated growth, had net sales of approximately \$1.2 billion in 2002.

On January 2, 2002, the Company purchased an additional 4.651% interest in Piedmont Coca-Cola Bottling Partnership ("Piedmont") from The Coca-Cola Company for \$10.0 million, increasing the Company's ownership in Piedmont to 54.651%. On March 28, 2003, the Company purchased an additional 22.675% interest in Piedmont from The Coca-Cola Company for \$53.5 million. This transaction increased the Company's ownership interest in Piedmont to 77.326%.

As of June 29, 2003, The Coca-Cola Company owned 27.4% of the Company's outstanding Common Stock and Class B Common Stock on a combined basis and had a 22.674% interest in Piedmont.

Management's discussion and analysis should be read in conjunction with the Company's consolidated unaudited financial statements and the accompanying notes to the consolidated unaudited financial statements along with the cautionary forward-looking statements at the end of this section.

**Basis of Presentation**

The statement of operations, statement of cash flows and the consolidated balance sheet include the combined operations of the Company and its majority owned subsidiaries. Minority interest includes The Coca-Cola Company's interest in Piedmont, which was 45.349% for the first quarter of 2003 and all of 2002. The Coca-Cola Company's interest in Piedmont for the second quarter of 2003 was 22.674%.

**New Accounting Pronouncements**

In November 2002, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 02-16, "Accounting by a Reseller for Cash Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)," ("EITF 02-16") addressing the recognition and income statement classification of various considerations given by a vendor to a customer. Among its requirements, the consensus requires that certain cash consideration received by a customer from a vendor is presumed to be a reduction of the price of the vendor's products, and therefore should be

characterized as a reduction of cost of sales when recognized in the customer's income statement, unless certain criteria are met. EITF 02-16 was effective for the first quarter of 2003. Previously, the Company classified marketing funding support received from The Coca-Cola Company and other beverage companies as an adjustment to net sales. In accordance with EITF 02-16, the Company classified marketing funding support as a reduction of cost of sales beginning the first quarter of 2003. Prior year amounts have been reclassified to conform to the current year presentation.

In January 2003, the Financial Accounting Standards Board issued Financial Interpretation No. 46, "Consolidation of Variable Interest Entities," ("FIN 46"). The interpretation addresses consolidation by business enterprises of variable interest entities with certain defined characteristics. The Company believes that the provisions of FIN 46 will not have any impact on the Company's results of operations or financial position at this time.

#### **Discussion of Critical Accounting Policies and Critical Accounting Estimates**

In the ordinary course of business, the Company has made a number of estimates and assumptions relating to the reporting of results of operation and financial position in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates under different assumptions and conditions. The Company has included in its Annual Report on Form 10-K for the year ended December 29, 2002 a discussion of the Company's most critical accounting policies, which are those that are most important to the portrayal of the Company's financial condition and results of operations and required management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Company has not made any changes in any of these critical accounting policies during the first half of 2003, nor has it made any material changes in any of the critical accounting estimates underlying these accounting policies during the first half of 2003.

#### **Overview:**

The following discussion presents management's analysis of the results of operations for the second quarter and first half of 2003 compared to the results for the same periods of 2002 and changes in financial condition from June 30, 2002 and December 29, 2002 to June 29, 2003. The results for interim periods are not necessarily indicative of the results to be expected for the year due to seasonal factors.

The Company reported net income of \$11.9 million or \$1.32 per share for the second quarter of 2003 compared with net income of \$10.8 million or \$1.23 per share for the same period in 2002. For the first half of 2003, net income was \$13.3 million or \$1.47 per share compared to net income of \$14.2 million or \$1.61 per share for the first half of 2002. The Company's results for the second quarter of 2003 included a favorable adjustment to income tax expense of \$3.1 million relating to the completion of a state income tax audit. Lower interest rates and reduced debt balances resulted in a decrease in interest expense from the second quarter and first half of 2002 of \$1.0 million and \$2.7 million, respectively.

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**Results of Operations:**

The Company's results for the second quarter and first half of 2003 reflected lower net sales and income from operations. These results reflected a decline in physical case volume of 4.3% for the second quarter of 2003 as compared to the same period in the prior year. Operating results for the first six months of 2003 included a decline in physical case volume of 1.9%. Net pricing increased slightly less than one percent for the second quarter and was flat for the first half of 2003 compared to the same periods in the prior year. Operating results for both the second quarter and first half were adversely affected by unusually cool and wet weather throughout much of the Company's territory, including the Memorial Day holiday and the early weeks of June, and by less aggressive marketing of our products by some retailers. Net sales declined by 3.4% in the second quarter and 1.3% for the first half of 2003 compared to comparable periods in the prior year. Income from operations for the second quarter and first six months of 2003 declined by \$6.3 million and \$12.7 million, respectively. Due to the fixed nature of many of the Company's expenses, the decline in volume during the second quarter and first half of 2003 led to a decrease in income from operations.

The Company introduced Sprite Remix during the second quarter of 2003. Initial sales results for Sprite Remix have been very positive. This new product follows the successful introduction of Vanilla Coke and diet Vanilla Coke in 2002. Noncarbonated beverages, which include bottled water, comprised approximately 10.8% of the Company's total sales volume through the first half of 2003. The Company introduced its new 390 ml PET package for the immediate consumption market at the end of the second quarter of 2003 and is introducing 12-ounce PET bottles in Fridge Packs™ for the take home market during the third quarter of 2003.

Cost of sales on a per unit basis was approximately even in the second quarter and first half of 2003 compared to the same periods in 2002. Modest increases in raw material costs were offset by a reduction in manufacturing labor and overhead costs on a per unit basis.

As previously discussed, the Company adopted the provisions of EITF 02-16 at the beginning of 2003. As a result, the Company has recorded marketing funding support from The Coca-Cola Company and other beverage companies as a reduction in cost of sales. Prior year marketing funding support was reclassified from net sales to cost of sales to conform to the current year presentation.

The Company relies extensively on advertising and sales promotion in the marketing of its products. The Coca-Cola Company and other beverage companies that supply concentrates, syrups and finished products to the Company make substantial marketing and advertising expenditures to promote sales in the local territories served by the Company. The Company also benefits from national advertising programs conducted by The Coca-Cola Company and other beverage companies. Certain of the marketing expenditures by The Coca-Cola Company and other beverage companies are made pursuant to annual arrangements. Although The Coca-Cola Company has advised the Company that it intends to provide marketing funding support in 2003, it is not obligated to do so under the Company's master bottle contract. Significant decreases in marketing funding support from The Coca-Cola Company or other beverage companies could adversely impact operating results of the Company. Total marketing funding support from The Coca-Cola



Company and other beverage companies, which include direct payments to the Company as well as payments to customers for marketing programs, was \$31.7 million and \$30.2 million in the first half of 2003 and 2002, respectively. In 2003 and 2002, The Coca-Cola Company has offered through its Strategic Growth Initiative an opportunity for the Company to receive additional marketing funding support, subject to the Company's achievement of certain volume performance requirements. The Company recorded \$3.0 million and \$.7 million as a reduction in cost of sales related to the Strategic Growth Initiative during the first half of 2003 and 2002, respectively.

Selling, general and administrative ("S,G&A") expenses for the second quarter of 2003 were approximately equivalent to the same period in the prior year. S,G&A expenses for the first half of 2003 increased approximately 3% from the same period in 2002. The increase for the first half of 2003 was attributable primarily to increases in employee compensation and employee benefit plans (including costs related to the Company's pension plans), property and casualty insurance costs and fuel costs. Based on the performance of the Company's pension plan investments prior to 2003 and lower interest rates, pension expense will increase from approximately \$6.2 million in 2002 to approximately \$9.5 million in 2003. If interest rates at the measurement date on November 30, 2003, are comparable to current interest rates, the Company anticipates that pension expense will further increase in 2004. Nonhealth related insurance costs increased by \$1.9 million or 27% over the first half of 2002. Fuel costs increased by \$1.0 million or 22% over the first half of 2002.

Depreciation expense increased approximately \$1.5 million for the first half of 2003 compared to the first half of 2002. The increase in depreciation expense in the first half of 2003 was related to amortization of a capital lease for the Company's Charlotte, North Carolina production/distribution center and increases in capital expenditures. The lease obligation was capitalized at the end of the first quarter of 2002 as the Company received a renewal option to extend the term of the lease, which it expects to exercise. The lease was previously accounted for as an operating lease. The Company anticipates that additions to property, plant and equipment in 2003 will be in the range of \$70 million to \$75 million and plans to fund such additions through cash flows from operations and its available credit facilities. Additions to property, plant and equipment during 2002 were \$57.3 million. The Company is in the process of initiating an upgrade of its Enterprise Resource Planning (ERP) computer software systems, which is anticipated to take four to five years to complete. During the first half of 2003, the Company spent \$1.8 million on the new ERP software. The Company anticipates using a portion of the new ERP software beginning in 2004.

Interest expense for the second quarter of 2003 of \$10.9 million decreased by \$1.0 million or 8% from the second quarter of 2002. Interest expense for the first half of 2003 decreased by \$2.7 million or 11% from the same period in the prior year. The decrease in interest expense is attributable to lower average interest rates on the Company's outstanding debt and lower debt balances during the first quarter of 2003. The Company purchased an additional interest in Piedmont on March 28, 2003, increasing long-term debt by \$53.5 million. The Company's overall weighted average interest rate decreased from an average of 5.6% during the first half of 2002 to an average of 4.9% during the first half of 2003.

The Company's effective income tax rates for the first half of 2003 and 2002 were 21.2% and 39.6%, respectively. During the second quarter of 2003, the Company recorded a favorable adjustment to its income tax expense of \$3.1 million. This adjustment reflects the completion of a state income tax audit. The Company's effective tax rate for interim periods reflects expected fiscal year 2003 earnings and the aforementioned adjustment. The Company's effective income tax rate

for the remainder of 2003 is dependent upon operating results and may change if the results for the year are different from current expectations.

**Changes in Financial Condition:**

Working capital decreased \$11.0 million from December 29, 2002 and increased by \$205.4 million from June 30, 2002 to June 29, 2003. The significant change in working capital from June 30, 2002 was due to the refinancing of approximately \$215.6 million of debt, which was included in current liabilities at the end of the second quarter of 2002.

Working capital decreased by \$11.0 million from December 29, 2002 to June 29, 2003. The more significant changes included declines in cash of \$10.9 million and accounts receivable, other of \$14.2 million offset by an increase in accounts receivable, trade of \$5.3 million and a decrease in accrued compensation of \$7.6 million. The decline in accounts receivable, other is due to the receipt of life insurance proceeds of \$6.8 million and a refund of estimated federal income taxes of \$4.2 million. The life insurance proceeds related to certain policies covering J. Frank Harrison, Jr., the former Chairman of the Board of Directors of the Company, who passed away in November 2002. The receipt of these proceeds had no impact on the results of operations for the first half of 2003. The decline in accrued compensation reflected payments under the Company's incentive plans in March 2003. The increase in accounts receivable, trade reflected seasonal factors.

Capital expenditures in the first half of 2003 were \$32.8 million compared to \$21.5 million in the first half of 2002.

The Company's outstanding debt and capital lease obligations declined to \$871.4 million at June 29, 2003 from \$882.7 million at June 30, 2002. Total debt and capital lease obligations as of June 29, 2003 included debt related to the purchase of an additional interest in Piedmont on March 28, 2003 for \$53.5 million, as previously discussed. As of June 29, 2003, the Company's debt and capital lease obligations had a weighted average interest rate of approximately 5.0%. Before giving effect to forward rate agreements discussed below, approximately 36% of the Company's debt and capital lease obligations of \$871.4 million as of June 29, 2003 was maintained on a floating rate basis and was subject to changes in short-term interest rates. Subsequent to the end of the second quarter of 2003, the Company entered into \$100 million of interest rate swap agreements that increased the percentage of the Company's debt maintained on a floating rate basis to approximately 48%. Based upon the estimated impact of all of the Company's interest rate hedging agreements including the aforementioned forward rate agreements and the estimated interest expense related to debt incurred for the additional ownership in Piedmont, the Company estimates that interest expense for 2003 will approximate \$43 million, a reduction of approximately \$6 million from 2002.

In December 2002, the Company entered into a three-year \$125 million revolving credit facility. This facility includes an option to extend the term for an additional year at the participating banks' discretion. The revolving credit facility bears interest at a floating rate of LIBOR plus an interest rate spread of .60%. In addition, there is a facility fee of .15% required for this revolving credit facility. Both the interest rate spread and the facility fee are determined from a commonly used pricing grid based on the Company's long-term senior unsecured noncredit-enhanced debt rating. This new revolving credit facility replaced the Company's \$170 million facility that expired in December 2002. The new facility contains covenants, which establish ratio requirements related to

debt, interest expense and cash flow. On June 29, 2003, there were no amounts outstanding under this new facility.

The Company borrows periodically under its available lines of credit. These lines of credit, in the aggregate amount of \$65 million at June 29, 2003, are made available at the discretion of the two participating banks and may be withdrawn at any time by such banks. The Company can utilize its \$125 million revolving credit facility in the event the lines of credit are not available. As of June 29, 2003, the Company had \$5.0 million outstanding under its lines of credit at an interest rate of 1.65%.

If average interest rates for the floating rate component of the Company's debt and capital lease obligations increased by 1%, interest expense for the first half of 2003 would have increased by approximately \$.5 million and net income would have been reduced by approximately \$.3 million.

In January 1999, the Company filed an \$800 million shelf registration for debt and equity securities. The Company has used this shelf registration to issue long-term debt including \$250 million in 1999, \$150 million in 2002 and \$100 million in 2003. The Company currently has \$300 million available for use under this shelf registration.

In November 2002, the Company issued \$150 million of ten-year senior notes at a coupon rate of 5.00%. The proceeds from this issuance were used to repay borrowings under the Company's revolving credit facility and lines of credit, and to loan amounts to Piedmont to enable it to repay a \$97.5 million term loan. In March 2003, the Company issued \$100 million of twelve-year senior notes at a coupon rate of 5.30%. The proceeds from this issuance were used to purchase an additional interest in Piedmont for \$53.5 million and repay a portion of the Company's \$170 million term loan, reducing the amount outstanding under the term loan to \$120 million.

With regard to the Company's \$120 million term loan agreement, the Company must maintain its public debt ratings at investment grade as determined by both Moody's and Standard & Poor's. If the Company's public debt ratings fall below investment grade within 90 days after the public announcement of certain designated events and such ratings stay below investment grade for an additional 40 days, a trigger event resulting in a default occurs. The Company does not anticipate a trigger event will occur in the foreseeable future.

During 2002, Piedmont refinanced a \$195 million term loan using the proceeds from a loan from the Company. The Company's source of funds for this loan to Piedmont included the issuance of \$150 million of senior notes, its lines of credit, its revolving credit facility and available cash flow. Piedmont pays the Company interest on the loan at the Company's average cost of funds plus 0.50%. The Company plans to provide for Piedmont's future financing requirements under these terms.

At June 29, 2003, the Company's debt ratings were as follows:

	<u>Long-Term Debt</u>
Standard & Poor's	BBB
Moody's	Baa

There were no changes in these debt ratings from the prior year. It is the Company's intent to operate in a manner that will allow it to maintain its investment grade ratings.

The Company issued 20,000 shares of Class B Common Stock to J. Frank Harrison, III, its Chairman of the Board of Directors and Chief Executive Officer, effective January 1, 2003 under a restricted stock award plan that provides for annual awards of such shares subject to meeting certain performance criteria. The performance criteria were also met with respect to fiscal year 2001.

Sources of capital for the Company include operating cash flows, bank borrowings, issuance of public or private debt and the issuance of equity securities. Management believes that the Company, through these sources, has sufficient financial resources available to maintain its current operations and provide for its current capital expenditure and working capital requirements, scheduled debt payments, interest and income tax payments and dividends for stockholders. The amount and frequency of future dividends will be determined by the Company's Board of Directors in light of the earnings and financial condition of the Company at such time, and no assurance can be given that dividends will be declared in the future.

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

The Company has entered into five forward rate agreements, which fix short-term rates on certain components of the Company's floating rate debt for periods ranging from three to twelve months. Two of these forward rate agreements have been accounted for as cash flow hedges. The other three forward rate agreements do not meet the criteria set forth in Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, for hedge accounting and have been accounted for on a mark-to-market basis. The mark-to-market adjustment for these three forward rate agreements was an increase to interest expense of approximately \$.4 million during the first half of 2003.

In conjunction with the issuance of \$100 million 5.30% Senior Notes in March 2003, the Company entered into certain forward rate agreements to hedge the issuance price. These forward rate agreements have been accounted for as a cash flow hedge. The Company received \$3.1 million from this cash flow hedge upon settlement, which has been recorded in other comprehensive income, net of tax, and will be amortized as a reduction of interest expense over the life of the related senior notes.

During the first half of 2003 and the first half of 2002, interest expense was lower due to amortization of the deferred gains on previously terminated interest rate swap agreements by approximately \$1.0 million in each period.

## FORWARD-LOOKING STATEMENTS

This Quarterly Report to Stockholders on Form 10-Q, as well as information included in future filings by the Company with the Securities and Exchange Commission and information contained in written material, press releases and oral statements issued by or on behalf of the Company, contains, or may contain, several forward-looking management comments and other statements that reflect management's current outlook for future periods. These statements include, among others, statements relating to: potential increases in pension expense in 2004; the Company's estimate of interest expense for 2003; potential marketing funding support from The Coca-Cola Company; anticipated additions to property, plant and equipment and financing, therefore; the Company's belief that disposition of certain litigation and claims will not have a material adverse effect; the Company's expectation of exercising its option to extend certain lease obligations; the timing of the upgrade of its ERP software; management's belief that the Company has sufficient financial resources to maintain current operations and provide for its current operations and provide for its current capital expenditures and working capital requirements, scheduled debt payments, interest and income tax payments and dividends for stockholders; the Company's intention to refinance short-term debt maturities with currently available lines of credit; the Company's intention to operate in a manner to maintain its investment grade ratings; the Company's intention to provide for Piedmont's future financing requirements; the Company's belief that parties to certain contractual obligations will perform their obligations under the contracts; management's belief that a trigger event will not occur under the Company's term loan agreement; the Company's belief that the cooperatives whose debt the Company guarantees have sufficient assets, facilities and working capital to adequately mitigate the risk of material loss and that the cooperatives will perform their obligations under the agreements; the Company's belief that FIN 46 will not have any impact on the Company's results of operations or financial position at this time and the Company's introduction of its new Fridge Pack™ with 12-ounce PET bottles. These statements and expectations are based on the current available competitive, financial and economic data along with the Company's operating plans, and are subject to future events and uncertainties. Among the events or uncertainties which could adversely affect future periods are: lower than expected net pricing resulting from increased marketplace competition; changes in how significant customers market our products; an inability to meet performance requirements for expected levels of marketing funding support payments from The Coca-Cola Company or other beverage companies; reduced marketing and advertising spending by The Coca-Cola Company or other beverage companies; an inability to meet requirements under bottling contracts; the inability of our aluminum can or PET bottle suppliers to meet our demand; material changes from expectations in the cost of raw materials; higher than expected insurance premiums; lower than anticipated return on pension plan assets; higher than anticipated health care costs; higher than expected fuel prices; unfavorable interest rate fluctuations; adverse weather conditions; terrorist attacks, war or other civil disturbances; changes in financial markets and an inability to meet projections in acquired bottling territories.

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### Item 3. Quantitative and Qualitative Disclosure About Market Risk

Not applicable.

### Item 4. Control and Procedures

Within the 90-day period prior to the date of 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 pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's Exchange Act filings.

There have been no significant changes in the Company's internal controls or in other factors which could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

PART II—OTHER INFORMATION

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

- (a) The Annual Meeting of the Company's stockholders was held on May 7, 2003.
- (b) All director nominees were elected.
- (c) The following is a brief description of the matters voted upon at the meeting and the tabulation of the voting therefor:

Proposal 1: Election of Directors. The votes cast with respect to each director are summarized as follows:

<u>Director Name</u>	<u>For</u>	<u>Withheld</u>	<u>Abstentions</u>	<u>Total Votes</u>
H.W. McKay Belk	53,900,301	135,834	621,482	54,657,617
William B. Elmore	53,188,964	847,171	621,482	54,657,617
John W. Murrey, III	53,153,880	882,255	621,482	54,657,617
Dennis A. Wicker	52,961,266	1,074,869	621,482	54,657,617
Deborah A. Harrison	53,146,593	889,542	621,482	54,657,617

Proposal 2: A proposal to approve amendments to the Company's Certificate of Incorporation and Amended and Restated Bylaws to declassify the Company's Board of Directors was approved, with 53,991,772 votes for the proposal, 35,822 votes against the proposal and 8,541 abstentions.

Proposal 3: A proposal to reapprove the Company's Annual Bonus Plan was approved, with 53,921,250 votes for the proposal, 104,118 votes against the proposal and 10,767 abstentions.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
3.1	Restated Certificate of Incorporation of the Registrant, as amended.
3.2	Amended and Restated By-laws of the Registrant, as amended.
4.1	Third Amendment dated as of July 29, 2003, by and among the Company and General Electric Capital Corporation.
4.2	The Registrant, by signing this report, agrees to furnish the Securities and Exchange Commission, upon its request, a copy of any instrument which defines the rights of holders of long-term debt of the Registrant and its subsidiaries for which consolidated financial statements are required to be filed, and which authorizes a total amount of securities not in excess of 10 percent of total assets of the Registrant and its subsidiaries on a consolidated basis.
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

On March 31, 2003, the Company filed a Current Report on Form 8-K relating to the announcement of the Company's purchase of an additional interest in Piedmont Coca-Cola Bottling Partnership from The Coca-Cola Company for \$53.5 million.

On April 25, 2003, the Company filed a Current Report on Form 8-K relating to the announcement of the Company's financial results for the period ended March 30, 2003.

On June 4, 2003, the Company filed a Current Report on Form 8-K relating to the issuance of the Report to Stockholders for the period ended March 30, 2003.

On July 25, 2003, the Company filed a Current Report on Form 8-K relating to the announcement of the Company's financial results for the period ended June 29, 2003.

On August 8, 2003, the Company filed a Current Report on Form 8-K relating to the appointment of a new member to the Board of Directors.





**RESTATED CERTIFICATE OF INCORPORATION****OF****COCA-COLA BOTTLING CO. CONSOLIDATED<sup>1</sup>**

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**Pursuant to Section 245 of the  
Delaware General Corporation Law**

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Coca-Cola Bottling Co. Consolidated, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), does, by its Vice-Chairman of the Board of Directors and its Secretary and under its corporate seal, hereby certify as follows:

- FIRST:** That the name of the Corporation is Coca-Cola Bottling Co. Consolidated.
- SECOND:** That the original Certificate of Incorporation of the Corporation was filed by the Secretary of the State of Delaware on April 8, 1980.
- THIRD:** That the restatement of the Corporation's Certificate of Incorporation was duly adopted by the Corporation's Board of Directors in accordance with Section 245 of the Delaware General Corporation Law and only restates and integrates and does not further amend the provisions of the Corporation's Certificate of Incorporation as theretofore amended or supplemented and there is no discrepancy between those provisions and the provisions of this Restated Certificate.
- FOURTH:** That the text of the Certificate of Incorporation of said Coca-Cola Bottling Co. Consolidated is hereby restated to read-in full as follows:

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<sup>1</sup> As last restated and as further amended by the stockholders of the Corporation on May 7, 2003. On May 7, 2003, the stockholders amended Articles Seventh and Eighth.

**RESTATED CERTIFICATE OF INCORPORATION**

**OF**

**COCA-COLA BOTTLING CO. CONSOLIDATED**

FIRST. The name of the Corporation is Coca-Cola Bottling Co. Consolidated.

SECOND. The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 West Tenth Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

THIRD. The nature of the business or purposes to be conducted or promoted is:

(a) To engage, directly and indirectly, in the business of manufacturing, processing, distributing, selling and advertising Coca-Cola, other soft drink products, and all types of beverages, foods, and related products, and to own and hold the stock of other corporations.

(b) To engage in any other lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.

FOURTH.

(a) The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 80,100,000, consisting of:

- (1) 30,000,000 shares of Common Stock having a par value of \$1.00 per share;
- (2) 10,000,000 shares of Class B Common Stock having a par value of \$1.00 per share;
- (3) 20,000,000 shares of Class C Common Stock having a par value of \$1.00 per share;
- (4) 50,000 shares of Convertible Preferred Stock having a par value of \$100.00 per share;
- (5) 50,000 shares of Non-Convertible Preferred Stock having a par value of \$100.00 per share; and
- (6) 20,000,000 shares of Preferred Stock having a par value of \$0.01 per share.

All references herein to the term "preferred stock" shall be deemed to include the Preferred Stock, the Convertible Preferred Stock and the Non-Convertible Preferred Stock.

(b) The holders of Common Stock and Class B Common Stock shall have the same rights and privileges, except that:

(1) The holders of Common Stock and Class B Common Stock shall have the right to vote, but not as separate classes except to the extent required by law, upon all matters submitted to the stockholders of the Corporation for consideration at any meeting of stockholders; provided, however, that (i) the holders of Common Stock shall be entitled to one vote per share, and the holders of Class B Common Stock shall be entitled to twenty votes per share with respect to each matter to be voted upon, and (ii) in addition to any other vote required by law, the Corporation may not alter or change, either by increase, diminution or otherwise, the relative rights, preferences, privileges, restrictions, dividend rights, voting power or other powers given to the holders of Common Stock and Class B Common Stock pursuant to this Article Fourth of this Certificate of Incorporation other than by the affirmative vote of not less than two-thirds of all the votes entitled to be voted by the holders of each class of stock to be adversely affected thereby voting as a separate class, except that the Corporation may increase the total number of shares of Common Stock or Class B Common Stock that may be issued by the Corporation by the affirmative vote of a majority of all the votes entitled to be voted by the holders of Common Stock and Class B Common Stock voting together, without regard to class, as provided in subsection (i) above.

(2) (i) No cash dividend or dividend of property or stock, other than stock of the Corporation as set forth in subsection 2(iii) below, may be declared and paid, per share, on the Class B Common Stock unless a dividend of an equal amount of cash or value of property or stock has been declared and paid, per share, on the Common Stock.

(ii) A dividend of cash, property or stock may be paid on the Common Stock without an equal or any dividend being paid on the Class B Common Stock.

(iii) A dividend of shares of Common Stock may be paid to holders of Common Stock only or the holders of both Common Stock and Class B Common Stock if the number of shares paid per share to holders of Common Stock and Class B Common Stock shall be the same; a dividend of shares of Class B Common Stock may be paid to holders of Common Stock only or to holders of both Common Stock and Class B Common Stock if the number of Shares paid per share to holders of Common Stock and Class B Common Stock shall be the same; and a dividend of shares may be declared and paid in Common Stock to holders of Common Stock and in Class B Common Stock to holders of Class B Common Stock, if the number of shares paid per share to holders of Common Stock and Class B Common Stock shall be the same.

(3) From and after October 1, 1986, the outstanding shares of Class B Common Stock shall be convertible into fully paid and nonassessable shares of Common Stock at the option of the holders thereof on a one share for one share basis. In order for

a stockholder to effect any such conversion, such stockholder must furnish the Corporation with a written notice of the request for conversion, which notice shall be addressed to the principal office of the Corporation or to the Corporation's designated transfer agent, shall state the number of shares of Class B Common Stock to be converted into shares of Common Stock and shall be accompanied by a certificate or certificates, properly endorsed and ready for transfer. A conversion shall be deemed to be made on the close of business of the date when the Corporation or transfer agent has received the prescribed written notice and required certificate or certificates, properly endorsed and ready for transfer.

(4) Except as provided in subsection 2(iii) above, shares of Class B Common Stock outstanding at any time shall not be split up or subdivided, whether by stock distribution, reclassification, recapitalization, or otherwise, so as to increase the number of shares thereof issued and outstanding unless at the same time the shares of Common Stock are split up or subdivided, whether by stock distribution, reclassification, recapitalization, or otherwise, so that the number of shares thereof outstanding shall be proportionately increased in order to maintain the same proportionate equity ownership (i.e., the same proportion of shares held by each class) between the holders of Common Stock and Class B Common Stock as existed on the record date of the transaction.

(5) Shares of Common Stock outstanding at any time shall not be reverse split or combined, whether by reclassification, recapitalization or otherwise, so as to decrease the number of shares thereof issued and outstanding unless at the same time the shares of Class B Common Stock are reverse split or combined so that the number of shares thereof outstanding shall be proportionately decreased in order to maintain the same proportionate ownership between the holders of Common Stock and Class B Common Stock as existed on the record date of the transaction.

(6) In the event of a liquidation or dissolution of the Corporation, or a winding up of its affairs, whether voluntary or involuntary, or a merger or consolidation of the Corporation, after payment or provision for payment of the debts or liabilities of the Corporation and the amounts to which holders of the preferred stock shall be entitled, holders of Common Stock and Class B Common Stock shall be entitled to share ratably (i.e., an equal amount of assets for each share of either Common Stock or Class B Common Stock) in the remaining assets of the Corporation.

(c) The holders of Class C Common Stock shall have the same rights and privileges as holders of Common Stock except that:

(i) The holders of Class C Common Stock shall have the right to vote, but not as a separate class except to the extent required by law, upon all matters submitted to the stockholders of the Corporation for consideration at any meeting of stockholders; provided, however, that the holders of Class C Common Stock shall be entitled to 1/20th vote per share with respect to each matter to be voted upon;

(ii) If any cash dividend or dividend of property or stock, other than stock of the Corporation as provided for in subsection (c) (iii) below, shall be declared and paid, per share, on the Common Stock, then a dividend of an equal amount of cash or value of property or stock shall be declared and paid, per share, on the Class C Common Stock; and no cash dividend or dividend of property or stock, other than stock as provided for in subsection (c) (iii) below, may be declared and paid, per share, on the Class C Common Stock unless a dividend of an equal amount of cash or value of property or stock has been declared and paid, per share, on the Common Stock; and provided that if any cash dividend or dividend of property or stock, other than as provided for in subsection (c) (iii) below, shall be declared and paid, per share, on the Class B Common Stock, then a dividend of an equal or greater amount of cash or value of property or stock shall be declared and paid, per share, on the Class C Common Stock;

(iii) If any dividend of shares of any class of common stock is paid to holders of Common Stock, or to holders of Class B Common Stock in the event that there is no Common Stock outstanding, then an equal dividend of shares of such common stock shall be paid to holders of Class C Common Stock; provided, however, that if any dividend of shares of Common Stock is declared and paid to holders of Common Stock and (in the event that there is Class B Common Stock outstanding) in Class B Common Stock to holders of Class B Common Stock, then an equal dividend of shares of Class C Common Stock shall be paid to holders of Class C Common Stock and if any dividend of shares of Class C Common Stock is declared and paid to holders of Class B Common Stock then an equal dividend of shares of Class C Common Stock shall be declared and paid to holders of Common Stock and Class C Common Stock; and provided further that if only shares of Class B Common Stock and Class C Common Stock are outstanding and a dividend of shares of Common Stock or Class B Common Stock is paid to holders of Class B Common Stock, then an equal dividend of shares of Class C Common Stock or Common Stock shall be paid to holders of Class C Common Stock;

(iv) Except as provided in subsection (c) (iii) above, if shares of Common Stock and Class B Common Stock outstanding at any time are split or subdivided, whether by stock distribution, reclassification, recapitalization, or otherwise, so as to increase the number of shares thereof issued and outstanding, then the shares of Class C Common Stock shall be split or subdivided, whether by stock distribution, reclassification, recapitalization, or otherwise, so that the number of shares thereof outstanding shall be proportionately increased in order to maintain the same proportionate equity ownership (i.e., the same proportion of shares held by each class) among the holders of Common Stock, Class B Common Stock, and Class C Common Stock as existed on the date prior to such split or subdivision; similarly, if shares of Class C Common Stock shall be split or subdivided in any manner, then all other outstanding classes of common stock shall be proportionately split or subdivided;

(v) If shares of Common Stock and Class B Common Stock outstanding at any time are reverse split or combined, whether by reclassification, recapitalization, or otherwise, so as to decrease the number of shares thereof issued and outstanding, then the shares of all other classes of common stock shall be reverse split or combined so that the

number of shares thereof outstanding shall be proportionately decreased in order to maintain the same proportionate ownership (i.e., the same proportion of shares held by each class) between the holders of Common Stock, Class B Common Stock, and Class C Common Stock as existed on the date prior to the reverse split or combination; similarly, if shares of Class C Common Stock are reverse split or combined in any manner, all other outstanding classes of common stock shall be proportionately reverse split or combined;

(vi) In the event of a liquidation or dissolution of the Corporation, or a winding up of its affairs, whether voluntary or involuntary, or a merger or consolidation of the Corporation, after payment or provision for payment of the debts or liabilities of the Corporation, holders of Class C Common Stock shall be entitled to share pro rata in the remaining assets of the Corporation with the holders of all other outstanding classes of common stock.

(d) The Class C Common Stock shall not be subject to redemption or call by the Corporation nor shall the holders of such shares be entitled to preemptive rights with respect to the issuance of additional shares of Common Stock, Class B Common Stock or Class C Common Stock.

(e) The Board of Directors is expressly authorized, subject to the limitations prescribed by law, to provide for the issuance of the preferred stock in series, and to fix by resolution or resolutions providing for the issue of any series the number of shares included in such series and the designation, relative powers, preferences and rights, and the qualifications, limitations or restrictions thereof.

#### SEVENTH.

(a) The number of directors of the Corporation shall be determined from time to time by the stockholders or the Board of Directors and shall be not less than nine and not more than twelve. The term of each director shall be the period from the effective date of such director's election to the next annual meeting of stockholders and such director's successor is elected and qualified or until such director's earlier resignation or removal. The directors need not be elected by written ballot unless required by the By-Laws of the Corporation.

(b) The term of each director who is serving as a director on May 14, 2003 shall expire at the next annual meeting of stockholders after such date and upon the election and qualification of such director's successor, or upon such director's earlier resignation or removal, notwithstanding that such director may have been elected for a term that extended beyond the date of such next annual meeting of stockholders.

(c) Vacancies and newly-created directorships may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

EIGHTH. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this

reservation. Notwithstanding any other provision of this Certificate of Incorporation or the By-Laws of the Corporation (and in addition to any other vote that may be required by law, this Certificate of Incorporation or the By-Laws of this Corporation) the affirmative vote of the holders of not less than two thirds of all the shares of stock outstanding and entitled to vote therein shall be required to amend, alter, change or repeal this Article EIGHTH of this Certificate of Incorporation.

NINTH. No Action may be taken by the stockholders without a meeting unless written consent to such action is signed by the holders of all the outstanding capital stock of the Corporation entitled to vote on such action.

TENTH. Except as herein otherwise provided, the By-Laws of the Corporation may be amended or repealed and new By-Laws may be adopted by the affirmative vote of a majority of the number of directors fixed by this Certificate of Incorporation at any regular or special meeting of the Board of Directors or by action without meeting by written consent as provided under the Delaware General Corporation Law, provided that the Board of Directors shall have no power to adopt a By-Law:

(a) Requiring the holders of more than a majority of the shares having voting power to be present or represented by proxy at any meeting in order to constitute a quorum or requiring more than a majority of the votes cast in person or by proxy to be necessary for the transaction of any business, except where higher percentages are required by law or by some other provision of this Certificate of Incorporation.

(b) Providing for the management of the Corporation otherwise than by the Board of Directors or its Executive Committee.

(c) Amending, altering, changing or repealing any By-Law specified in the By-Laws of the Corporation as requiring a vote of the stockholders for such action.

ELEVENTH. No director or the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under section 174 of Title 8 of the Delaware Code, or (d) for any transaction from which the director derived an improper personal benefit. This provision shall not eliminate or limit the liability of a director for any act or omission occurring prior to the date that it becomes effective.



IN WITNESS WHEREOF, Coca-Cola Bottling Co. Consolidated has caused its corporate seal to be hereunto affixed and this Certificate to be signed by J. Frank Harrison, III, its Vice-Chairman of the Board of Directors, and John F. Henry, Jr., its Secretary, this 6<sup>th</sup> day of May, 1994.

/s/ J. Frank Harrison, III

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J. Frank Harrison, III  
Vice-Chairman of the Board of Directors

ATTEST:

/s/ John F. Henry, Jr.

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John F. Henry, Jr.  
Secretary

**AMENDED AND RESTATED**  
**BY-LAWS**  
**OF**  
**COCA-COLA BOTTLING CO. CONSOLIDATED<sup>1</sup>**

**Article I**

**OFFICES**

**SECTION 1. Principal Office.** The principal office of the Corporation shall be located at Charlotte, North Carolina, and the address of the registered office of the Corporation in the State of Delaware and the name of the registered agent at such address shall be as specified in the Certificate of Incorporation.

**SECTION 2. Other Offices.** The Corporation may have offices at such other places, either within or without the State of Delaware as the Board of Directors may from time to time determine, or as the affairs of the Corporation may require.

**Article II**

**MEETINGS OF STOCKHOLDERS**

**SECTION 1. Place of Meetings.** All meetings of the stockholders shall be held at the principal office of the Corporation, or at such other place, either within or without the State of Delaware, as shall be designated in the notice of the meeting or agreed upon by a majority of the stockholders entitled to vote thereat.

**SECTION 2. Annual Meeting.** The annual meeting of the stockholders shall be held within or without the State of Delaware at such time as may be determined by the Board of Directors. Such meetings shall be held for the purpose of electing directors of the Corporation and for the transaction of such other business as may be properly brought before the meeting.

**SECTION 3. Special Meetings.** Special meetings of the stockholders may be called at any time by the Chairman of the Board, any Vice-Chairman, President, Secretary or the Board of Directors of the Corporation, or by any stockholder pursuant to the written request of the holders of not less than one-tenth (1/10th) of the total vote entitled to be cast at the meeting.

**SECTION 4. Notice of Meeting.** Written or printed notice stating the time and place of the meeting shall be delivered not less than ten (10) nor more than sixty (60) days before the date thereof, either personally or by mail, by or at the direction of the Board of Directors, Chairman

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<sup>1</sup> As last amended and restated, and as further amended by the stockholders of the Corporation on May 7, 2003.

of the Board, the Secretary or other person calling the meeting, to each stockholder of record entitled to vote at such meeting.

In the case of an annual meeting, the notice of meeting need not specifically state the business to be transacted thereat, unless it is a matter, other than the election of directors, on which the vote of the stockholders is expressly required by the provisions of the Delaware General Corporation Law. In the case of a special meeting, the notice of meeting shall specifically state the purpose or purposes for which the meeting is called.

When a meeting is adjourned for thirty (30) days or more, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty (30) days in any one adjournment, it is not necessary to give notice of the adjourned meeting other than by announcement at the meeting at which the adjournment is taken.

**SECTION 5. Voting Lists.** At least ten (10) days before each meeting of stockholders, the Secretary shall prepare an alphabetical list of the stockholders entitled to vote at such meeting with the number of shares held by each and the list shall be open to examination of any stockholder at any time during the usual business hours, for a period of at least ten (10) days prior to the meeting either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. This list shall also be produced and kept open at the time and place of the meeting and shall be subject to inspection by any stockholder present during the whole time of the meeting.

**SECTION 6. Quorum.** Subject to the provisions of Article IX hereof, the holders of shares representing a majority of the total outstanding vote of all shares entitled to vote, represented in person or by proxy shall constitute a quorum at meetings of stockholders. If there is no quorum at the opening of a meeting of stockholders, such meeting may be adjourned from time to time by the vote of a majority of the shares voting on the motion to adjourn; and, at any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the original meeting.

The stockholders at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum present.

**SECTION 7. Voting of Shares.** The holders of shares of the Corporation's classes of capital stock shall be entitled to the respective voting rights granted in Article Fourth of the Corporation's Certificate of Incorporation.

In all matters other than the election of directors, the affirmative vote of a majority of the total votes of all of the shares of the Corporation's capital stock present in person or represented by proxy and entitled to vote on the subject matter at a meeting of stockholders at which a quorum is present shall be the act of the stockholders on that matter, unless the vote of a greater

number or by class is required by law, by the Certificate of Incorporation or these By-laws. Directors shall be elected by a plurality of the votes as provided in Article III Section 3.

Voting on all matters except the election of directors shall be by voice vote or by a show of hands, unless the holders of one-tenth (1/10th) of the total votes represented at the meeting shall, prior to the voting on any matter, demand a ballot vote on that particular matter.

If any stockholder so demands, election of directors shall be by written ballot.

**SECTION 8. Informal Action by Stockholders.** Any action which may be taken at a meeting of the stockholders may be taken without a meeting, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and filed with the Secretary of the Corporation, to be kept in the Corporate minute book. Every written consent shall bear the date of signature of each stockholder who signs the consent, which date shall be no earlier than 60 days prior to the date such consent is filed with the Secretary.

### **Article III**

#### **DIRECTORS**

**SECTION 1. General Powers.** The business and affairs of the Corporation shall be managed by the Board of Directors or by such Executive and other Committees as the Board may establish pursuant to these By-laws.

**SECTION 2. Number, Term and Qualification.** The number of directors of the Corporation shall be determined from time to time by the stockholders or the Board of Directors and shall be not less than nine and not more than twelve. The term of each director shall be the period from the effective date of such director's election to the next annual meeting of stockholders and such director's successor is elected and qualified or until such director's earlier resignation or removal. Directors need not be residents of the State of Delaware or stockholders of the Corporation.

**SECTION 3. Election of Directors.** Except as provided in Section 5 of this Article, the directors shall be elected at the annual meeting of stockholders; and those persons who receive the highest number of votes shall be deemed to have been elected.

**SECTION 4. Removal.** Directors may be removed from office, with or without cause, by a vote of stockholders holding shares having a majority of the votes then entitled to be voted at an election of directors. If any directors are so removed, new directors may be elected at the same meeting.

**SECTION 5. Vacancies.** Vacancies and newly-created directorships may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

**SECTION 6. Compensation.** The Board of Directors may fix the compensation of directors for their services as such and may provide for the payment of all expenses incurred by directors in attending regular or special meetings of the Board.

**SECTION 7. Executive and Other Committees.** The Board of Directors may, by resolution adopted by a majority of the whole Board, designate one (1) or more directors to constitute an Executive Committee, which Committee, to the extent provided in such resolution, shall have and may exercise all of the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, including the power to declare dividends, authorize the issuance of stock and adopt a certificate of ownership and merger of the Corporation and any of its subsidiaries. The Board of Directors may, by resolution adopted by a majority of the whole Board, from time to time designate other committees of the Board, with such lawfully delegable powers and duties as it thereby confers, to serve at the pleasure of the Board and shall, for these committees, elect a director or directors to serve as the member or members, designating, if it desires, other directors as alternative members who may replace any absent or disqualified member at any meeting of the committee. No committee may exercise any of the following powers: amend the Certificate of Incorporation (except fixing preferred stock terms); adopt an agreement of merger with any entity other than a subsidiary; recommend to stockholders a sale of substantially all of the Corporation's assets; recommend to stockholders the dissolution or revocation of dissolution of the Corporation; or amend the By-laws.

**SECTION 8. Indemnification of Directors and Officers.** The Corporation shall indemnify to the fullest extent permitted by law any person made, or threatened to be made, a party to an action, suit or proceeding by reason of the fact that he, his testator or intestate is or was a director or officer of the Corporation, or serves or served any other corporation at the request of the Corporation. The Corporation may, but shall not be obligated to, maintain insurance at its expense to protect itself and any such person against expense or loss arising from any such action, suit, or proceeding.

The indemnification provided by this Section shall apply to acts and transactions occurring heretofore or hereafter and shall not be deemed exclusive of any other rights to which those seeking indemnification are entitled under any statute, certificate or articles of incorporation, by-laws, agreement, vote of stockholders or directors or otherwise, both as to action in his official capacity and as to action in any other capacity while holding such office, and shall continue as to a person who has ceased to be an officer or director and shall inure to the benefit of the heirs, executors and administrators of such a person.

#### **Article IV**

#### **MEETINGS OF DIRECTORS**

**SECTION 1. Regular Meetings.** A regular meeting of the Board of Directors shall be held immediately after, and at the same place as, the annual meeting of stockholders. In addition, the Board of Directors may provide, by resolution, the time and place, either within or without the State of Delaware, for the holding of additional regular meetings.

**SECTION 2. Special Meetings.** Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, any Vice Chairman, the President or any two (2) directors. Such meetings may be held either within or without the State of Delaware.

**SECTION 3. Notice of Meetings.** Regular meetings of the Board of Directors may be held without notice.

The person or persons calling a special meeting of the Board of Directors shall, at least two (2) days before the meeting, give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called.

Attendance by a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

**SECTION 4. Quorum.** A majority of the directors fixed by these by-laws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

**SECTION 5. Manner of Acting.** Except as otherwise provided in the By-laws, and in the Certificate of Incorporation, the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

**SECTION 6. Participating in Meetings by Conference Telephone.** Members of the Board of Directors, or of any committee thereof, may participate in a meeting of such board or committee by means of conference telephone or similar equipment that enables all persons participating in the meeting to hear each other. Such participation shall constitute presence in person at such meeting.

**SECTION 7. Informal Action by Directors or Committees.** Action required or permitted to be taken at any meeting of the Board of Directors or any Committee thereof may be taken without a meeting, if all of the members of the Board or Committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of the proceedings of the Board or Committee whether done before or after the actions so taken.

**SECTION 8. Presumption of Assent.** A director who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as secretary of the meeting promptly following approval of the minutes of the meeting.

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## Article V

### THE OFFICERS

**SECTION 1. Number.** The executive officers of the Corporation shall be a Chairman of the Board, one or more Vice Chairmen, a President, a Secretary, a Treasurer and such Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers as the Board of Directors may from time to time elect. In addition, there shall be such appointed officers as from time to time are appointed by an executive officer authorized by Section 2 of this Article V to make such appointments. Any two (2) or more offices may be held by the same person except the offices of President and Secretary.

**SECTION 2. Election and Term.** The executive officers of the Corporation shall be elected by the Board of Directors, however, Vice Presidents, Assistant Secretaries and Assistant Treasurers may be appointed by an executive officer of the Corporation expressly authorized by the Board to make such appointments. Such elections may be held at any regular or special meeting of the Board. Each officer shall hold office until his or her death, resignation, retirement, removal, disqualification or his or her successor is appointed or elected and qualifies, as applicable.

**SECTION 3. Removal.** Any officer or agent elected by the Board of Directors or appointed by an authorized officer may be removed by the Board, and any officer or agent appointed by an authorized officer may be removed by the appointing officer, with or without cause in each instance.

**SECTION 4. Compensation.** The compensation of all officers of the Corporation shall be fixed by the Board of Directors, except that the compensation of officers appointed by an authorized officer may be fixed by the appointing officer.

**SECTION 5. The Chairman of the Board.** The Chairman of the Board of Directors shall, when present, preside at all meetings of the stockholders and of the Board of Directors. The Chairman shall also perform such other duties as may be directed by the Board of Directors.

**SECTION 6. The Vice Chairmen.** The Vice Chairmen of the Board of Directors shall perform such duties and have such authority as may be directed by the Chairman of the Board and/or the Board of Directors and shall, in the absence of the Chairman, preside at all meetings of stockholders and the Board of Directors.

**SECTION 7. The President.** The President shall perform such duties and have such authority as may be directed by the Chairman of the Board, a Vice Chairman who is serving as chief executive officer, and/or the Board of Directors.

**SECTION 8. The Vice-Presidents.** The Vice-Presidents shall perform such duties and have such authority as the Board of Directors, the Chairman of the Board, any Vice Chairmen and/or President, as applicable, shall prescribe.

**SECTION 9. The Secretary.** The Secretary shall, except where otherwise directed by the Board of Directors, Chairman of the Board, any Vice Chairman and/or President, (a) record the proceedings of the meetings of stockholders and directors in a book to be kept for that purpose, (b) give all notices required by law and by these by-laws, (c) have general charge of the corporate books and records and of the corporate seal, and affix the corporate seal to any lawfully-executed instrument requiring it, (d) shall have general charge of the stock transfer books of the Corporation and keep, at the registered or principal office of the Corporation, a record of stockholders showing the name and address of each stockholder and the number and class of shares held by each, and (e) sign such instruments as may require the Secretary's signature and, in general, perform all duties incident to the office of Secretary, and such other duties as may be assigned to the Secretary from time to time by the Board of Directors, Chairman of the Board, any Vice Chairman, and/or President, as applicable, shall prescribe.

**SECTION 10. The Treasurer.** The Treasurer shall, except where otherwise directed by the Board of Directors, Chairman of the Board, any Vice Chairman and/or President, (a) have custody of all funds and securities belonging to the Corporation and receive, deposit and disburse the same under the direction of the Board of Directors, Chairman of the Board, any Vice Chairman and/or President, as applicable, (b) keep full and accurate accounts of the finances of the Corporation in books especially provided for that purpose, and (c) in general, perform all duties incident to such office and such other duties as may be assigned from time to time by the Board of Directors, Chairman of the Board, any Vice Chairman and/or President, as applicable.

**SECTION 11. Assistant Secretaries and Treasurers.** The Assistant Secretaries and Assistant Treasurers shall, in the absence or disability of the Secretary or the Treasurer, respectively, perform the duties and exercise the powers of those officers, and they shall, in general, perform such other duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the Board of Directors, Chairman of the Board, any Vice Chairman, and/or President, as applicable.

**SECTION 12. Bonds.** The Board of Directors may, by resolution, require any and all officers, agents and employees of the Corporation to give bond to the Corporation, with sufficient sureties, conditioned on the faithful performance of the duties of their respective offices or positions, and to comply with such other conditions as may from time to time be required by the Board of Directors.

## **Article VI**

### **CONTRACTS, LOANS, CHECKS AND DEPOSITS**

**SECTION 1. Contracts.** The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument on behalf of the Corporation, and such authority may be general or confined to specific instances.



**SECTION 2. Loans.** No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

**SECTION 3. Checks and Drafts.** All checks, drafts or other orders for the payment of money issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

**SECTION 4. Deposits.** All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such depositories as the Board of Directors may select.

## **Article VII**

### **CERTIFICATES FOR SHARES AND THEIR TRANSFER**

**SECTION 1. Certificates for Shares.** Certificates representing shares of the Corporation shall be issued in such form as the Board of Directors shall determine to every stockholder for the fully-paid shares owned by him. These certificates shall be signed by, or bear the facsimile signature of, the Chairman of the Board, any Vice Chairman, President or any Vice-President and the Secretary, Assistant Secretary, Treasurer or Assistant Treasurer. They shall be consecutively numbered or otherwise identified; and the name and address of the persons to whom they are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation.

**SECTION 2. Transfer of Shares.** Transfer of shares shall be made on the stock transfer books of the Corporation only upon surrender of the certificates for the shares sought to be transferred by the record holder thereof or by his duly-authorized agent, transferee or legal representative. All certificates surrendered for transfer shall be canceled before new certificates for the transferred shares shall be issued.

**SECTION 3. Fixing Record Date.** For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or entitled to receive payment of any dividend or in order to make a determination of stockholders for any other proper purpose, the Board of Directors may fix in advance a date as the record date for such determination of stockholders, such record date in any case to be not more than sixty (60) days and not less than ten (10) days immediately preceding the date on which the particular action requiring such determination of stockholders is to be taken.

If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

**SECTION 4. Lost Certificates.** The Board of Directors may authorize the issuance of a new share certificate in place of a certificate claimed to have been lost or destroyed, upon receipt of an affidavit of such fact from the person claiming the loss or destruction. When authorizing the issuance of a new certificate, the Board may require the claimant to give the Corporation a bond in such sum as it may direct to indemnify the Corporation against loss from any claim with respect to the certificate claimed to have been lost or destroyed; or the Board may, by resolution reciting that the circumstances justify such action, authorize the issuance of the new certificate without requiring such a bond.

## **Article VIII**

### **GENERAL PROVISIONS**

**SECTION 1. Dividends.** The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and by its Certificate of Incorporation.

**SECTION 2. Seal.** The corporate seal of the Corporation shall consist of two concentric circles between which is the name of the Corporation and in the center of which is inscribed SEAL; and such seal, as impressed on the margin hereof, is hereby adopted as the corporate seal of the Corporation.

**SECTION 3. Waiver of Notice.** Whenever any notice is required to be given to any stockholder or director under the provisions of the Delaware General Corporation Law or under the provisions of the Certificate of Incorporation or these By-laws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to giving such notice.

**SECTION 4. Fiscal Year.** The fiscal year of the Corporation shall be as fixed by the Board of Directors.

**SECTION 5. Shareholder Protection Act.** The provisions of The North Carolina Shareholder Protection Act specified in Article VII of The North Carolina Business Corporation Act shall not apply to transactions involving the Corporation, and pursuant to Section 55-9-05 [formerly Section 55-79(ii)] of said Act, this By-law provision shall formally exempt the Company from the provisions of Article VII. Any transactions otherwise falling within the scope of The North Carolina Shareholder Protection Act shall be governed by the general provisions of The North Carolina Business Corporation Act, to the extent it applies.

## **Article IX**

### **AMENDMENTS**

Except as hereinafter otherwise provided, these By-laws may be amended or repealed and new by-laws may be adopted by the affirmative vote of a majority of the number of directors

fixed by the Certificate of Incorporation and these By-laws at any regular or special meeting of the Board of Directors, provided that

(a) the Board of Directors shall have no power to adopt a bylaw -

(i) Requiring the holders of more than a majority of the shares having voting power to be present or represented by proxy at any meeting in order to constitute a quorum or requiring more than a majority of the votes cast in person or by proxy to be necessary for the transaction of any business, except where higher percentages are required by law or by the Certificate of Incorporation, or

(ii) Providing for the management of the Corporation otherwise than by the Board of Directors or its Executive Committee,

(b) the affirmative vote of two-thirds of the total number of shares outstanding and entitled to vote shall be required to amend, alter, change or repeal Article II, Section 8; Article IV, Section 5; and this Article IX of these By-laws.

**THIRD AMENDMENT**

**THIS THIRD AMENDMENT** (this “Amendment”) is made as of July 29, 2003, by and among **COCA-COLA BOTTLING CO. CONSOLIDATED**, a Delaware corporation (the “Borrower”), **GENERAL ELECTRIC CAPITAL CORPORATION**, as a Lender, and as agent for the Lenders and assignee of LTCB Trust Company (in such capacity, the “Agent”), and the lending institutions signatory hereto (the “Lenders”). Capitalized terms not otherwise defined herein shall be ascribed the meanings set forth for such terms in the Loan Agreement (defined hereafter).

**RECITALS:**

**WHEREAS**, Borrower has heretofore entered into that certain Loan Agreement dated as of November 20, 1995, with the Lenders and LTCB Trust Company (“LTCB”), as agent (as amended prior to the date hereof, the “Loan Agreement”), pursuant to which the Lenders have made term loans in the aggregate amount of \$170,000,000 (collectively, the “Loan”) to the Borrower; and

**WHEREAS**, the Borrower has requested, and the Agent and the Lenders have agreed, subject to the terms and conditions contained herein, to modify the terms of the Loan Agreement related to the order of application of voluntary prepayments so as to provide that such prepayments shall be applied to the next-scheduled installments of principal due on the Loan; and

**WHEREAS**, the Agent and the Lenders signing this Amendment are willing to amend the Loan Agreement all upon the terms and conditions set forth in this Amendment.

**NOW THEREFORE**, in consideration of the premises and mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**AGREEMENT:**

1. **Prepayments of the Loans.** Subject to the terms and conditions of this Amendment, Section 3.03(a)(iv) of the Loan Agreement is hereby amended by deleting the word “inverse” therefrom.
2. **Representations and Warranties.** The Borrower hereby represents and warrants to the Agent and the Lenders that (a) this Amendment has been duly authorized, executed and delivered by the Borrower, (b) no Default or Event of Default has occurred and is continuing as of this date, and (c) all of the representations and warranties made by the Borrower in the Loan Documents are true and correct in all material respects on and as of the date of this Amendment (except to the extent that any such representations or warranties expressly referred to a specific prior date). Any breach by the Borrower of any of the representations and warranties contained in this Section shall be an Event of Default for all purposes under the Loan Agreement and the other Loan Documents.

3. **Conditions Precedent.** The effectiveness of the amendments in Section 1 of this Amendment shall be conditioned upon receipt by the Agent of the following (or upon the written waiver thereof approved and executed by the Agent and the Required Banks, in their respective discretion):
  - (a) The Agent shall have received evidence satisfactory to it of the Borrower's existence and good standing in its jurisdiction of formation.
  - (b) The Agent shall have received such other documents, certificates and instruments as the Agent may reasonably request.
  - (c) The Agent shall have received all fees and expenses incurred by the Agent in connection with the negotiation, preparation and execution of this Amendment including, without limitation, the legal fees and other out of pocket expenses of the Agent.
4. **Ratification.** The Borrower hereby ratifies and reaffirms each and every term, covenant and condition set forth in the Loan Agreement and all other documents delivered by the Borrower in connection therewith (including without limitation the other Loan Documents to which the Borrower is a party), effective as of the date hereof.
5. **Estoppel.** To induce the Agent and the Lenders to enter into this Amendment, the Borrower hereby acknowledges and agrees that, as of the date hereof, there exists no right of offset, defense or counterclaim in favor of the Borrower as against the Agent or any Lender with respect to the obligations of the Borrower to the Agent or any Lender under the Loan Agreement or the other Loan Documents, either with or without giving effect to this Amendment. The Borrower hereby confirms its obligation to repay the entire outstanding principal balance of the Loan, together with all interest accrued thereon, and any other charges and fees now due or hereafter becoming due to Agent or any Lender, all in accordance with the provisions of the Loan Agreement and the other Loan Documents.
6. **Effectiveness of this Amendment.** All of the provisions of this Amendment shall be effective immediately upon the delivery to the Agent of this Amendment executed by the Borrower, the Agent and the requisite number of Lenders whose consent is required under the Loan Agreement to effect the amendments herein.
7. **Reimbursement of Expenses.** The Borrower agrees that it shall reimburse the Agent on demand for all costs and expenses (including, without limitation, reasonable attorney's fees) actually incurred by the Agent in connection with the negotiation, preparation and execution of the Amendment and all documents executed and delivered to the Agent in connection therewith. The reimbursement obligations under this Amendment shall constitute Obligations under the Loan Agreement.
8. **Governing Law.** THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

9. **Severability of Provisions.** Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction. To the extent permitted by applicable law, the Borrower hereby waives any provision of law that renders any provision hereof prohibited or unenforceable in any respect.
10. **Successors and Assigns; Counterparts; Facsimile Delivery.** This Amendment shall be binding upon all parties hereto, their successors and permitted assigns. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original but all of which together shall be deemed to be one instrument. This Amendment may be delivered by facsimile transmission with the same effect as if originally executed counterparts of this Amendment were delivered to all parties hereto.
11. **Entire Agreement.** The Loan Agreement and the other Loan Documents, as amended by this Amendment, embody the entire agreement among the parties hereto relating to the subject matter hereof and supersede all prior agreements, representations and understandings, if any, relating to the subject matter hereof.

**IN WITNESS WHEREOF**, the parties have caused this Amendment to be duly executed by their respective officers thereunto duly authorized, as of the date first above written.

**BORROWER:**

COCA-COLA BOTTLING CO. CONSOLIDATED

By: /s/ Clifford M. Deal, III

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Name: Clifford M. Deal, III

Title: Vice President and Treasurer

**AGENT:**

GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ C. Mark Smith

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Name: C. Mark Smith

Title: Duly Authorized Signatory



**LENDERS:**

GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ C. Mark Smith

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Name: C. Mark Smith

Title: Duly Authorized Signatory

SUNTRUST BANK

By: /s/ Donald M. Lynch

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Name: Donald M. Lynch

Title: Director

DZ BANK AG DEUTSCHE ZENTRAL-  
GENOSSENSCHAFTSBANK, FRANKFURT AM MAIN  
(formerly DG BANK DEUTSCHE  
GENOSSENSCHAFTSBANK AG), as a Lender

By: /s/ Bernd Henrik Franke

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Name: Bernd Henrik Franke  
Title: Vice President

By: /s/ James A. Kyprios

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Name: James A. Kyprios  
Title: Vice President

By: /s/ Denis Waltrich

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Name: Denis Waltrich

Title: Associate

By: \_\_\_\_\_

Name:

Title:

THE CHIBA BANK, LTD.

By: /s/ Kazuhiro Suzuki

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Name: Kazuhiro Suzuki

Title: General Manager

FLEET NATIONAL BANK

By: /s/ Thomas Engels

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Name: Thomas Engels

Title: Senior Vice President

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SOCIETE GENERALE

By: \_\_\_\_\_

Name:

Title:



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

1. I have reviewed this quarterly report on Form 10-Q of Coca-Cola Bottling Co. Consolidated;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 11, 2003

/s/ J. FRANK HARRISON, III

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

I, David V. Singer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Coca-Cola Bottling Co. Consolidated;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 11, 2003

/s/ DAVID V. SINGER

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David V. Singer  
Executive Vice President and Chief Financial Officer

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 of Coca-Cola Bottling Co. Consolidated (the "Company") on Form 10-Q for the period ending June 29, 2003 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 David V. Singer, 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; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ J. FRANK HARRISON, III

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J. Frank Harrison, III  
Chairman of the Board of Directors and  
Chief Executive Officer  
August 11, 2003

/s/ DAVID V. SINGER

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David V. Singer  
Executive Vice President and  
Chief Financial Officer  
August 11, 2003