COCA COLA BOTTLING CO CONSOLIDATED /DE/
Form 10-K
March 13, 2008

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

Form 10-K

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

For the fiscal year ended December 30, 2007

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 Number)*

4100 Coca-Cola Plaza, Charlotte, North Carolina 28211

(Address of principal executive offices) (Zip Code)

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

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

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

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

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

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

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

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

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

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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

	Market Value as of July 1, 2007
Common Stock, $1.00 Par Value	$234,199,768
Class B Common Stock, $1.00 Par Value	*

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

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

Class	**Outstanding as of February 29, 2008**
Common Stock, $1.00 Par Value	6,643,677
Class B Common Stock, $1.00 Par Value	2,499,652

Documents Incorporated by Reference

Portions of Proxy Statement to be filed pursuant to Section 14 of the Exchange Act with respect to the 2008 Annual Meeting of Stockholders	Part III, Items 10-14

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PART I

Item 1. *Business*

Introduction

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

The Coca-Cola Company currently owns approximately 27.2% of the Company s total outstanding Common Stock and Class B Common Stock on a combined basis. J. Frank Harrison, III, the Company s Chairman and Chief Executive Officer, is party to a Voting Agreement and Irrevocable Proxy with The Coca-Cola Company pursuant to which, among other things, Mr. Harrison, III has been granted an Irrevocable Proxy for life concerning the shares of Common Stock and Class B Common Stock owned by The Coca-Cola Company. Mr. Harrison, III currently owns or controls approximately 91.8% of the combined voting power of the Company s outstanding Common Stock and Class B Common Stock.

General

Nonalcoholic beverage products can be broken down into two categories:

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

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

The Company holds Bottle Contracts and Allied Bottle Contracts under which it produces, distributes and markets, in certain regions, sparkling beverage products of The Coca-Cola Company.

The Company also holds Noncarbonated Beverage Contracts under which it distributes and markets in certain regions still beverages of The Coca-Cola Company such as POWERade, Minute Maid Adult Refreshments and Minute Maid Juices To Go. The Company holds contracts to produce and market Dr Pepper in some of its regions. The Company also distributes and markets various other products, including Cinnabon Premium Coffee Lattes and Sundrop, in one or more of the Company s regions under agreements with the companies that hold and license the use of their trademarks for these beverages. In addition, the Company also produces beverages for other Coca-Cola bottlers. In some instances, the Company distributes beverages without a written agreement.

The Company s principal soft drink is Coca-Cola classic. In each of the last three fiscal years, sales of products bearing the Coca-Cola or Coke trademark have accounted for more than half of the Company s bottle/can volume to retail customers. In total, the products of The Coca-Cola Company accounted for approximately 89%, 90% and 90% of the Company s bottle/can volume to retail customers during fiscal years 2007, 2006 and 2005, respectively.

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

Over the last 18 months, the Company has developed and begun to market and distribute certain products which it owns. These products include Respect, a vitamin and mineral enhanced beverage, Country Breeze tea and diet Country Breeze tea, Tum-E Yummies, a vitamin C enhanced flavored drink, and the energy drinks, Frigid Dog, Scalded Dog and Strait Dog. The Company may market and sell these products nationally.

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

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

Beverage Agreements

The Company holds contracts with The Coca-Cola Company which entitle the Company to produce, market and distribute in its exclusive territory The Coca-Cola Company s soft drinks in bottles, cans and five gallon pressurized pre-mix containers. The Company is one of many companies holding such contracts. The Coca-Cola Company is the sole owner of the secret formulas pursuant to which the primary components (either concentrates or syrups) of Coca-Cola trademark beverages and other trademark beverages are manufactured. The concentrates, when mixed with water and sweetener, produce syrup which, when mixed with carbonated water, produces the soft drink known as Coca-Cola classic and other soft drinks of The Coca-Cola Company, which are manufactured and marketed by the Company. The Company also purchases sweeteners from The Coca-Cola Company. No royalty or other compensation is paid under the contracts with The Coca-Cola Company for the Company s right to use, in its territories, the tradenames and trademarks, such as Coca-Cola classic and their associated patents, copyrights, designs and labels, which are owned by The Coca-Cola Company. The Coca-Cola Company has no rights under these contracts to establish the resale prices at which the Company sells its products. The Company has similar arrangements with Cadbury Schweppes Americas Beverages (Cadbury Schweppes) and other beverage companies.

Bottle Contracts for Coca-Cola Trademark Beverages. The Company is party to standard bottle contracts with The Coca-Cola Company for each of its bottling territories (the Bottle Contracts) which provide that the Company will purchase its entire requirement of concentrates and syrups for beverages bearing the trademark Coca-Cola or Coke (the Coca-Cola Trademark Beverages) from The Coca-Cola Company. The Company may not produce, deal in or otherwise handle any cola product other than those of The Coca-Cola Company. The Company has the exclusive right to distribute Coca-Cola Trademark Beverages for sale in its territories in authorized containers of the nature currently used by the Company, which include cans and nonrefillable bottles. The Coca-Cola Company may determine from time to time the type of containers to authorize for use by the Company. The Company cannot sell Coca-Cola Trademark Beverages outside of its exclusive territories.

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The prices The Coca-Cola Company charges for concentrate and syrup under the Bottle Contracts are set by The Coca-Cola Company. Except as provided in the Supplementary Agreement described below, there are no limitations on prices for concentrate or syrup. Consequently, the prices at which the Company purchases concentrate and syrup in the future under the Bottle Contracts may vary materially from the prices it has paid during the periods covered by the financial information included in this report.

Under the Bottle Contracts, the Company is obligated:

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

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

to develop, stimulate and satisfy fully the demand for Coca-Cola Trademark Beverages and to use all approved means, and to spend such funds on advertising and other forms of marketing as may be reasonably required, to meet that objective; and

to maintain such sound financial capacity as may be reasonably necessary to assure performance by the Company and its affiliates of their obligations to The Coca-Cola Company.

The Bottle Contracts require the Company to submit to The Coca-Cola Company each year its plans for marketing, management and advertising with respect to the Coca-Cola Trademark Beverages for the ensuing year. Such plans must demonstrate that the Company has the financial capacity to perform its duties and obligations to The Coca-Cola Company under the Bottle Contracts. The Bottle Contracts require that the Company obtain The Coca-Cola Company s approval of those plans, which approval may not be unreasonably withheld, and the Bottle Contracts provide that if the Company carries out its plans in all material respects, it will have satisfied its contractual obligations to The Coca-Cola Company. The Bottle Contracts further provide that failure to carry out such plans in all material respects would constitute an event of default which, if not cured within 120 days of notice of such failure, would give The Coca-Cola Company the right to terminate the Bottle Contracts. The Bottle Contracts further provide that if the Company at any time fails to carry out a plan in all material respects with respect to any geographic segment (as defined by The Coca-Cola Company) of its territory, and if that failure is not cured within six months of notice of such failure, The Coca-Cola Company may reduce the territory covered by the applicable Bottle Contract by eliminating the portion of the territory with respect to which the failure has occurred.

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

The Coca-Cola Company has the sole and exclusive right and discretion to reformulate any of the Coca-Cola Trademark Beverages. In addition, The Coca-Cola Company has the right to discontinue any of the Coca-Cola Trademark Beverages, subject to certain limitations, so long as all Coca-Cola Trademark Beverages are not discontinued. The Coca-Cola Company may also introduce new beverages under the trademarks Coca-Cola or Coke or any modification thereof, and in that event the Company would be obligated to manufacture, package, distribute and sell the new beverages with the same duties as exist under the Bottle Contracts with respect to Coca-Cola

Trademark Beverages.

If the Company acquires the right to manufacture and sell Coca-Cola Trademark Beverages in any additional territory, the Company has agreed that such new territory will be covered by a standard contract in the same form as the Bottle Contracts and that any existing agreement with respect to the acquired territory automatically shall be amended to conform to the terms of the Bottle Contracts. In addition, if the Company acquires control, directly or indirectly, of any bottler of Coca-Cola Trademark Beverages, or any party controlling a bottler of Coca-Cola

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Trademark Beverages, the Company must cause the acquired bottler to amend its franchises for the Coca-Cola Trademark Beverages to conform to the terms of the Bottle Contracts.

The Bottle Contracts are perpetual, subject to termination by The Coca-Cola Company in the event of default by the Company. Events of default by the Company include:

- the Company s insolvency, bankruptcy, dissolution, receivership or similar conditions;
- the Company s disposition of any interest in the securities of any bottling subsidiary without the consent of The Coca-Cola Company;
- termination of any agreement regarding the manufacture, packaging, distribution or sale of Coca-Cola Trademark Beverages between The Coca-Cola Company and any person that controls the Company;
- any material breach of any obligation arising under the Bottle Contracts (including failure to make timely payment for any concentrate or syrup or of any other debt owing to The Coca-Cola Company, failure to meet sanitary or quality control standards, failure to comply strictly with manufacturing standards and instructions, failure to carry out an approved plan as described above, and failure to cure a violation of the terms regarding imitation products) that remains uncured for 120 days after notice by The Coca-Cola Company;
- producing, manufacturing, selling or dealing in any product or any concentrate or syrup which might be confused with those of The Coca-Cola Company;
- selling any product under any trade dress, trademark or tradename or in any container that is an imitation of a trade dress or container in which The Coca-Cola Company claims a proprietary interest; and
- owning any equity interest in or controlling any entity which performs any of the activities described in the immediately preceding two items.

In addition, upon termination of the Bottle Contracts for any reason, The Coca-Cola Company, at its discretion, may also terminate any other agreements with the Company regarding the manufacture, packaging, distribution, sale or promotion of soft drinks, including the Allied Bottle Contracts described below.

The Company is prohibited from assigning, transferring or pledging its Bottle Contracts or any interest therein, whether voluntarily or by operation of law, without the prior consent of The Coca-Cola Company. Moreover, the Company may not enter into any contract or other arrangement to manage or participate in the management of any other Coca-Cola bottler without the prior consent of The Coca-Cola Company.

The Coca-Cola Company may automatically amend the Bottle Contracts if 80% of the domestic bottlers who are parties to agreements with The Coca-Cola Company containing substantially the same terms as the Bottle Contracts, which bottlers purchased for their own account 80% of the syrup and equivalent gallons of concentrate for Coca-Cola Trademark Beverages purchased for the account of all such bottlers, agree that their bottle contracts shall be likewise amended.

Allied Bottle Contracts with The Coca-Cola Company. The Company is a party to other contracts with The Coca-Cola Company (the Allied Bottle Contracts) which grant exclusive rights to the Company with respect to the distribution of sparkling beverages that are not Coca-Cola Trademark Beverages (the Allied Beverages) for sale in authorized containers in its territories. These contracts contain provisions that are similar to those of the Bottle Contracts with respect to pricing, authorized containers, planning, quality control, trademark and transfer restrictions and related matters. Each Allied Bottle Contract has a term of ten years and is renewable by the Company for an additional ten years at the end of each ten-year period, but is subject to termination by The Coca-Cola Company in the event of:

the Company s insolvency, bankruptcy, dissolution, receivership or similar condition;

termination of the Company s Bottle Contracts covering the same territory by either party for any reason; and

any material breach of any obligation of the Company under the Allied Bottle Contracts that remains uncured for 120 days after notice by The Coca-Cola Company.

The territories covered by the Allied Bottle Contracts are the same as the territories covered by the Bottle Contracts, except the Company does not sell Pibb Xtra in the territories where the Company sells Dr Pepper. The Company intends to renew substantially all the Allied Bottle Contracts as they expire.

Supplementary Agreement Relating to Bottle Contracts and Allied Bottle Contracts. The Company and The Coca-Cola Company are also parties to a Supplementary Agreement (the Supplementary Agreement) that modifies some of the provisions of the Bottle Contracts for the Coca-Cola Trademark Beverages and the Allied Bottle Contracts. The Supplementary Agreement provides that The Coca-Cola Company will:

exercise good faith and fair dealing in its relationship with the Company under the Bottle Contracts and Allied Bottle Contracts;

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

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

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

The Supplementary Agreement permits transfers of the Company s capital stock that would otherwise be limited by the Bottle Contracts.

Noncarbonated Beverage Contracts with The Coca-Cola Company. The Company purchases and distributes certain still beverages such as sports drinks, teas and juice drinks primarily in finished form from The Coca-Cola Company, and produces, markets and distributes Dasani water, pursuant to the terms of marketing and distribution agreements (the Noncarbonated Beverage Contracts). The Noncarbonated Beverage Contracts contain provisions that are similar to the Bottle Contracts and Allied Bottle Contracts with respect to authorized containers, planning and related matters, but the Noncarbonated Beverage Contracts also have certain significant differences. Unlike the Bottle Contracts and Allied Bottle Contracts which grant the Company exclusivity in the distribution of the respective beverages in the territory, the Noncarbonated Beverage Contracts grant exclusivity but permit The Coca-Cola Company to test market the still beverage products in the territory, subject to the Company s right of first refusal, and to sell the still beverages to commissaries for delivery to retail outlets in the Company s territory where still beverages are consumed on-premises, including restaurants. The Coca-Cola Company must pay the Company certain fees in the event of such commissary sales. Also, under the Noncarbonated Beverage Contracts, the Company may not sell other beverages in the same product category. The Coca-Cola Company establishes the pricing the Company must pay for the still beverages or, in the case of Dasani, the concentrate. Each of the Noncarbonated Beverage Contracts has a term of ten or fifteen years and is renewable by the Company at the end of each term. The Company intends to renew substantially all the Noncarbonated Beverage Contracts as they expire.

Other Bottling Agreements. The bottling agreements with most other beverage companies are similar to those described above in that they are renewable at the option of the Company. The price the beverage companies may charge for syrup or concentrate is set by the beverage companies from time to time. These bottling agreements also contain similar restrictions on the use of trademarks, approved bottles, cans and labels and sale of imitations or substitutes as well as termination for cause provisions. Sales of beverages by the Company under these agreements represented approximately 11%, 10% and 10% of the Company s bottle/can volume to retail customers for 2007, 2006 and 2005, respectively. The territories covered by bottling agreements for products of beverage companies other than The Coca-Cola Company in most cases correspond with the territories covered by the Bottle Contracts. The variations do not have a material effect on the Company s business.

Post-Mix Rights and Sales to Other Bottlers. The Company also has the non-exclusive right to sell Coca-Cola classic and post-mix of The Coca-Cola Company and fountain syrups of Cadbury Schweppes relating to Dr Pepper and Sundrop. In addition, the Company produces some products for sale to other Coca-Cola bottlers.

Sales to other bottlers have lower margins but allow the Company to achieve higher utilization of its production equipment and facilities.

The Company s net sales by category as a percentage of total net sales were as follows:

	Fiscal Year		
	2007	2006	2005
Bottle/can sales under beverage contracts	84%	83%	84%
Post-mix and other sales	7%	6%	6%
Sales to other Coca-Cola bottlers	9%	11%	10%
Total	100%	100%	100%

The decrease in sales to other Coca-Cola bottlers in 2007 compared to 2006 resulted primarily from decreased volume related to shipments of Full Throttle, an energy product of The Coca-Cola Company. During the first half of 2007, the Company produced this energy drink, Full Throttle, for many of the Coca-Cola bottlers in the eastern half of the United States. During the second half of 2007, most of these Coca-Cola bottlers found an alternative source for the product.

Agreement with The Coca-Cola Company

On March 10, 2008, the Company entered into a letter agreement with The Coca-Cola Company regarding brand innovation and distribution collaboration. Under the letter agreement, the Company granted to The Coca-Cola Company the option to purchase any nonalcoholic beverage brands then or thereafter owned by the Company. The option is exercisable as to each brand at a formula-based price during the two-year period that begins after that brand has achieved a specified level of net operating revenue or, if earlier, beginning five years after the introduction of that brand into the market with a minimum level of net operating revenue (except that, with respect to brands owned at the date of the letter agreement, the five-year period does not begin earlier than the date of the letter agreement).

Markets and Production and Distribution Facilities

The Company currently holds bottling rights from The Coca-Cola Company covering the majority of North Carolina, South Carolina and West Virginia, and portions of Alabama, Mississippi, Tennessee, Kentucky, Virginia, Pennsylvania, Georgia and Florida. The total population within the Company s bottling territory is approximately 19.0 million.

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

1. *North Carolina*. This region includes the majority of North Carolina, including Raleigh, Greensboro, Winston-Salem, High Point, Hickory, Asheville, Fayetteville, Wilmington, Charlotte and the surrounding areas. The region has an estimated population of 8.3 million. A production/distribution facility is located in Charlotte and 16 sales distribution facilities are located in the region.

2. *South Carolina*. This region includes the majority of South Carolina, including Charleston, Columbia, Greenville, Myrtle Beach and the surrounding areas. The region has an estimated population of 3.5 million. There are 6 sales

distribution facilities in the region.

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

4. *South Georgia*. This region includes a small portion of eastern Alabama, a portion of southwestern Georgia including Columbus and surrounding areas and a portion of the Florida Panhandle. This region has an estimated population of 1.1 million. There are 5 sales distribution facilities located in the region.

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5. *Middle Tennessee*. This region includes a portion of central Tennessee, including Nashville and surrounding areas, a small portion of southern Kentucky and a small portion of northwest Alabama. The region has an estimated population of 2.2 million. A production/distribution facility is located in Nashville and 3 sales distribution facilities are located in the region.

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

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

The Company is a member of South Atlantic Canners (SAC), a manufacturing cooperative located in Bishopville, South Carolina. All eight members of SAC are Coca-Cola bottlers and each member has equal voting rights. The Company receives a fee for managing the day-to-day operations of SAC pursuant to a management agreement. Management fees earned from SAC were $1.4 million, $1.6 million and $1.5 million in 2007, 2006 and 2005, respectively. SAC s bottling lines supply a portion of the Company s volume requirements for finished products. The Company has a commitment with SAC that requires minimum annual purchases of 17.5 million cases of finished products through May 2014. Purchases from SAC by the Company for finished products were $149 million, $133 million and $127 million in 2007, 2006 and 2005, respectively, or 30.6 million cases, 29.3 million cases and 28.3 million cases of finished product, respectively.

Raw Materials

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

The Company purchases substantially all of its plastic bottles (20-ounce, half-liter and 2-liter sizes) from manufacturing plants which are owned and operated by Southeastern Container and Western Container, two entities owned by Coca-Cola bottlers including the Company. The Company currently obtains all of its aluminum cans (8-ounce, 12-ounce and 16-ounce sizes) from one domestic supplier.

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

Along with all the other Coca-Cola bottlers in the United States, the Company is a member in Coca-Cola Bottlers Sales and Services Company, LLC (CCBSS), which was formed in 2003 for the purposes of facilitating various procurement functions and distributing certain specified beverage products of The Coca-Cola Company with the intention of enhancing the efficiency and competitiveness of the Coca-Cola bottling system in the United States. CCBSS has negotiated the procurement for the majority of the Company s raw materials (excluding concentrate) since 2004.

Beginning in the first quarter of 2007, the majority of the Company s aluminum packaging requirements did not have any ceiling price protection. The cost of aluminum cans increased approximately 18% in 2007. High fructose corn syrup costs also increased significantly during 2007 as a result of increasing demand for corn products around the world such as for ethanol production. The cost of high fructose corn syrup increased approximately 21% in 2007. During 2008, the Company expects raw material costs to increase less than they did in 2007, but to remain above historical averages.

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Customers and Marketing

The Company s products are sold and distributed directly to retail stores and other outlets, including food markets, institutional accounts and vending machine outlets. During 2007, approximately 68% of the Company s bottle/can volume to retail customers was sold for future consumption. The remaining bottle/can volume to retail customers of approximately 32% was sold for immediate consumption, primarily through dispensing machines owned either by the Company, retail outlets or third party vending companies. The Company s largest customer, Wal-Mart Stores, Inc., accounted for approximately 19% of the Company s total bottle/can volume to retail customers and the second largest customer, Food Lion, LLC, accounted for approximately 12% of the Company s total bottle/can volume to retail customers. Wal-Mart Stores, Inc. accounted for approximately 13% of the Company s total net sales. All of the Company s sales are to customers in the United States.

New product introductions, packaging changes and sales promotions have been the primary sales and marketing practices in the nonalcoholic beverage industry in recent years and have required and are expected to continue to require substantial expenditures. Brand introductions from The Coca-Cola Company in the last three years include Coca-Cola Zero, Vault, Vault Zero, Dasani flavors, Full Throttle, Gold Peak tea products, Diet Coke Plus and Dasani Plus. The Company began distribution of four of its own products, Respect, Country Breeze tea, diet Country Breeze tea and Tum-E Yummies, in 2007. In addition, the Company also began distribution of BooKoo energy products, NOS products (energy drinks from FUZE, a subsidiary of The Coca-Cola Company), juice products from FUZE and V8 products from Campbell s during 2007. In the fourth quarter of 2007, the Company began distribution of glacéau products, a wholly-owned subsidiary of The Coca-Cola Company that produces branded enhanced beverages including vitaminwater, smartwater and vitaminenergy. New packaging introductions include the 20-ounce grip bottle during 2007. New product and packaging introductions have resulted in increased operating costs for the Company due to special marketing efforts, obsolescence of replaced items and, in some cases, higher raw material costs.

The Company sells its products primarily in nonrefillable bottles and cans, in varying proportions from market to market. There may be as many as 25 different packages for Coca-Cola classic within a single geographic area. Bottle/can volume to retail customers during 2007 was approximately 47% cans, 52% nonrefillable bottles and 1% other containers.

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

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

Seasonality

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

Competition

The nonalcoholic beverage market is highly competitive. The Company s competitors include bottlers and distributors of nationally advertised and marketed products, regionally advertised and marketed products, as well as bottlers and distributors of private label beverages in supermarket stores. The sparkling beverage market (including energy products) comprised 85% of the Company s bottle/can volume to retail customers in 2007. In each region in which the Company operates, between 75% and 95% of sparkling beverage sales in bottles, cans and pre-mix containers are accounted for by the Company and its principal competition, which in each region includes the local bottler of Pepsi-Cola and, in some regions, also includes the local bottler of Dr Pepper, Royal Crown and/or 7-Up products.

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

Government Regulation

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

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

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

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

The Company has experienced public policy challenges regarding the sale of soft drinks in schools, particularly elementary, middle and high schools. At December 30, 2007, a number of states had regulations restricting the sale of soft drinks and other foods in schools. Many of these restrictions have existed for several years in connection with subsidized meal programs in schools. The focus has more recently turned to the growing health, nutrition and obesity concerns of today s youth. Restrictive legislation, if widely enacted, could have an adverse impact on the Company s products, image and reputation.

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

Environmental Remediation

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

Employees

As of February 1, 2008, the Company had approximately 5,800 full-time employees, of whom approximately 400 were union members. The total number of employees, including part-time employees, was approximately 6,800.

Approximately 7% of the Company s labor force is currently covered by collective bargaining agreements. Two collective bargaining agreements covering approximately 5% of the Company s employees expire in 2008.

Exchange Act Reports

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

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

Item 1A. *Risk Factors*

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

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

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

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

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

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

The Company s business depends substantially on consumer tastes and preferences that change in often unpredictable ways. The success of the Company s business in large measure depends on working with the

Beverage Companies to meet the changing preferences of the broad consumer market. Health and wellness trends throughout the marketplace have resulted in a shift from sugar sparkling beverages to diet sparkling beverages, tea, sports drinks and bottled water over the past several years. Failure to satisfy changing consumer preferences could adversely affect the profitability of the Company s business.

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

Unfavorable changes in general economic conditions, such as a recession or economic slowdown in the geographic markets in which the Company does business, may have the temporary effect of reducing the demand for certain of the Company s products. For example, economic forces may cause consumers to shift away from purchasing higher-margin products and packages sold through immediate consumption and other highly profitable channels, which could adversely affect the Company s price realization and gross margins.

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

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

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

Approximately 89% of the Company s bottle/can volume with retail customers consists of products of The Coca-Cola Company, which is the sole supplier of the concentrates or syrups required to manufacture these products. The remaining 11% of the Company s bottle/can volume with retail customers generally consists of products of other beverage companies and the Company s own products. The Company must satisfy various requirements under its bottling contracts. Failure to satisfy these requirements could result in the loss of distribution rights for the respective products.

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

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

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

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

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

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

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

Packaging costs, primarily aluminum cans, and high fructose corn syrup cost increased significantly in 2007. The Company expects concentrate, plastic bottles, aluminum cans and high fructose corn syrup costs to increase in 2008. In addition, there are no limits on the prices The Coca-Cola Company and other beverage companies can charge for concentrate. If the Company cannot offset higher raw material costs with higher selling prices, increased sales volume or reductions in other costs, the Company s profitability could be adversely affected.

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

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

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

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

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

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

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

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

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

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

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

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

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

Approximately 41% of the Company s debt and capital lease obligations of $679.1 million as of December 30, 2007 was subject to changes in short-term interest rates. In addition, the Company s pension and postretirement medical benefits costs are subject to changes in interest rates. If interest rates increase in the future, there can be no assurance that future increases in interest expense will not reduce the Company s overall profitability.

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

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

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

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

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

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

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

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

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

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

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

Approximately 7% of the Company s employees are covered by collective bargaining agreements. The inability to renegotiate subsequent agreements on satisfactory terms and conditions could result in work interruptions or stoppages, which could have a material impact on the profitability of the Company. Also, the terms and conditions of existing or renegotiated agreements could increase costs, or otherwise affect the Company s ability to fully implement operational changes to improve overall efficiency. Two collective bargaining agreements covering approximately 5% of the Company s employees expire in 2008.

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

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

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

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

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

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

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

Members of the Harrison family, including the Company s Chairman and Chief Executive Officer, J. Frank Harrison, III, beneficially own shares of Common Stock and Class B Common Stock representing approximately

91.8% of the total voting power of the Company s outstanding capital stock. In addition, two members of the Harrison family, including Mr. Harrison, III, serve on the Board of Directors of the Company. As a result, members of the Harrison family have the ability to exert substantial influence or actual control over the Company s management and affairs and over substantially all matters requiring action by the Company s stockholders. This concentration of ownership may also have the effect of delaying or preventing a change in control otherwise favored by the Company s other stockholders and could depress the stock price.

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

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

The principal properties of the Company include its corporate headquarters, its four production/distribution facilities and its 46 sales distribution centers. The Company owns two production/distribution facilities and 41 sales distribution centers, and leases its corporate headquarters, two other production/distribution facilities and 5 sales distribution centers.

The Company leases its 110,000 square foot corporate headquarters and a 65,000 square foot adjacent office building from a related party. The Company modified a lease agreement (effective January 1, 2007) for its corporate headquarters and adjacent office building. The modified lease has a fifteen year term and expires in December 2021. Rental payments for these facilities were $3.6 million in 2007.

The Company leases its 542,000 square foot Snyder Production Center and an adjacent 105,000 square foot distribution center in Charlotte, North Carolina from a related party for a ten-year term expiring in December 2010. Rental payments under this lease totaled $4.2 million in 2007.

The Company leases its 330,000 square foot production/distribution facility in Nashville, Tennessee. The lease requires monthly payments through 2009. Rental payments under this lease totaled $.4 million in 2007.

The Company leases its 50,000 square foot sales distribution center in Charleston, South Carolina. The lease requires monthly payments through 2017. Rental payments under this lease totaled $.4 million in 2007.

The Company leases its 57,000 square foot sales distribution center in Greenville, South Carolina. The lease requires monthly payments through 2018. Rental payments under this lease totaled $.6 million in 2007.

The Company s other real estate leases are not material.

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

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

Production Facilities

	Percentage

Location	**Utilization***
Charlotte, North Carolina	69%
Mobile, Alabama	51%
Nashville, Tennessee	65%
Roanoke, Virginia	65%

* Estimated 2008 production divided by capacity (based on operations of 6 days per week and 20 hours per day).

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

The Company s products are generally transported to sales distribution facilities for storage pending sale. The number of sales distribution facilities by market area as of February 1, 2008 was as follows:

Sales Distribution Facilities

Region	**Number of Facilities**
North Carolina	16
South Carolina	6
South Alabama	4
South Georgia	5
Middle Tennessee	3
Western Virginia	4
West Virginia	8
Total	46

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

The Company also operates approximately 3,940 vehicles in the sale and distribution of its nonalcoholic beverage products, of which approximately 1,390 are route delivery trucks. In addition, the Company owns approximately 200,800 beverage dispensing and vending machines for the sale of its products in its bottling territories.

Item 3. ***Legal Proceedings***

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

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 30, 2007.

Executive Officers of the Company

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

J. FRANK HARRISON, III, age 53, is Chairman of the Board of Directors and Chief Executive Officer of the Company. Mr. Harrison, III was appointed Chairman of the Board of Directors in December 1996. Mr. Harrison, III served as Vice Chairman from November 1987 through December 1996 and was appointed as the Company s Chief

Executive Officer in May 1994. He was first employed by the Company in 1977 and has served as a Division Sales Manager and as a Vice President.

WILLIAM B. ELMORE, age 52, is President and Chief Operating Officer and a Director of the Company, positions he has held since January 2001. Previously, he was Vice President, Value Chain from July 1999 and Vice President, Business Systems from August 1998 to June 1999. He was Vice President, Treasurer from June 1996 to July 1998. He was Vice President, Regional Manager for the Virginia Division, West Virginia Division and Tennessee Division from August 1991 to May 1996.

HENRY W. FLINT, age 53, is Vice Chairman of the Board of Directors of the Company, a position he has held since April 2007. Previously, he was Executive Vice President and Assistant to the Chairman of the Company, a position to which he was appointed in July 2004. Prior to that, he was a Managing Partner at the law firm of Kennedy Covington Lobdell & Hickman, L.L.P. with which he was associated from 1980 to 2004.

STEVEN D. WESTPHAL, age 53, is Executive Vice President of Operations and Systems, a position to which he was appointed in September 2007. He was Chief Financial Officer from May 2005 to January 2008 and prior to that Vice President and Controller, a position he had held from November 1987.

WILLIAM J. BILLIARD, age 41, is Vice President, Controller and Chief Accounting Officer, a position to which he was appointed on February 20, 2006. Before joining the Company, he was Senior Vice President, Interim Chief Financial Officer and Corporate Controller of Portrait Corporation of America, Inc., a portrait photography studio company, from September 2005 to January 2006 and Senior Vice President, Corporate Controller from August 2001 to September 2005. Prior to that, he served as Vice President, Chief Financial Officer of Tailored Management, a long-term staffing company, from August 2000 to August 2001. Portrait Corporation of America, Inc. filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code in August 2006.

CLIFFORD M. DEAL, III, age 46, is Vice President, Treasurer, a position he has held since June 1999. Previously, he was Director of Compensation and Benefits from October 1997 to May 1999. He was Corporate Benefits Manager from December 1995 to September 1997 and was Manager of Tax Accounting from November 1993 to November 1995.

NORMAN C. GEORGE, age 52, is President of ByB Brands, Inc, a wholly-owned subsidiary of the Company that distributes and markets Cinnabon Premium Coffee Lattes and distributes and markets other products developed by the Company, a position he has held since July 2006. Prior to that he was Senior Vice President, Chief Marketing and Customer Officer, a position he was appointed to in September 2001. Prior to that, he was Vice President, Marketing and National Sales, a position he was appointed to in December 1999. Prior to that, he was Vice President, Corporate Sales, a position he had held since August 1998. Previously, he was Vice President, Sales for the Carolinas South Region, a position he held beginning in November 1991.

JAMES E. HARRIS, age 45, is Senior Vice President and Chief Financial Officer, a position he has held since January 28, 2008. He served as a Director of the Company from August 2003 until January 25, 2008 and was a member of the Audit Committee and the Finance Committee. He served as Executive Vice President and Chief Financial Officer of MedCath Corporation, an operator of cardiovascular hospitals, from December 1999 to January 2008. From 1998 to 1999 he was Chief Financial Officer of Fresh Foods, Inc., a manufacturer of fully cooked food products. From 1987 to 1998, he served in several different officer positions with The Shelton Companies, Inc. He also served two years with Ernst & Young LLP as a senior accountant.

KEVIN A. HENRY, age 40, is Assistant to the President and Chief Human Resources Officer, a position he has held since September 2007. Prior to that he was Senior Vice President of Human Resources, a position he held since February 2001. Prior to joining the Company, he was Senior Vice President, Human Resources at Nationwide Credit Inc., where he was an employee since January 1997. Prior to that, he was Director, Human Resources, at Office Depot Inc. beginning in December 1994.

UMESH M. KASBEKAR, age 50, is Senior Vice President, Planning and Administration, a position he has held since January 1995. Prior to that, he was Vice President, Planning, a position he was appointed to in December 1988.

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MELVIN F. LANDIS, III, age 42, is Senior Vice President, Chief Marketing and Customer Officer, a position he has held since December 2006. Prior to that he was Vice President, Marketing and Corporate Customers from July 2006 to December 2006 and Vice President, Customer Management from July 2004 to June 2006. Prior to joining the Company in July 2004, he was employed at The Clorox Company, a manufacturer and marketer of consumer products, from 1994. While at The Clorox Company, he held a number of positions, including Region Sales Manager, Sales Merchandising Manager Kingsford Charcoal, Director Corporate Trade and Category Management, Team Leader Wal-Mart/Sam s and Senior Director US Grocery Sales.

LAUREN C. STEELE, age 53, is Vice President, Corporate Affairs, a position he has held since May 1989. He is responsible for governmental, media and community relations for the Company.

JOLANTA T. ZWIREK, age 52, is Senior Vice President and Chief Information Officer, a position she has held since June 1999. Prior to joining the Company, she was Vice President and Chief Technology Officer for Bank One during a portion of 1999. Prior to that, she was a Senior Director in the Information Services organization at McDonald s Corporation, where she was an employee since 1984.

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PART II

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

The Company has two classes of common stock outstanding, Common Stock and Class B Common Stock. The Common Stock is traded on the Nasdaq Global Select Market tier of The Nasdaq Stock Market LLC® under the symbol COKE. The table below sets forth for the periods indicated the high and low reported sales prices per share of Common Stock. There is no established public trading market for the Class B Common Stock. Shares of Class B Common Stock are convertible on a share-for-share basis into shares of Common Stock.

	Fiscal Year			
	2007		2006	
	High	Low	High	Low
First quarter	$ 68.65	$ 52.62	$ 47.38	$ 43.10
Second quarter	58.50	49.78	52.42	43.50
Third quarter	60.95	50.10	63.46	50.20
Fourth quarter	64.19	53.95	69.04	58.50

A quarterly dividend rate of $.25 per share on both Common Stock and Class B Common Stock was maintained throughout 2006 and 2007. Common Stock and Class B Common Stock have participated equally in dividends since 1994.

Pursuant to the Company s Restated Certificate of Incorporation, no cash dividend or dividend of property or stock other than stock of the Company, as specifically described in the Restated Certificate of Incorporation, may be declared and paid on the Class B Common Stock unless an equal or greater dividend is declared and paid on the Common Stock.

The amount and frequency of future dividends will be determined by the Company s Board of Directors in light of the earnings and financial condition of the Company at such time, and no assurance can be given that dividends will be declared in the future.

The number of stockholders of record of the Common Stock and Class B Common Stock, as of February 29, 2008, was 3,401 and 11, respectively.

On February 27, 2008, the Compensation Committee determined that 20,000 shares of restricted Class B Common Stock, $1.00 par value, vested and should be issued pursuant to a performance-based award to J. Frank Harrison, III, in connection with his services as Chairman of the Board of Directors and Chief Executive Officer of the Company. This award was approved by the Company s stockholders in 1999. The shares were issued without registration under the Securities Act of 1933 in reliance on Section 4(2) thereof.

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Presented below is a line graph comparing the yearly percentage change in the cumulative total return on the Company s Common Stock to the cumulative total return of the Standard & Poor s 500 Index and a peer group for the period commencing December 27, 2002 and ending December 30, 2007. The peer group is comprised of Anheuser-Busch Companies, Inc.; Cadbury Schweppes plc (ADS); Coca-Cola Enterprises Inc.; The Coca-Cola Company; Cott Corporation; National Beverage Corp.; PepsiCo, Inc.; Pepsi Bottling Group, Inc. and PepsiAmericas.

The graph assumes that $100 was invested in the Company s Common Stock, the Standard & Poor s 500 Index and the peer group on December 27, 2002 and that all dividends were reinvested on a quarterly basis. Returns for the companies included in the peer group have been weighted on the basis of the total market capitalization for each company.

CUMULATIVE TOTAL RETURN
Based upon an initial investment of $100 on December 27, 2002
with dividends reinvested

	12/27/02	12/26/03	12/31/04	12/30/05	12/29/06	12/28/07
Coca-Cola Bottling Co. Consolidated (CCBCC)	$ 100	$ 86	$ 94	$ 73	$ 118	$ 104
S&P 500®	$ 100	$ 127	$ 143	$ 150	$ 174	$ 185
Peer Group	$ 100	$ 114	$ 114	$ 117	$ 134	$ 169

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

The following table sets forth certain selected financial data concerning the Company for the five years ended December 30, 2007. The data for the five years ended December 30, 2007 is derived from audited consolidated financial statements of the Company. This information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations set forth in Item 7 hereof and is qualified in its entirety by reference to the more detailed consolidated financial statements and notes contained in Item 8 hereof.

SELECTED FINANCIAL DATA*

			Fiscal Year**		
In thousands (except per share data)	**2007**	**2006**	**2005**	**2004**	**2003**
Summary of Operations					
Net sales	$ 1,435,999	$ 1,431,005	$ 1,380,172	$ 1,267,227	$ 1,220,403
Cost of sales	814,865	808,426	761,261	666,534	640,434
Selling, delivery and administrative expenses	538,806	537,365	525,903	513,227	493,593
Amortization of intangibles	445	550	880	3,117	3,105
Total costs and expenses	1,354,116	1,346,341	1,288,044	1,182,878	1,137,132
Income from operations	81,883	84,664	92,128	84,349	83,271
Interest expense	47,641	50,286	49,279	43,983	41,914
Minority interest	2,003	3,218	4,097	3,816	3,297
Income before income taxes	32,239	31,160	38,752	36,550	38,060
Income taxes	12,383	7,917	15,801	14,702	7,357
Net income	$ 19,856	$ 23,243	$ 22,951	$ 21,848	$ 30,703
Basic net income per share:					
Common Stock	$ 2.18	$ 2.55	$ 2.53	$ 2.41	$ 3.40
Class B Common Stock	$ 2.18	$ 2.55	$ 2.53	$ 2.41	$ 3.40
Diluted net income per share:					
Common Stock	$ 2.17	$ 2.55	$ 2.53	$ 2.41	$ 3.40
Class B Common Stock	$ 2.17	$ 2.54	$ 2.53	$ 2.41	$ 3.40
Cash dividends per share:					
Common Stock	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Class B Common Stock	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Other Information					
Weighted average number of common shares outstanding:					
Common Stock	6,644	6,643	6,643	6,643	6,643
Class B Common Stock	2,480	2,460	2,440	2,420	2,400
Weighted average number of common shares outstanding assuming dilution:					

Common Stock	9,141	9,120	9,083	9,063	9,043
Class B Common Stock	2,497	2,477	2,440	2,420	2,400
Year-End Financial Position					
Total assets	$ 1,291,799	$ 1,364,467	$ 1,341,839	$ 1,314,063	$ 1,349,920
Current portion of debt	7,400	100,000	6,539	8,000	17,678
Current portion of obligations under capital leases	2,602	2,435	1,709	1,826	1,337
Obligations under capital leases	77,613	75,071	77,493	79,202	44,226
Long-term debt	591,450	591,450	691,450	700,039	785,039
Stockholders equity	120,504	93,953	75,134	64,439	52,472

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

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

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

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

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

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

Overview of Operations and Financial Condition a summary of key information and trends concerning the financial results for the three years ended 2007.

Discussion of Critical Accounting Policies, Estimates and New Accounting Pronouncements a discussion of accounting policies that are most important to the portrayal of the Company s financial condition and results of operations and that require critical judgments and estimates and the expected impact of new accounting pronouncements.

Results of Operations an analysis of the Company s results of operations for the three years presented in the consolidated financial statements.

Financial Condition an analysis of the Company s financial condition as of the end of the last two years as presented in the consolidated financial statements.

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

Cautionary Information Regarding Forward-Looking Statements.

The fiscal years presented are the 52-week periods ended December 30, 2007, December 31, 2006 and January 1, 2006. The Company s fiscal year ends on the Sunday closest to December 31 of each year.

The consolidated statements of operations and consolidated statements of cash flows for fiscal years 2007, 2006 and 2005 and the consolidated balance sheets at December 30, 2007 and December 31, 2006 include the consolidated operations of the Company and its majority-owned subsidiaries including Piedmont Coca-Cola Bottling Partnership (Piedmont). Minority interest consists of The Coca-Cola Company s interest in Piedmont, which was 22.7% for all periods presented.

Our Business and the Nonalcoholic Beverage Industry

The Company produces, markets and distributes nonalcoholic beverages, primarily products of The Coca-Cola Company, which include some of the most recognized and popular beverage brands in the world. The Company is the second largest bottler of products of The Coca-Cola Company in the United States, operating in eleven states primarily in the Southeast. The Company also distributes several other beverage brands. These product offerings include both sparkling and still beverages. Sparkling beverages are primarily carbonated beverages, including energy products. Still beverages are primarily noncarbonated beverages such as bottled water, tea, ready to drink coffee, enhanced water, juices and sports drinks. The Company had net sales of $1.4 billion in 2007.

The nonalcoholic beverage market is highly competitive. The Company s competitors include bottlers and distributors of nationally and regionally advertised and marketed products and private label products. In each region in which the Company operates, between 75% and 95% of sparkling beverage sales in bottles, cans and other containers are accounted for by the Company and its principal competitors, which in each region includes the local bottler of Pepsi-Cola and, in some regions, the local bottler of Dr Pepper, Royal Crown and/or 7-Up products. During the last three years, industry sales of sugar sparkling beverages, other than energy products, have declined. The decline in sales of sugar sparkling beverages has generally been offset by growth in other nonalcoholic beverage product categories. The sparkling beverage category (including energy products) represents 83% of the Company s 2007 bottle/can net sales.

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

In thousands	Fiscal Year 2007	2006	2005
Product Category			
Bottle/can sales:			
Sparkling beverages (including energy products)	$ 1,007,583	$ 1,009,652	$ 997,301
Still beverages	201,952	180,004	166,487
Total bottle/can sales	1,209,535	1,189,656	1,163,788
Other sales:			
Sales to other Coca-Cola bottlers	127,478	152,426	134,656
Post-mix and other	98,986	88,923	81,728
Total other sales	226,464	241,349	216,384
Total net sales	$ 1,435,999	$ 1,431,005	$ 1,380,172

Areas of Emphasis

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

Revenue Management

Revenue management requires a strategy which reflects consideration for pricing of brands and packages within product categories and channels, as well as highly effective working relationships with customers and disciplined fact-based decision-making. Revenue management has been and continues to be a key driver which has significant impact on the Company s results of operations.

Product Innovation and Beverage Portfolio Expansion

Sparkling beverage volume, other than energy products, has declined over the past several years. Innovation of both new brands and packages has been and will continue to be critical to the Company s overall revenue. The Company introduced the following new products during 2007: smartwater, vitaminwater, vitaminenergy, Gold Peak and Country Breeze tea products, Diet Coke Plus, Dasani Plus, juice products from FUZE (a subsidiary of The Coca-Cola Company) and V8 juice products from Campbell s. The Company also modified its energy product portfolio in 2007 with the addition of NOS© products from FUZE and energy drinks from BooKoo Beverages.

In August 2007, the Company entered into a distribution agreement with Energy Brands Inc. (Energy Brands), a wholly-owned subsidiary of The Coca-Cola Company. Energy Brands, also known as glacéau, is a producer and distributor of branded enhanced beverages including vitaminwater, smartwater and vitaminenergy. The distribution agreement is effective November 1, 2007 for a period of ten years and, unless earlier terminated, will be automatically renewed for succeeding ten-year terms, subject to a one year non-renewal notification by the Company. In conjunction with the execution of the distribution agreement, the Company entered into an agreement with The Coca-Cola Company whereby the Company agreed not to introduce new third party brands or certain third party brand extensions in the United States through August 31, 2010 unless mutually agreed to by the Company and The Coca-Cola Company.

The Company has invested in its own brand portfolio with products such as Respect, a vitamin and mineral enhanced beverage, Tum-E Yummies, a vitamin C enhanced flavored drink, Country Breeze tea and diet Country Breeze tea, its own energy drink and became the exclusive licensee of Cinnabon Premium Coffee Lattes in the United States. These brands enable the Company to participate in strong growth categories and capitalize on distribution channels that include the Company s traditional Coca-Cola franchise territory as well as third party distributors outside the Company s traditional franchise territory. While the growth prospects of Company-owned or exclusive licensed brands appear promising, the cost of developing, marketing and distributing these brands is anticipated to be significant as well.

The Company has also fostered innovation as evidenced by the development of specialty packaging for customers, the conversion of a portion of the Company s operations to the CooLift® delivery system and, in the second quarter of 2007, the implementation of a service module for the automation, scheduling, installation, delivery and repair of cold drink dispensing equipment enhancing the Company s enterprise resource planning software platform (SAP) already in use. In 2008, the Company will implement an automated order assembly system in its Charlotte production facility.

Distribution Cost Management

Distribution costs represent the costs of transporting finished goods from Company locations to customer outlets. Total distribution costs amounted to $194.9 million, $193.8 million and $183.1 million in 2007, 2006 and 2005, respectively. Over the past several years, the Company has focused on converting its distribution system from a conventional routing system to a predictive system. This conversion to a predictive system has allowed the Company to more efficiently handle increasing numbers of products. In addition, the Company has closed a number of smaller sales distribution centers reducing its fixed warehouse-related costs.

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

- bulk delivery for large supermarkets, mass merchandisers and club stores;
- advanced sale delivery for convenience stores, drug stores, small supermarkets and on-premises accounts; and
- full service delivery for its full service vending customers.

In 2006, the Company began changing its delivery method for its route delivery system. Historically, the Company loaded its trucks at a warehouse with products the route delivery employee would deliver. The delivery employee was responsible for pulling the required products off a side load truck at each customer location to fill the customer s order. The Company began using a new CooLift® delivery system in 2006 in a portion of the Company s territory which involves pre-building orders in the warehouse on a small pallet the delivery employee can roll off a truck directly into the customer s location. The CooLift® delivery system involves the use of a rear loading truck rather than a conventional side loading truck. The Company anticipates the implementation of this delivery system will continue over the next several years. This rollout required additional capital spending for the rear loading delivery vehicle. The Company anticipates that this change in delivery methodology will result in significant savings in future years and more efficient delivery of a greater number of products.

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

Productivity

A key driver in the Company s selling, delivery and administrative (S,D&A) expense management relates to ongoing improvements in labor productivity and asset productivity. On February 2, 2007, the Company initiated a restructuring plan to simplify and streamline its operating management structure, which included a separation of the sales function from the delivery function to provide dedicated focus on each function and enhanced productivity in the future. The Company continues to focus on its supply chain and distribution functions for ongoing opportunities to improve productivity.

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Overview of Operations and Financial Condition

The following is a summary of key information concerning the Company s financial results for the three years ended December 30, 2007.

	Fiscal Year		
In thousands (except per share data)	**2007**	**2006**	**2005**
Net sales	$ 1,435,999	$ 1,431,005	$ 1,380,172
Gross margin	621,134	622,579	618,911(3)
S,D&A expenses	538,806(1)	537,365	525,903(4)
Income from operations	81,883	84,664	92,128(3)(4)
Interest expense	47,641	50,286	49,279(5)
Income before income taxes	32,239(1)	31,160	38,752(3)(4)(5)
Income taxes	12,383	7,917(2)	15,801
Net income	19,856(1)	23,243(2)	22,951(3)(4)(5)
Basic net income per share:			
Common Stock	$ 2.18	$ 2.55	$ 2.53
Class B Common Stock	$ 2.18	$ 2.55	$ 2.53
Diluted net income per share:			
Common Stock	$ 2.17	$ 2.55	$ 2.53
Class B Common Stock	$ 2.17	$ 2.54	$ 2.53

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

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

(3) Results for 2005 included a favorable adjustment of $7.0 million (pre-tax), or $4.2 million after tax, related to the settlement of high fructose corn syrup litigation, which was reflected as a reduction in cost of sales.

(4) Results for 2005 included a favorable adjustment of $1.1 million (pre-tax), or $.7 million after tax, related to an adjustment of amounts accrued for certain executive benefits due to the resignation of an executive, which was reflected as a reduction to S,D&A expenses.

(5) Results for 2005 included financing transaction costs of $1.7 million (pre-tax), or $1.0 million after tax, related to the exchange of $164.8 million of the Company s debt and the redemption of $8.6 million of debentures, which were reflected in interest expense.

The Company s net sales grew 4.0% from 2005 to 2007. The net sales increase was primarily due to an increase in average sales price per bottle/can unit of 4.0%.

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

Gross margin dollars increased .4% from 2005 to 2007. The Company s gross margin as a percentage of net sales declined from 44.8% in 2005 to 43.3% in 2007. The decrease in gross margin percentage was primarily due to higher raw material costs, partially offset by higher sales price per unit and increases in marketing funding from The Coca-Cola Company.

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S,D&A expenses increased 2.5% from 2005 to 2007. The increase in S,D&A expenses was primarily attributable to increases in employee compensation of 8% and fuel costs of 8%. Employee benefit plan costs decreased by approximately 9% primarily due to the amendment of the principal Company-sponsored pension plan and changes to the Company s postretirement health care plan, offset by increases in the Company s 401(k) Savings Plan contributions.

Income from operations decreased 11.1% from 2005 to 2007 as S,D&A expenses increased more than the increase in gross margin.

Net interest expense decreased 3.3% in 2007 compared to 2005. The decrease was primarily due to an increase in interest earned on short-term investments. The overall weighted average interest rate was 6.7% for 2007 compared to 6.4% for 2005. Interest expense in 2005 included $1.7 million of financing transaction costs related to the exchange of $164.8 million of the Company s debt and the redemption of $8.6 million of debentures. Excluding the impact of the $1.7 million of financing costs, the overall weighted average interest rate for 2005 was 6.2%. Interest earned on short-term cash investments in 2007 was $2.7 million compared to $.4 million in 2005.

Income tax expense decreased 21.6% from 2005 to 2007 primarily due to lower pre-tax income and increased deductions for qualified production activities provided within the American Jobs Creation Act of 2004. The Company s effective income tax rate was 38.4% for 2007 compared to 40.8% for 2005.

Net debt and capital lease obligations were summarized as follows:

In thousands	**Dec. 30, 2007**	**Dec. 31, 2006**	**Jan. 1, 2006**
Debt	$ 598,850	$ 691,450	$ 697,989
Capital lease obligations	80,215	77,506	79,202
Total debt and capital lease obligations	679,065	768,956	777,191
Less: Cash and cash equivalents	9,871	61,823	39,608
Total net debt and capital lease obligations(1)	$ 669,194	$ 707,133	$ 737,583

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

Discussion of Critical Accounting Policies, Estimates and New Accounting Pronouncements

Critical Accounting Policies and Estimates

In the ordinary course of business, the Company has made a number of estimates and assumptions relating to the reporting of results of operations and financial position in the preparation of its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates under different assumptions and conditions. The Company believes the following discussion addresses the Company s most critical accounting policies, which are those most important to the portrayal of the Company s financial condition and results of operations and require management s most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

The Company has not made changes in any critical accounting policies during 2007. Any significant changes in critical accounting policies and estimates are discussed with the Audit Committee of the Board of Directors of the Company during the quarter in which a change is contemplated and prior to making such change.

Allowance for Doubtful Accounts

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

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

Property, Plant and Equipment

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

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

Franchise Rights

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

Impairment Testing of Franchise Rights and Goodwill

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

For the annual impairment analysis of franchise rights, the fair value for the Company s acquired franchise rights is estimated using a multi-period excess earnings approach. This approach involves projecting future earnings, discounting those estimated earnings using an appropriate discount rate and subtracting a contributory charge for net working capital; property, plant and equipment; assembled workforce and customer relationships to arrive at excess earnings attributable to franchise rights. The present value of the excess earnings attributable to franchise rights is their estimated fair value and is compared to their carrying value on an aggregated basis. As a result of this analysis, there was no impairment of the Company s recorded franchise rights in 2007, 2006 or 2005. The projection of earnings includes a number of assumptions such as projected net sales, cost of sales, operating expenses and income taxes. Changes in the assumptions required to estimate the present value of the excess earnings attributable to franchise rights could materially impact the fair value estimate.

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

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

discounted cash flow analysis; and

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

The estimated fair value of the reporting unit is then compared to its carrying amount including goodwill. If the estimated fair value exceeds the carrying amount, goodwill will be considered not to be impaired and the second step of the SFAS No. 142 impairment test is not necessary. If the carrying amount including goodwill exceeds its estimated fair value, the second step of the impairment test is performed to measure the amount of the impairment, if any. Based on this analysis, there was no impairment of the Company s recorded goodwill in 2007, 2006 or 2005. The discounted cash flow analysis includes a number of assumptions such as weighted average cost of capital, projected sales volume, net sales, cost of sales and operating expenses. Changes in these assumptions could materially impact the fair value estimates.

Income Tax Estimates

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

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

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

Risk Management Programs

In general, the Company is self-insured for the costs of workers compensation, employment practices, vehicle accident claims and medical claims. The Company uses commercial insurance for claims as a risk reduction strategy to minimize catastrophic losses. Losses are accrued using assumptions and procedures followed in the insurance industry, adjusted for company-specific history and expectations. The Company has standby letters of credit, primarily related to its property and casualty insurance programs. On December 30, 2007, these letters of credit totaled $21.4 million.

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Pension and Postretirement Benefit Obligations

The Company sponsors pension plans covering substantially all full-time nonunion employees and certain union employees who meet eligibility requirements. As discussed below, the Company ceased further benefit accruals under the principal Company-sponsored pension plan effective June 30, 2006. Several statistical and other factors, which attempt to anticipate future events, are used in calculating the expense and liability related to the plans. These factors include assumptions about the discount rate, expected return on plan assets, employee turnover and age at retirement, as determined by the Company, within certain guidelines. In addition, the Company uses subjective factors such as mortality rates to estimate the projected benefit obligation. The actuarial assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of net periodic pension cost recorded by the Company in future periods. The discount rate used in determining the actuarial present value of the projected benefit obligation for the Company s pension plans changed from 5.75% in 2006 to 6.25% in 2007. The discount rate assumption is generally the estimate which can have the most significant impact on net periodic pension cost and the projected benefit obligation for these pension plans. The Company determines an appropriate discount rate annually based on the annual yield on long-term corporate bonds as of the measurement date and reviews the discount rate assumption at the end of each year.

On February 22, 2006, the Board of Directors of the Company approved an amendment to the principal Company-sponsored pension plan to cease further benefit accruals under the plan effective June 30, 2006. The annual expense for Company-sponsored pension plans decreased from $11.8 million in 2005 to $.2 million in 2007.

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

In thousands	**.25% Increase**	**.25% Decrease**
(Decrease) increase in:		
Projected benefit obligation at December 30, 2007	$ (6,924)	$ 7,355
Net periodic pension cost in 2007	(756)	795

The weighted average expected long-term rate of return of plan assets was 8% for 2005, 2006 and 2007. This rate reflects an estimate of long-term future returns for the pension plan assets. This estimate is primarily a function of the asset classes (equities versus fixed income) in which the pension plan assets are invested and the analysis of past performance of these asset classes over a long period of time. This analysis includes expected long-term inflation and the risk premiums associated with equity and fixed income investments. See Note 17 to the consolidated financial statements for the details by asset type of the Company s pension plan assets at December 30, 2007 and December 31, 2006, and the weighted average expected long-term rate of return of each asset type. The actual return of pension plan assets was 8.6% and 13.0% for 2007 and 2006, respectively.

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

In October 2005, the Company announced changes to its postretirement health care plan. Due to these changes the Company s expense and liability related to its postretirement health care plan were reduced. Both the expense and liability for postretirement health care benefits are subject to actuarial determination and include numerous variables that affect the impact of the changes. The annual expense for the postretirement health care plan decreased from $4.5 million in 2005 to $2.0 million in 2007.

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

The discount rate assumptions used to determine the pension and postretirement benefit obligations are based on yield rates available on double-A bonds as of each plan s measurement date. The discount rate used in determining the postretirement benefit obligation also changed from 5.75% in 2006 to 6.25% in 2007. The discount rate for 2007 was derived using the Citigroup Pension Discount Curve which is a set of yields on hypothetical double-A zero-coupon bonds with maturities up to 30 years. Projected benefit payouts from each plan are matched to the Citigroup Pension Discount Curve and an equivalent flat discount rate is derived and then rounded to the nearest quarter percent.

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

In thousands	**.25% Increase**	**.25% Decrease**
(Decrease) increase in:		
Postretirement benefit obligation at December 30, 2007	$ (850)	$ 889
Service cost and interest cost in 2007	11	(11)

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

In thousands	**1% Increase**	**1% Decrease**
Increase (decrease) in:		
Postretirement benefit obligation at December 30, 2007	$ 3,881	$ (3,367)
Service cost and interest cost in 2007	335	(289)

New Accounting Pronouncements

Recently Adopted Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, Employers Accounting for Defined Pension and Other Postretirement Plans (SFAS No. 158). This Statement was effective for the year ending December 31, 2006, except for the requirement that the benefit plan assets and obligations be measured as of the date of the employer s statement of financial position, which will be effective for the year ending December 28, 2008. The impact of the adoption of this Statement in 2006 was to increase the Company s pension and postretirement liabilities by $4.2 million with a corresponding adjustment to other comprehensive loss, net of tax effect of $1.6 million. The Company will adopt the measurement date provisions of SFAS No. 158 on the first day of fiscal 2008 and will use the one measurement approach. The impact of the adoption will not be material to the consolidated financial statements. See Note 15 and Note 17 of the consolidated financial statements for additional information.

In June 2006, FASB issued FIN 48 which clarifies the accounting for uncertainty in income taxes recognized by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. In May 2007, FASB issued FSP FIN 48-1 which provides guidance on whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. FIN 48 and FSP FIN 48-1 were effective as of January 1, 2007. The adoption of FIN 48 and FSP FIN 48-1 did not have a material impact on the consolidated financial statements. See Note 14 of the consolidated financial statements for additional information.

In June 2006, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 06-03, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation) (EITF 06-03). EITF 06-03 provides that the presentation of taxes assessed by a governmental authority that are directly imposed on revenue-producing transactions (e.g. sales, use, value added and excise taxes) between a seller and a customer on either a gross basis (included in revenues and costs) or on a net basis (excluded from revenues) is an accounting policy decision that should be disclosed. In addition, for any such taxes that are reported on a gross basis, the amounts of those taxes should be disclosed in interim and annual financial statements for each period for which an income statement is presented if those amounts are significant. EITF 06-03 was effective January 1, 2007. The Company records substantially all of the taxes within the scope of EITF 06-03 on a net basis.

In September 2006, FASB issued SFAS No. 157, Fair Value Measurement. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP) and expands disclosures about fair value measurements. The Statement does not require any new fair value measurements but could change the current practices in measuring current fair value measurements. The Statement is effective at the beginning of the first quarter of 2008 for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value on a recurring basis. For all other nonfinancial assets and liabilities, the Statement is effective in the first quarter of 2009. The adoption of this Statement will not have a material impact on the consolidated financial statements. The Company is in the process of evaluating the impact related to the Company s nonfinancial assets and liabilities not valued on a recurring basis (at least annually).

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

Recently Issued Pronouncements

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

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

Results of Operations

2007 Compared to 2006

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

	Fiscal Year			
In thousands (except per share data)	**2007**	**2006**	**Change**	**% Change**
Net sales	$ 1,435,999	$ 1,431,005	$ 4,994	.3
Gross margin	621,134	622,579	(1,445)	(.2)
S,D&A expenses	538,806(1)	537,365	1,441	.3
Interest expense	47,641	50,286	(2,645)	(5.3)
Minority interest	2,003	3,218	(1,215)	(37.8)
Income before income taxes	32,239(1)	31,160	1,079	3.5
Income taxes	12,383	7,917(2)	4,466	56.4
Net income	19,856(1)	23,243(2)	(3,387)	(14.6)
Basic net income per share:				
Common Stock	$ 2.18	$ 2.55	$ (.37)	(14.5)
Class B Common Stock	$ 2.18	$ 2.55	$ (.37)	(14.5)
Diluted net income per share:				
Common Stock	$ 2.17	$ 2.55	$ (.38)	(14.9)
Class B Common Stock	$ 2.17	$ 2.54	$ (.37)	(14.6)

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

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

Net Sales

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

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

Amount (In millions)	**Attributable to:**
$ (16.4)	10.8% decrease in volume of sales to other Coca-Cola bottlers (bottler sales) primarily due to a decrease in volume of energy drinks offset partially by an increase in volume of tea products
13.9	

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

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In 2007, the Company s bottle/can volume to retail customers accounted for 84% of the Company s total net sales. Bottle/can net pricing is based on the invoice price charged to customers reduced by promotional allowances. Bottle/can net pricing per unit is impacted by the price charged per package, the volume generated in each package and the channels in which those packages are sold. To the extent the Company is able to increase volume in higher margin packages sold through higher margin channels, bottle/can net pricing per unit can increase without an actual increase in wholesale pricing. The increase in the Company s bottle/can net price per unit in 2007 compared to 2006 was primarily due to higher prices for sparkling beverages offset by a decrease in net pricing of bottled water in the supermarket channel. During the first half of 2007, the Company produced the energy drink, Full Throttle, for many of the Coca-Cola bottlers in the eastern half of the United States. During the second half of 2007, most of these Coca-Cola bottlers found an alternative source for the product.

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

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

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

The Company s products are sold and distributed through various channels. These channels include selling directly to retail stores and other outlets such as food markets, institutional accounts and vending machine outlets. During 2007, approximately 68% of the Company s bottle/can volume was sold for future consumption. The remaining bottle/can volume of approximately 32% was sold for immediate consumption. The Company s largest customer, Wal-Mart Stores, Inc., accounted for approximately 19% of the Company s total bottle/can volume during 2007. The Company s second largest customer, Food Lion, LLC, accounted for approximately 12% of the Company s total bottle/can volume in 2007. All of the Company s sales are to customers in the United States.

The Company charges certain customers a delivery fee to offset a portion of the Company s delivery and handling costs. The Company initiated this delivery fee in October 2005. The delivery fee is recorded in net sales and was $6.7 million and $3.6 million in 2007 and 2006, respectively.

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Cost of Sales

Cost of sales includes the following: raw material costs, manufacturing labor, manufacturing overhead including depreciation expense, manufacturing warehousing costs and shipping and handling costs related to the movement of finished goods from manufacturing locations to sales distribution centers.

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

Amount (In millions)		Attributable to:
$	43.4	Increase in raw material costs (primarily aluminum packaging, sweetener and concentrate costs)
	(15.9)	10.8% decrease in bottler sales volume primarily due to a decrease in volume of energy drinks offset partially by an increase in volume of tea products
	(13.7)	Increase in marketing funding received primarily from The Coca-Cola Company
	(9.5)	6.2% decrease in bottler sales cost per unit primarily due to a decrease in energy drink volume as a percentage of total volume (energy drinks have higher cost per unit)
	5.3	Increase in bottle/can cost due to an increase in still beverage volume as a percentage of total volume (still beverages generally have higher cost per unit)
	(3.9)	Decrease in manufacturing overhead costs
	0.7	Other
$	6.4	Total increase in cost of sales

Beginning in the first quarter of 2007, the majority of the Company s aluminum packaging requirements did not have any ceiling price protection. The cost of aluminum cans increased approximately 18% in 2007. High fructose corn syrup costs also increased significantly during 2007 as a result of increasing demand for corn products around the world such as for ethanol production. The cost of high fructose corn syrup increased approximately 21% in 2007. During 2008, the Company expects raw material costs to increase less than they did in 2007, but to remain above historical averages.

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

Total marketing funding support from The Coca-Cola Company and other beverage companies, which includes direct payments to the Company and payments to customers for marketing programs, was $46.9 million for 2007 compared to $33.2 million for 2006.

Gross Margin

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

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

Amount (In millions)		Attributable to:
$	(43.4)	Increase in raw material costs (primarily aluminum packaging, sweetener and concentrate costs)
	13.9	2.1% increase in bottle/can sales price per unit primarily due to higher net pricing for sparkling beverages offset by lower net pricing for water
	13.7	Increase in marketing funding received primarily from The Coca-Cola Company
	3.9	Decrease in manufacturing overhead costs
	4.2	5.8% increase in sales price per unit of post-mix
	3.1	Increase in delivery fees to certain customers
	3.2	Other
$	(1.4)	Total decrease in gross margin

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

The Company s gross margins may not be comparable to other companies, since some entities include all costs related to their distribution network in cost of sales. The Company includes a portion of these costs in S,D&A expenses.

S,D&A Expenses

S,D&A expenses include the following: sales management labor costs, distribution costs from sales distribution centers to customer locations, sales distribution center warehouse costs, depreciation expense related to sales centers, delivery vehicles and cold drink equipment, point-of-sale expenses, advertising expenses, cold drink equipment repair costs and administrative support labor and operating costs such as treasury, legal, information services, accounting, internal control services, human resources and executive management costs.

S,D&A expenses increased by $1.4 million, or .3%, to $538.8 million in 2007 from $537.4 million in 2006.

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

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

	(1.7)	Other
$	1.4	Total increase in S,D&A expenses

Shipping and handling costs related to the movement of finished goods from manufacturing locations to sales distribution centers are included in cost of sales. Shipping and handling costs related to the movement of finished goods from sales distribution centers to customer locations are included in S,D&A expenses and totaled $194.9 million and $193.8 million in 2007 and 2006, respectively. The Company charges certain customers a delivery fee to offset a portion of the Company s delivery and handling costs. The Company initiated this delivery

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fee in October 2005. The delivery fee is recorded in net sales and was $6.7 million and $3.6 million in 2007 and 2006, respectively.

On February 2, 2007, the Company initiated plans to simplify its management structure and reduce its workforce in order to improve operating efficiencies across the Company s business. The restructuring expenses consisted primarily of one-time termination benefits and other associated costs, primarily relocation expenses for certain employees. The Company incurred $2.8 million in restructuring expenses in 2007. The Company anticipates that there will be no additional restructuring expenses in 2008.

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

Amortization of Intangibles

Amortization of intangibles expense for 2007 was unchanged compared to 2006.

Interest Expense

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

Minority Interest

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

Income Taxes

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

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

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

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

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2006 Compared to 2005

A summary of key information concerning the Company s financial results for 2006 and 2005 follows:

	Fiscal Year			
In thousands (except per share data)	**2006**	**2005**	**Change**	**% Change**
Net sales	$ 1,431,005	$ 1,380,172	$ 50,833	3.7
Gross margin	622,579	618,911(2)	3,668	.6
S,D&A expenses	537,365	525,903(3)	11,462	2.2
Interest expense	50,286	49,279(4)	1,007	2.0
Income before income taxes	31,160	38,752(2)(3)(4)	(7,592)	(19.6)
Income taxes	7,917(1)	15,801	(7,884)	(49.9)
Net income	23,243(1)	22,951(2)(3)(4)	292	1.3
Basic net income per share:				
Common Stock	$ 2.55	$ 2.53	$ .02	.8
Class B Common Stock	$ 2.55	$ 2.53	$ .02	.8
Diluted net income per share:				
Common Stock	$ 2.55	$ 2.53	$ .02	.8
Class B Common Stock	$ 2.54	$ 2.53	$ .01	.4

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

(2) Results for 2005 included a favorable adjustment of $7.0 million (pre-tax), or $4.2 million after tax, related to the settlement of high fructose corn syrup litigation, which was reflected as a reduction in cost of sales.

(3) Results for 2005 included a favorable adjustment of $1.1 million (pre-tax), or $.7 million after tax, related to an adjustment of amounts accrued for certain executive benefits due to the resignation of an executive, which was reflected as a reduction to S,D&A expenses.

(4) Results for 2005 included financing transaction costs of $1.7 million (pre-tax), or $1.0 million after tax, related to the exchange of $164.8 million of the Company s debt and the redemption of $8.6 million of debentures, which was reflected in interest expense.

Net Sales

Net sales increased $50.8 million, or approximately 3.7%, to $1.43 billion in 2006 compared to $1.38 billion in 2005.

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

Amount (In millions)	**Attributable to:**

$	17.8	13% increase in bottler sales primarily related to higher pricing per unit for Full Throttle
	13.3	.6% increase in bottle/can sales volume primarily due to growth in energy products and water products offset by decreased volume in sugar sparkling beverages
	12.6	2% increase in bottle/can sales price per unit
	2.9	Increase in delivery fee revenue
	1.8	2% increase in post-mix sales primarily related to an increase in sales price per unit
	2.4	Other
$	50.8	Total increase in net sales

In 2006, the Company s bottle/can volume to retail customers accounted for 83% of the Company s total net sales. Bottle/can net pricing is based on the invoice price charged to customers reduced by promotional allowances. Bottle/can net pricing per unit is impacted by the price charged per package, the volume generated in each package and the channels in which those packages are sold. To the extent the Company is able to increase volume in higher margin packages sold through higher margin channels, bottle/can net pricing per unit can increase without an actual increase in wholesale pricing. The increase in the Company s bottle/can net price per unit in 2006 compared to 2005 was primarily due to higher prices for energy products and sports drinks offset by a decrease in pricing in the supermarket channel in response to competitive pressures and ongoing pricing pressures in the bottled water category. Energy products comprised .7% of the overall bottle/can volume in 2006 compared to .5% in 2005.

Product category sales volume in 2006 and 2005 as a percentage of total bottle/can sales volume and the percentage change by product category was as follows:

	Bottle/Can Sales Volume		**Bottle/Can Sales Volume % Increase (Decrease)**
Product Category	**2006**	**2005**	
Sparkling beverages (including energy products)	86.7%	87.9%	(.7)
Still beverages	13.3%	12.1%	10.1
Total bottle/can sales volume	100.0%	100.0%	.6

The Company introduced several new products during 2006 including Vault Zero, Tab Energy, Cinnabon Premium Coffee Lattes and Full Throttle Blue Demon.

The Company s products are sold and distributed through various channels. These channels include selling directly to retail stores and other outlets such as food markets, institutional accounts and vending machine outlets. During 2006, approximately 68% of the Company s bottle/can sales volume was sold for future consumption. The remaining bottle/can sales volume of approximately 32% was sold for immediate consumption. The Company s largest customer, Wal-Mart Stores, Inc., accounted for approximately 16% of the Company s total bottle/can sales volume during 2006. The Company s second largest customer, Food Lion, LLC, accounted for approximately 12% of the Company s total bottle/can sales volume in 2006.

Cost of Sales

Cost of sales increased 6.2%, or $47.2 million, to $808.4 million in 2006 compared to $761.2 million in 2005. The increase in cost of sales was principally attributable to the following:

Amount (In millions)		**Attributable to:**
$	24.6	4% increase in raw material costs (primarily concentrate, sweetener and packaging costs)
	10.8	Increase in other manufacturing costs
	7.0	Increase due to 2005 settlement of high fructose corn syrup litigation
	4.8	Increase due to higher sales volume

	(4.3)	Increase in marketing funding received primarily from The Coca-Cola Company
	4.3	Other
$	47.2	Total increase in cost of sales

Total marketing funding support from The Coca-Cola Company and other beverage companies, which includes direct payments to the Company and payments to customers for marketing programs, was $33.2 million for 2006 compared to $28.9 million for 2005 and was recorded as a reduction in cost of sales.

Gross Margin

Gross margin increased $3.7 million, or .6%, to $622.6 million in 2006 from $618.9 million in 2005. Gross margin as a percentage of net sales decreased to 43.5% in 2006 from 44.8% in 2005.

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

Amount (In millions)	**Attributable to:**
$ (24.6)	4% increase in raw material costs (primarily concentrate, sweetener and packaging cost)
19.5	15% increase in average sales price per unit for bottler sales related to growth in sales of energy products
12.6	2% increase in average bottle/can price per unit
(10.8)	Increase in manufacturing costs
(7.0)	Decrease as the result of proceeds received in 2005 from high fructose corn syrup litigation
6.2	Increase in bottle/can sales volume
4.3	Increase in marketing funding received primarily from The Coca-Cola Company
2.9	Increase in delivery fee revenue
.6	Other
$ 3.7	Total increase in gross margin

The decreases in gross margin percentage resulted primarily from higher raw material costs and higher manufacturing costs in 2006 and the high fructose corn syrup litigation proceeds received in 2005.

S,D&A Expenses

S,D&A expenses increased by $11.5 million, or 2.2%, to $537.4 million in 2006 from $525.9 million in 2005.

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

Amount (In millions)	**Attributable to:**
$ 12.8	Increase in employee related expenses primarily related to wage increases and additional personnel
(2.2)	Decrease in employee benefit costs primarily due to the amendment of the principal Company-sponsored pension plan and changes to the Company s postretirement health care plan
1.9	Increase in property and casualty insurance costs
1.8	Increase in energy costs primarily related to the movement of finished goods from sales distribution centers to customer locations
(1.1)	Decrease in depreciation expense primarily due to lower levels of capital spending over the past several years
(1.1)	Favorable adjustment in 2005 due to the resignation of a Company executive and related impact on amounts accrued for certain benefit plans
(.6)	Other
$ 11.5	Total increase in S,D&A expenses

Shipping and handling costs related to the movement of finished goods from manufacturing locations to sales distribution centers are included in cost of sales. Shipping and handling costs related to the movement of finished goods from sales distribution centers to customer locations are included in S,D&A expenses and totaled $193.8 million and $183.1 million in 2006 and 2005, respectively. The Company charges certain customers a delivery fee to offset a portion of the Company s delivery and handling costs. The Company initiated this delivery fee in October 2005. The delivery fee is recorded in net sales and was $3.6 million and $.7 million in 2006 and 2005, respectively.

In February 2006, the Company announced an amendment to its principal Company-sponsored pension plan to cease further benefit accruals under the plan effective June 30, 2006. Net periodic pension expense decreased to $8.1 million in 2006 from $11.8 million in 2005.

In October 2005, the Company announced changes to its postretirement health care plan. Primarily as a result of these changes, the Company s expense for postretirement health care decreased to $2.1 million in 2006 from $4.5 million in 2005.

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Amortization of Intangibles

Amortization of intangibles expense for 2006 declined by $.3 million compared to 2005. The decline in amortization expense was due to the impact of certain customer relationships recorded in other identifiable intangible assets which are now fully amortized.

Interest Expense

Net interest expense increased 2.0%, or $1.0 million, to $50.3 million in 2006 from $49.3 million in 2005. The change primarily reflected higher interest rates on the Company s floating rate debt partially offset by a $1.0 million increase in interest earned on short-term cash investments in 2006. Interest expense in 2005 included $1.7 million of financing transaction costs related to the exchange of $164.8 million of the Company s debt and the redemption of $8.6 million of debentures. Excluding the impact of the $1.7 million financing transaction costs, the Company s overall weighted average interest rate increased to 6.6% during 2006 from 6.2% during 2005. See the Liquidity and Capital Resources Interest Rate Hedging section of M,D&A for additional information.

Minority Interest

The Company recorded minority interest of $3.2 million in 2006 compared to $4.1 million in 2005 related to the portion of Piedmont owned by The Coca-Cola Company. The decreased amount in 2006 was due to unfavorable changes in operating results at Piedmont.

Income Taxes

The Company s effective income tax rate for 2006 was 25.4% compared to 40.8% in 2005. The deduction for qualified production activities provided within the American Jobs Creation Act of 2004 reduced the Company s effective income tax rate by approximately 1.9% in 2006.

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

During 2005, the Company entered into a settlement agreement with a state whereby the Company agreed to reduce certain net operating loss carryforwards and to pay certain additional taxes and interest relating to prior years. The loss of state net operating loss carryforwards, net of federal tax benefit, of $4.4 million did not have an effect on the provision for income taxes due to a valuation allowance previously recorded for such deferred tax assets. Under this settlement, the Company was required to pay $5.7 million in 2005 and was required to pay an additional $5.0 million by April 15, 2006. The amounts paid in excess of liabilities previously recorded had the effect of increasing income tax expense by approximately $4.1 million in 2005. Based on an analysis of facts and available information, the Company also made adjustments to liabilities for income tax exposure related to other states in 2005 which had the effect of decreasing income tax expense by $3.8 million in 2005.

During 2005, the Company also entered into settlement agreements with two other states regarding certain tax years. The effect of these settlements was the reduction of certain state net operating loss carryforwards with a tax effect, net of federal tax benefit, of $.6 million, the payment of $1.1 million in previously accrued tax and the reduction of valuation allowances of $1.2 million, net of federal tax benefit, related to net operating loss utilization in these states. The Company recognized in 2005 an increase in the average state income tax rate which is used in determining the net deferred income tax liability. This increase in the state income tax rate resulted in additional income tax expense in 2005 of $1.6 million.

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Financial Condition

Total assets decreased to $1.29 billion at December 30, 2007 from $1.36 billion at December 31, 2006 primarily due to decreases in cash and cash equivalents and property, plant and equipment, net. Property, plant and equipment, net decreased primarily due to lower levels of capital spending over the past several years. Cash and cash equivalents decreased as cash on hand on November 1, 2007 was used, along with borrowing under the Company s lines of credit, to repay $100 million of debentures.

Net working capital, defined as current assets less current liabilities, increased by $40.8 million from December 31, 2006 to December 30, 2007.

Significant changes in net working capital from December 31, 2006 to December 30, 2007 were as follows:

- A decrease in cash and cash equivalents of $52.0 million primarily due to the payment of $100 million of debentures in November 2007.

- A decrease in current portion of debt of $92.6 million primarily due to the payment of $100 million of debentures in November 2007.

- An increase in accounts payable, trade of $7.3 million primarily due to timing of payments.

- A decrease in accounts payable to The Coca-Cola Company of $10.2 million primarily due to timing of payments.

Debt and capital lease obligations were $679.1 million as of December 30, 2007 compared to $769.0 million as of December 31, 2006. Debt and capital lease obligations as of December 30, 2007 and December 31, 2006 included $80.2 million and $77.5 million, respectively, of capital lease obligations related primarily to Company facilities.

The Company recorded a minimum pension liability adjustment of $4.3 million, net of tax, as of January 1, 2006 to reflect the difference between the fair market value of the Company s pension plan assets and the accumulated benefit obligation of the pension plans. The Company recorded a minimum pension liability adjustment of $5.4 million, net of tax, as of December 31, 2006 as a result of the plan curtailment discussed in Note 17 to the consolidated financial statements. The Company adopted the provisions of SFAS No. 158 at the end of 2006. Pension and postretirement liabilities were adjusted to reflect the excess of the projected benefit obligation (pension) and the accumulated postretirement benefit obligation (postretirement medical) over available plan assets. The total SFAS No. 158 adjustment to increase benefit liabilities was $2.6 million, net of tax, with a corresponding adjustment to other comprehensive loss. There were no contributions to the Company s pension plans in 2007. Contributions to the Company s pension plans were $.5 million in 2006. The Company anticipates that contributions to the principal Company-sponsored pension plan in 2008 will be approximately $3.4 million.

Liquidity and Capital Resources

Capital Resources

The Company s sources of capital include cash flow from operations, available credit facilities and the issuance of debt and equity securities. Management believes the Company, 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.

As of December 30, 2007, the Company had $200 million available under its revolving credit facility to meet its cash requirements. The Company borrows periodically under its available lines of credit. These lines of credit, in the aggregate amount of $60 million at December 30, 2007, are made available at the discretion of two participating banks at rates negotiated at the time of borrowing and may be withdrawn at any time by such banks.

The Company used cash on hand and availability under its lines of credit to satisfy the $100 million maturity of debentures in November 2007.

The Company expects to use cash flow generated from operations, its $200 million revolving credit facility and potentially other sources, including bank borrowings or issuance of debentures under its shelf registration statement, to repay or refinance debentures maturing in May and July 2009.

The Company has obtained the majority of its long-term debt financing other than capital leases from the public markets. As of December 30, 2007, the Company s total outstanding balance of debt and capital lease obligations was $679.1 million of which $591.5 million was financed through publicly offered debt. The Company had capital lease obligations of $80.2 million and $7.4 million due on its lines of credit as of December 30, 2007. The Company s interest rate derivative contracts are with several different financial institutions to minimize the concentration of credit risk. The Company has master agreements with the counterparties to its derivative financial agreements that provide for net settlement of derivative transactions.

Cash Sources and Uses

The primary source of cash for the Company has been cash provided by operating activities and borrowings on available lines of credit. The primary uses of cash have been for capital expenditures, the payment of debt and capital lease obligations, income tax payments and dividends.

A summary of cash activity for 2007 and 2006 follows:

	Fiscal Year	
In millions	**2007**	**2006**
Cash sources		
Cash provided by operating activities (excluding income tax payments)	$ 116.9	$ 120.1
Other	8.7	2.4
Total cash sources	$ 125.6	$ 122.5
Cash uses		
Capital expenditures	$ 48.2	$ 63.2
Investment in plastic bottle manufacturing cooperative	3.4	2.3
Payment of debt and capital lease obligations	95.1	8.2
Income tax payments	21.4	17.2
Dividends	9.1	9.1
Other	.4	.3
Total cash uses	$ 177.6	$ 100.3
Increase (decrease) in cash	$ (52.0)	$ 22.2

Based on current projections, which include a number of assumptions such as the Company s pre-tax earnings, the Company anticipates its cash requirements for income taxes will be between $10 million and $15 million in 2008. The cash requirement for income taxes in 2006 included $5 million related to the settlement of a state tax audit accrued in 2005.

Investing Activities

Additions to property, plant and equipment during 2007 were $48.2 million compared to $63.2 million in 2006. Capital expenditures during 2007 were funded with cash flows from operations, cash on hand and borrowings on the lines of credit. Leasing is used for certain capital additions when considered cost effective relative to other sources of capital. The Company currently leases its corporate headquarters, two production facilities and several sales distribution facilities and administrative facilities.

The Company anticipates that additions to property, plant and equipment in 2008 will be in the range of $55 million to $70 million and plans to fund such additions through cash flows from operations, its available lines of credit and proceeds from the sale of closed facilities.

Financing Activities

On March 8, 2007, the Company entered into a $200 million revolving credit facility ($200 million facility), replacing its $100 million facility. The $200 million facility matures in March 2012 and includes an option to extend the term for an additional year at the discretion of the participating banks. The $200 million facility bears interest at a floating base rate or a floating rate of LIBOR plus an interest rate spread of .35%. In addition, there is a fee of .10%

required for the facility. Both the interest rate spread and the facility fee are determined from a commonly-used pricing grid based on the Company s long-term senior unsecured debt rating. The $200 million facility contains two financial covenants related to ratio requirements for interest coverage and long-term debt to cash flow, each as defined in the credit agreement. These covenants do not currently, and the Company does not anticipate they will, restrict its liquidity or capital resources. There were no amounts outstanding under the revolving credit facilities at December 30, 2007 and December 31, 2006.

The Company borrows periodically under its available lines of credit. These lines of credit, in the aggregate amount of $60 million at December 30, 2007, are made available at the discretion of the two participating banks at rates negotiated at the time of borrowing and may be withdrawn at any time by such banks. The Company can utilize its revolving credit facility in the event the lines of credit are not available. On December 30, 2007, $7.4 million was outstanding under the lines of credit. On December 31, 2006, there was no amount outstanding under the lines of credit.

In January 1999, the Company filed a shelf registration for up to $800 million of debt and equity securities. The Company has issued $500 million of debt under this shelf registration. The Company currently has up to $300 million available for use under this shelf registration which, subject to the Company s ability to consummate a transaction on acceptable terms, could be used for long-term financing or refinancing of debt maturities.

The Company expects to use cash flow generated from operations, its $200 million revolving credit facility and potentially other sources, including bank borrowings or issuance of debentures under its shelf registration statement, to repay or refinance debentures maturing in May and July 2009.

The Company currently provides financing for Piedmont under the terms of an agreement that expires on December 31, 2010. Piedmont pays the Company interest on its borrowings at the Company s average cost of funds plus .50%. The loan balance at December 30, 2007 was $77.4 million and was eliminated in consolidation.

All of the outstanding debt has been issued by the Company with none having been issued by any of the Company s subsidiaries. There are no guarantees of the Company s debt. The Company or its subsidiaries have entered into four capital leases.

At December 30, 2007, the Company s credit ratings were as follows:

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

The Company s credit ratings are reviewed periodically by the respective rating agencies. Changes in the Company s operating results or financial position could result in changes in the Company s credit ratings. Lower credit ratings could result in higher borrowing costs for the Company. There were no changes in these credit ratings from the prior year. It is the Company s intent to continue to reduce its financial leverage over time.

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

The Company issued 20,000 shares of Class B Common Stock to J. Frank Harrison, III, Chairman of the Board of Directors and Chief Executive Officer, with respect to 2006, effective January 1, 2007, under a restricted stock award plan that provides for annual awards of such shares subject to the Company achieving at least 80% of the overall goal achievement factor in the Company s Annual Bonus Plan.

The Company s only share-based compensation is the restricted stock award to Mr. Harrison, III. The award provides 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 in the Company s Annual Bonus Plan. Each annual 20,000 share tranche has an independent performance requirement as it is not established until the Company s Annual Bonus Plan targets are approved for each year. As a result, each 20,000 share tranche is considered to have its own service inception date, grant-date fair value and requisite service period. The Company s Annual Bonus Plan targets, which establish the performance requirement for 2007, were set in the first quarter of 2007, and the Company recorded the 20,000 share award at the grant-date price of $58.53 per share. Total stock compensation expense was $1.2 million in 2007. In addition, the Company reimburses Mr. Harrison, III for income taxes to be paid on the shares if the performance requirement is met and the shares are issued. The Company accrues the estimated cost of the income tax reimbursement over the one-year service period.

Off-Balance Sheet Arrangements

The Company is a member of two manufacturing entities and has guaranteed $45.4 million of debt and related lease obligations for these entities as of December 30, 2007. In addition, the Company has an equity ownership in each of the entities. As of December 30, 2007, the Company s maximum exposure, if the entities borrowed up to their borrowing capacity, would have been $66.8 million including the Company s equity interest. See Note 13 of the consolidated financial statements for additional information about these entities.

Aggregate Contractual Obligations

The following table summarizes the Company s contractual obligations and commercial commitments as of December 30, 2007:

	Payments Due by Period				
In thousands	**Total**	**2008**	**2009-2010**	**2011-2012**	**2013 and Thereafter**
Contractual obligations:					
Total debt, net of interest	$ 598,850	$ 7,400	$ 176,693	$ 150,000	$ 264,757
Capital lease obligations, net of interest	80,215	2,602	5,754	6,581	65,278
Estimated interest on debt and capital lease obligations(1)	292,129	39,143	60,269	55,021	137,696
Purchase obligations(2)	603,700	94,686	192,355	190,037	126,622
Other long-term liabilities(3)	90,738	5,860	11,290	10,650	62,938
Operating leases	16,818	3,277	4,132	2,386	7,023
Long-term contractual arrangements(4)	22,694	6,802	9,781	4,185	1,926
Interest rate swap agreements	2,291	1,456	720	115	
Postretirement obligations	34,935	2,271	4,869	5,212	22,583
Purchase orders(5)	22,303	22,303			
Total contractual obligations	$ 1,764,673	$ 185,800	$ 465,863	$ 424,187	$ 688,823

(1) Includes interest payments based on contractual terms and current interest rates for variable rate debt.

(2) Represents an estimate of the Company s obligation to purchase 17.5 million cases of finished product on an annual basis through May 2014 from South Atlantic Canners, a manufacturing cooperative, and other purchase commitments.

(3) Includes obligations under executive benefit plans, unrecognized income tax benefits and other long-term liabilities.

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

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

The Company has $9.2 million of unrecognized income tax benefits including accrued interest as of December 30, 2007 (included in other long-term liabilities in the above table) pursuant to FIN 48, of which $8.0 million would affect the Company s effective tax rate if recognized. The Company does not anticipate any material impact on its liquidity and capital resources due to the resolution of income tax positions reserved for as uncertain. See Note 14 of the consolidated financial statements for additional information related to the Company s adoption of FIN 48.

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

The Company has $21.4 million of standby letters of credit, primarily related to its property and casualty insurance programs, as of December 30, 2007. See Note 13 of the consolidated financial statements for additional information related to commercial commitments, guarantees, legal and tax matters.

The Company anticipates that contributions to the principal Company-sponsored pension plan in 2008 will be approximately $3.4 million. Postretirement medical care payments are expected to be approximately $2.3 million in 2008. See Note 17 to the consolidated financial statements for additional information related to pension and postretirement obligations.

Hedging Activities

Interest Rate Hedging

The Company periodically uses interest rate hedging products to 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 currently has six interest rate swap agreements. These interest rate swap agreements effectively convert $225 million of the Company s debt from a fixed rate to a floating rate and are accounted for as fair value hedges.

During 2007, 2006 and 2005, interest expense was reduced each year by $1.7 million due to amortization of the deferred gains on previously terminated interest rate swap agreements and forward interest rate agreements. Interest expense will be reduced by the amortization of these deferred gains in 2008 through 2012 as follows: $1.7 million, $.9 million, $.3 million, $.3 million and $.3 million, respectively.

The weighted average interest rate of the Company s debt and capital lease obligations after taking into account all of the interest rate hedging activities was 6.2% as of December 30, 2007 compared to 6.9% as of December 31, 2006. The Company s overall weighted average interest rate on its debt and capital lease obligations, increased to 6.7% in 2007 from 6.6% in 2006. Approximately 41% of the Company s debt and capital lease obligations of $679.1 million as of December 30, 2007 was maintained on a floating rate basis and was subject to changes in short-term interest rates.

Assuming no changes in the Company s capital structure, if market interest rates average 1% more in 2008 than the interest rates as of December 30, 2007, interest expense for 2008 would increase by approximately $3 million. This amount is determined by calculating the effect of a hypothetical interest rate increase of 1% on outstanding floating rate debt and capital lease obligations as of December 30, 2007, including the effects of the Company s derivative financial instruments. This calculated, hypothetical increase in interest expense for the following twelve months may be different from the actual increase in interest expense from a 1% increase in interest rates due to varying interest rate reset dates on the Company s floating rate debt and derivative financial instruments.

Fuel Hedging

During the first quarter of 2007, the Company began using derivative instruments to hedge the majority of the Company s vehicle fuel purchases. These derivative instruments relate to diesel fuel and unleaded gasoline used in the Company s delivery fleet. Derivative instruments used include puts and calls which effectively establish an upper and lower limit on the Company s price of fuel within periods covered by the instruments. The Company pays a fee for these instruments which is amortized over the corresponding period of the instrument. The Company currently accounts for its fuel hedges on a mark-to-market basis with any expense or income reflected as an adjustment of fuel costs.

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CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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

- anticipated return on pension plan investments;
- the Company s belief that other parties to certain contractual arrangements will perform their obligations;
- potential marketing funding support from The Coca-Cola Company and other beverage companies;
- the Company s belief that the risk of loss with respect to funds deposited with banks is minimal;
- the Company s belief that disposition of certain claims and legal proceedings will not have a material adverse effect on its financial condition, cash flows or results of operations and that no material amount of loss in excess of recorded amounts is reasonably possible;
- management s belief that the Company has adequately provided for any ultimate amounts that are likely to result from tax audits;
- the Company s expectation of exercising its option to extend certain lease obligations;
- management s belief that the Company has sufficient financial resources to maintain 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 Company s intention to reduce its financial leverage over time;
- the Company s belief that the cooperatives whose debt and lease obligations the Company guarantees have sufficient assets and the ability to adjust selling prices of their products to adequately mitigate the risk of material loss and that the cooperatives will perform their obligations under their debt and lease agreements;
- the Company s intention to renew the lines of credit as they mature;
- the Company s ability to issue $300 million of securities under acceptable terms under its shelf registration statement;
- the Company s belief that certain franchise rights are perpetual or will be renewed upon expiration;
- the Company s intention to provide for Piedmont s future financing requirements;
- the Company s key priorities which are revenue management, product innovation and beverage portfolio expansion, distribution cost management and productivity;
- the Company s belief that its liquidity or capital resources will not be restricted by certain financial covenants in the Company s credit agreements;

the Company s hypothetical calculation of the impact of a 1% increase in interest rates on outstanding floating rate debt and capital lease obligations for the next twelve months as of December 30, 2007;

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

anticipated cash payments for income taxes will be in the range of $10 million to $15 million in 2008;

anticipated additions to property, plant and equipment in 2008 will be in the range of $55 million to $70 million;

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

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

the Company s belief that, during 2008, raw material costs will increase less than they did in 2007, but will remain above historical averages;

the Company s belief that contributions to the principal Company-sponsored pension plan in 2008 will be approximately $3.4 million;

the Company s belief that postretirement benefit payments are expected to be approximately $2.3 million in 2008;

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

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

the Company s belief that the implementation of its CooLift® route delivery system will continue over the next several years and will result in significant savings in future years and more efficient delivery of a greater number of products;

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

the Company s intention to renew substantially all the Allied Bottle Contracts and Noncarbonated Beverage Contracts as they expire;

the Company s belief that there will not be significant changes in the levels of marketing and advertising by The Coca-Cola Company and Cadbury Schweppes Americas Beverages;

the Company s belief that there will be no additional restructuring costs in 2008;

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

the Company s belief there will not be any material impact on its liquidity and capital resources due to the resolution of income tax positions reserved for as uncertain;

the Company s belief that changes in unrecognized tax benefits over the next 12 months will not have a significant impact on the consolidated financial statements;

the Company s expectation that it will use cash flow generated from operations, its revolving credit facility and potentially other sources, including bank borrowings or issuance of debentures under its shelf registration statement, to repay or refinance debentures maturing in May and July 2009; and

the Company s expectation that concentrate, plastic bottles, aluminum cans and high fructose corn syrup costs will increase in 2008.

These statements and expectations are based on currently available competitive, financial and economic data along with the Company s operating plans, and are subject to future events and uncertainties that could cause anticipated events not to occur or actual results to differ materially from historical or anticipated results. Factors that could impact those differences or adversely affect future periods include, but are not limited to, the factors set forth under Item 1A. Risk Factors.

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

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

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

Debt and Derivative Financial Instruments

The Company is subject to interest rate risk on its fixed and floating rate debt. The Company periodically uses interest rate hedging products to modify risk from interest rate fluctuations. The Company has historically altered its fixed/floating rate mix based upon anticipated cash flows from operations relative to the Company s overall financial condition. Sensitivity analyses are performed to review the impact on the Company s financial position and coverage of various interest rate movements. The counterparties to these interest rate hedging arrangements are major financial institutions with which the Company also has other financial relationships. While the Company is exposed to credit loss in the event of nonperformance by these counterparties, the Company does not anticipate nonperformance by these parties. The Company generally maintains between 40% and 60% of total borrowings at variable interest rates after taking into account all of the interest rate hedging activities. While this is the target range for the percentage of total borrowings at variable interest rates, the financial position of the Company and market conditions may result in strategies outside of this range at certain points in time. Approximately 41% of the Company s debt and capital lease obligations of $679.1 million as of December 30, 2007 was subject to changes in short-term interest rates.

As it relates to the Company s variable rate debt and variable rate leases, assuming no changes in the Company s financial structure, if market interest rates average 1% more in 2008 than the interest rates as of December 30, 2007, interest expense for 2008 would increase by approximately $3 million. This amount was determined by calculating the effect of the hypothetical interest rate on our variable rate debt and variable rate leases after giving consideration to all our interest rate hedging activities. This calculated, hypothetical increase in interest expense for the following twelve months may be different from the actual increase in interest expense from a 1% increase in interest rates due to varying interest rate reset dates on the Company s floating rate debt and derivative financial instruments.

Raw Material and Commodity Price Risk

Beginning in 2007, the majority of the Company s aluminum packaging requirements did not have any ceiling price protection and the cost of aluminum cans increased during 2007. High fructose corn syrup costs also increased significantly during 2007 as a result of increasing demand for corn products around the world such as for ethanol production. The combined impact of increasing costs for aluminum cans and high fructose corn syrup increased cost of sales during 2007. In addition, there is no limit on the price The Coca-Cola Company and other beverage companies can charge for concentrate. During 2008, the Company expects raw material costs to increase less than they did in 2007, but to remain above historical averages.

The Company is also subject to commodity price risk arising from price movements for certain other commodities included as part of its raw materials. The Company manages this commodity price risk in some cases by entering into contracts with adjustable prices. The Company has not historically used derivative commodity instruments in the management of this risk.

During 2007, the Company began using derivative instruments to hedge the majority of the Company s vehicle fuel purchases. These derivative instruments relate to diesel fuel and unleaded gasoline used in the Company s delivery fleet. Instruments used include puts and calls which effectively form an upper and lower limit on the Company s price of fuel within periods covered by the instruments. The Company pays a fee for these instruments which is amortized over the corresponding period of the instrument. The Company currently accounts for its fuel hedges on a mark-to-market basis with any expense or income reflected as an adjustment of fuel costs.

Effect of Changing Prices

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

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

COCA-COLA BOTTLING CO. CONSOLIDATED

CONSOLIDATED STATEMENTS OF OPERATIONS

		Fiscal Year	
In thousands (except per share data)	**2007**	**2006**	**2005**
Net sales	$ 1,435,999	$ 1,431,005	$ 1,380,172
Cost of sales	814,865	808,426	761,261
Gross margin	621,134	622,579	618,911
Selling, delivery and administrative expenses	538,806	537,365	525,903
Amortization of intangibles	445	550	880
Income from operations	81,883	84,664	92,128
Interest expense	47,641	50,286	49,279
Minority interest	2,003	3,218	4,097
Income before income taxes	32,239	31,160	38,752
Income taxes	12,383	7,917	15,801
Net income	$ 19,856	$ 23,243	$ 22,951
Basic net income per share:			
Common Stock	$ 2.18	$ 2.55	$ 2.53
Weighted average number of Common Stock shares outstanding	6,644	6,643	6,643
Class B Common Stock	$ 2.18	$ 2.55	$ 2.53
Weighted average number of Class B Common Stock shares outstanding	2,480	2,460	2,440
Diluted net income per share:			
Common Stock	$ 2.17	$ 2.55	$ 2.53
Weighted average number of Common Stock shares outstanding assuming dilution	9,141	9,120	&n