

Risk Factors Comparison 2024-02-21 to 2023-02-22 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

In addition to other information in this report, 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. Risks Related to Our Business The Company's business and results of operations may be adversely affected by increased costs, disruption of supply or unavailability or shortages of raw materials, fuel and other supplies. Raw material costs, including the costs for plastic bottles, aluminum cans, PET resin, carbon dioxide and high fructose corn syrup, are subject to significant price volatility, which may be worsened by periods of increased demand, supply constraints or high inflation. International or domestic geopolitical or other events, including **pandemics**, armed conflict or the imposition of tariffs and / or quotas by the U. S. government on any of these raw materials, could adversely impact the supply and cost of these raw materials to the Company **or render** ~~In recent years, the~~ **them** ~~COVID-19 pandemic resulted in certain raw materials not being available~~ **unavailable** at commercially favorable terms or at all ~~, and future pandemics or other events causing widespread supply chain disruption may also have such an effect~~. 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, effective commodity price hedging, increased sales volume or reductions in other costs, the Company's results of operations and profitability could be adversely affected. **Limited suppliers for certain of the Company..... s results of operations and profitability.** The Company uses significant amounts of fuel for its delivery fleet and other vehicles used in the distribution of its products. International or domestic geopolitical or other events could impact the supply and cost of fuel and the timely delivery of the Company's products to its customers. Although the Company strives to reduce fuel consumption and uses commodity hedges to manage the Company's fuel costs, there can be no assurance the Company will succeed in limiting the impact of fuel price increases or price volatility on the Company's business or future cost increases, which could reduce the profitability of the Company's operations. The Company uses a combination of internal and external freight shipping and transportation services to transport and deliver products. The Company's freight cost and the timely delivery of its products may be adversely impacted by a number of factors ~~which~~ **that** could reduce the profitability of the Company's operations, including driver shortages, reduced availability of independent contractor drivers, higher fuel costs, weather conditions, traffic congestion, increased government regulation and other matters **. The Company purchases all of the..... operations, including sales levels and profitability**. The Company continues to make significant reinvestments in its business in order to evolve its operating model and to accommodate future growth and portfolio expansion, including supply chain optimization. The increased costs associated with these reinvestments, the potential for disruption in manufacturing and distribution and the risk the Company may not realize a satisfactory return on its investments could adversely affect the Company's business, financial condition or results of operations. The reliance on purchased finished products from external sources could have an adverse impact on the Company's profitability. The Company does not, and does not plan to, manufacture all of the products it distributes and, therefore, remains reliant on purchased finished products from external sources to meet customer demand. As a result, the Company is subject to incremental risk, including, but not limited to, product quality and availability, price variability and production capacity shortfalls for externally purchased finished products, which could have an impact on the Company's profitability and customer relationships. Particularly, the Company is subject to the risk of unavailability of still products that it acquires from other manufacturers, leading to an inability to meet consumer demand for these products. In most instances, the Company's ability to negotiate the prices at which it purchases finished products from other U. S. Coca - Cola bottlers is limited pursuant to The Coca - Cola Company's right to unilaterally establish the prices, or certain elements of the formulas used to determine the prices, for such finished products under the RMA, which could have an adverse impact on the Company's profitability. Changes in public and consumer perception and preferences, including concerns related to product safety and sustainability, artificial ingredients, brand reputation and obesity, could reduce demand for the Company's products and reduce profitability. Concerns about perceived negative safety and quality consequences of certain ingredients in the Company's products, such as non- nutritive sweeteners or ingredients in energy drinks, may erode consumers' confidence in the safety and quality of the Company's products, whether or not justified. The Company's business is also impacted by changes in consumer concerns or perceptions surrounding the product manufacturing processes and packaging materials, including single- use and other plastic packaging, and the environmental and sustainability impact of such manufacturing processes and packaging materials. Any of these factors may reduce consumers' willingness to purchase the Company's products and any inability on the part of the Company to anticipate or react to such changes could result in reduced demand for the Company's products or erode the Company's competitive and financial position and could adversely affect the Company's business, reputation, financial condition or results of operations. The Company's success depends on its ability to maintain consumer confidence in the safety and quality of all of its products. The Company has rigorous product safety and quality standards. However, if beverage products taken to market are or become contaminated or adulterated, the Company may be required to conduct costly product recalls and may become subject to product liability claims and negative publicity, which could cause its business and reputation to suffer. The Company's success also depends in large part on its ability and the ability of The Coca - Cola Company and other beverage companies it works with to maintain the brand image of existing products, build up brand image for new products and brand extensions and maintain its corporate reputation and social license to operate. Engagements by the Company's executives in social and public policy debates may occasionally be the subject of criticism from advocacy groups that have differing points of view and could result in adverse media and consumer reaction, including

product boycotts. Similarly, the Company's sponsorship relationships and charitable giving program could subject the Company to negative publicity as a result of actual or perceived views of organizations the Company sponsors or supports financially. Likewise, negative postings or comments on social media or networking websites about the Company, The Coca - Cola Company or one of the products the Company carries, even if inaccurate or malicious, could generate adverse publicity that could damage the reputation of the Company's brands or the Company. The Company's business depends substantially on consumer tastes, preferences and shopping habits that change in often unpredictable ways. As a result of certain health and wellness trends, including concern over the public health consequences associated with obesity, consumer preferences over the past several years have shifted from sugar- sweetened sparkling beverages to diet sparkling beverages, tea, sports drinks, enhanced water and bottled water. As the Company distributes, markets and manufactures beverage brands owned by others, the success of the Company's business depends in large measure on the ability of The Coca - Cola Company and other beverage companies to develop and introduce product innovations to meet the changing preferences of the broad consumer market, and failure to satisfy these consumer preferences could adversely affect the Company's profitability. ~~The Company's business and results of operations may be adversely affected by the inability to attract and retain front-line employees in a tight labor market. In recent years, the U. S. economy has experienced a challenging labor market as the supply of available workers frequently fell short of the number of workers necessary to fill all available jobs. As a result, the Company experienced difficulty in attracting and retaining front-line workers and faced periods of high turnover. Tight labor markets and a lack of available workers has led, and may lead in the future, to increased labor costs in the form of higher salaries, increased overtime and other compensation adjustments to remain competitive in a challenging labor market. If the Company cannot retain adequate front-line employees to produce and deliver its products, its business operations may be adversely affected and higher labor costs have had, and may have in the future, an adverse effect on our results of operations.~~ Changes in government regulations related to nonalcoholic beverages, including regulations related to obesity, public health, artificial ingredients and product safety and sustainability, could reduce demand for the Company's products and reduce profitability. The Company's business and properties are subject to various federal, state and local laws and regulations, including those governing the production, packaging, quality, labeling and distribution of beverage products. Compliance with or changes in existing laws or regulations could require material expenses and negatively affect our financial results through lower sales or higher costs. The production and marketing of beverages are subject to the rules and regulations of the FDA and other federal, state and local health agencies, and extensive changes in these rules and regulations could increase the Company's costs or adversely impact its sales. The Company cannot predict whether any such rules or regulations will be enacted or, if enacted, the impact that such rules or regulations could have on its business. In response to growing health, nutrition and wellness concerns for today's youth, a number of ~~states~~ **state** and local governments have regulations restricting the sale of soft drinks and other foods in schools, particularly elementary, middle and high schools. Many of these restrictions have existed for several years in connection with subsidized meal programs in schools. Additionally, legislation has been proposed by certain state and local governments to limit or restrict the sale of energy drinks to minors and / or persons below a specified age and / or to restrict the venues in which energy drinks can be sold. Restrictive legislation, if widely enacted, could have an adverse impact on the Company's products, sales and reputation. Legislation has been proposed in Congress and by certain state and local governments which would prohibit the sale of soft drink products in non- refillable bottles and cans or require a mandatory deposit as a means of encouraging the return of such containers, each in an attempt to reduce solid waste and litter. Similarly, the Company is aware of proposed legislation that would impose fees or taxes on various types of containers **that are** used in its business, **implement as well as proposed legislation around** new recycling regulations and the reduction of single- use plastics **and place the onus on plastic suppliers to identify recycling solutions**. The Company is not currently impacted by the policies in these types of proposed legislation, but it is possible that similar or more restrictive legal requirements may be proposed or enacted within its distribution territories in the future. Concerns about perceived negative safety and quality consequences of certain ingredients in the Company's products, such as non- nutritive sweeteners or ingredients in energy drinks, could result in additional governmental regulations concerning the production, marketing, labeling or availability of the Company's products or the ingredients in such products, possible new taxes or negative publicity resulting from actual or threatened legal actions against the Company or other companies in the same industry, any of which could damage the reputation of the Company or reduce demand for the Company's products, which could adversely affect the Company's profitability. The FDA occasionally proposes major changes to the nutrition labels required on all packaged foods and beverages, including those for most of the Company's products, which could require the Company and its competitors to revise nutrition labels to include updated serving sizes, information about total calories in a beverage product container and information about any added sugars or nutrients. Any pervasive nutrition label changes could increase the Company's costs and could inhibit sales of one or more of the Company's major products. Most beverage products sold by the Company are classified as food or food products and are therefore eligible for purchase using SNAP benefits by consumers purchasing them for home consumption. Energy drinks with a nutrition facts label are also classified as food and are eligible for purchase for home consumption using SNAP benefits, whereas energy drinks classified as a supplement by the FDA are not. Regulators may restrict the use of benefit programs, including SNAP, to purchase certain beverages and foods currently classified as food or food products. The Company relies on The Coca - Cola Company and other beverage companies to invest in the Company through marketing funding and to promote their own company brand identity through external advertising, marketing spending and product innovation. Decreases from historic levels of investment could negatively impact the Company's business, financial condition and results of operations or profitability. The Coca - Cola Company and other beverage companies have historically provided financial support to the Company through marketing funding. While the Company does not believe there will be significant changes to the amount of marketing funding support provided by The Coca - Cola Company and other beverage companies, the Company's beverage agreements generally do not obligate such funding and there can be no assurance the historic levels will continue. Decreases in the level of marketing

funding provided, material changes in the marketing funding programs' performance requirements or the Company' s inability to meet the performance requirements for marketing funding could adversely affect the Company' s business, financial condition and results of operations or profitability. In addition, The Coca - Cola Company and other beverage companies have their own external advertising campaigns, marketing spending and product innovation programs, which directly impact the Company' s operations. Decreases in advertising, marketing and product innovation spending by The Coca - Cola Company and other beverage companies, or advertising campaigns that are negatively perceived by the public, could adversely impact the sales volume growth and profitability of the Company. While the Company does not believe there will be significant changes in the level of external advertising and marketing spending by The Coca - Cola Company and other beverage companies, there can be no assurance the historic levels will continue or that advertising campaigns will be positively perceived by the public. The Company' s volume growth is also dependent on product innovation by The Coca - Cola Company and other beverage companies, and their ability to develop and introduce products that meet consumer preferences. The Company is a participant in several Coca - Cola system governance entities, and decisions made by these governance entities may be different than decisions that would have been made by the Company individually. Any failure of these governance entities to function efficiently or on the best behalf of the Company and any failure or delay of the Company to receive anticipated benefits from these governance entities could adversely affect the Company' s business, financial condition and results of operations. The Company is a member of CONA and party to an amended and restated master services agreement with CONA, pursuant to which the Company is an authorized user of the CONA System, a uniform information technology system developed to promote operational efficiency and uniformity among North American Coca - Cola bottlers. The Company relies on CONA to make necessary upgrades to and resolve ongoing or disaster- related technology issues with the CONA System, and it is limited in its authority and ability to timely resolve errors or to make changes to the CONA software. Any service interruptions of the CONA System could result in increased costs or adversely impact the Company' s results of operations. In addition, because other Coca - Cola bottlers are also users of the CONA System and would likely experience similar service interruptions, the Company may not be able to have another bottler process orders on its behalf during any such interruption. The Company is also a member of the NPSG, which is comprised of The Coca - Cola Company, the Company and certain other Coca - Cola bottlers who are regional producing bottlers in The Coca - Cola Company' s national product supply system. Subject to the terms and conditions of the NPSG Agreement, the Company is required to comply with certain key decisions made by the NPSG Board, which include decisions regarding strategic infrastructure investment and divestment planning, optimal national product supply sourcing and new product or packaging infrastructure planning. Although the Company has a representative on the NPSG Board, the Company cannot exercise sole decision- making authority relating to the decisions of the NPSG Board, and the interests of other members of the NPSG Board may diverge from those of the Company. Any such divergence could have a material adverse effect on the operating and financial results of the Company. Provisions in the CBA and the RMA with The Coca - Cola Company could delay or prevent a change in control of the Company or a sale of the Company' s Coca - Cola distribution or manufacturing businesses. Provisions in the CBA and the RMA require the Company to obtain The Coca - Cola Company' s prior approval of a potential buyer of the Company' s Coca - Cola distribution or manufacturing businesses, which could delay or prevent a change in control of the Company or the Company' s ability to sell such businesses. The Company can obtain a list of pre- approved third- party buyers from The Coca - Cola Company annually. In addition, the Company can seek buyer- specific approval from The Coca - Cola Company upon receipt of a third- party offer to purchase the Company or its Coca - Cola distribution or manufacturing businesses. If a change in control or sale of one of our businesses is delayed or prevented by the provisions in the CBA and the RMA, the market price of our Common Stock could be negatively affected. The concentration of the Company' s capital stock ownership with our Chairman and Chief Executive Officer limits other stockholders' ability to influence corporate matters. As of December 31, ~~2022~~ 2023, J. Frank Harrison, III, Chairman of the Board of Directors and Chief Executive Officer of the Company, controlled 1, 004, 394 shares of the Company' s Class B Common Stock, which represented approximately 71 % of the total voting power of the Company' s outstanding Common Stock and Class B Common Stock on a consolidated basis. Mr. Harrison also has the right to acquire 292, 386 shares of Class B Common Stock from the Company in exchange for an equivalent number of shares of Common Stock. In the event of such an exchange, Mr. Harrison would control 1, 296, 780 shares of the Company' s Class B Common Stock, which would represent approximately 76 % of the total voting power of the Company' s outstanding Common Stock and Class B Common Stock on a consolidated basis. Furthermore, Mr. Harrison and another member of the Harrison family serve on the Company' s Board of Directors. As a result, Mr. Harrison has 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, including the election of directors and **the approval of** significant corporate transactions, such as a merger or other sale of the Company or its assets. This concentration of ownership ~~may~~ **could** 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 or limit other stockholders' ability to influence corporate matters, which could result in the Company making decisions that stockholders outside the Harrison family may not view as beneficial. The Company' s inability to meet requirements under its beverage agreements could result in the loss of distribution and manufacturing rights. Under the CBA and the RMA, which authorize the Company to distribute and / or manufacture products of The Coca - Cola Company, and pursuant to the Company' s distribution agreements with other beverage companies, the Company must satisfy various requirements, such as making minimum capital expenditures or maintaining certain performance rates. Failure to satisfy these requirements could result in the loss of distribution and manufacturing rights for the respective products under one or more of these beverage agreements. The occurrence of other events defined in these agreements could also result in the termination of one or more beverage agreements. The RMA also requires the Company to provide and sell covered beverages to other U. S. Coca - Cola bottlers at prices established pursuant to the RMA. As the timing and quantity of such requests by other U. S. Coca - Cola bottlers can be unpredictable, any failure by

the Company to adequately plan for such demand could also constrain the Company's supply chain network. Changes in the inputs used to calculate the Company's acquisition related contingent consideration liability could have a material adverse impact on the Company's financial condition and results of operations. The Company's acquisition related contingent consideration liability, which totaled \$ ~~541-669~~ ~~5-3~~ million as of December 31, ~~2022~~ ~~2023~~, consists of the estimated amounts due to The Coca - Cola Company as acquisition related sub- bottling payments under the CBA with The Coca - Cola Company and CCR over the useful life of the related distribution rights. Changes in business conditions or other events could materially change both the future cash flow projections and the discount rate used in the calculation of the fair value of contingent consideration under the CBA. These changes could result in material changes to the fair value of the acquisition related contingent consideration **liability** and could materially impact the amount of non- cash expense (or income) recorded each reporting period. General Risk Factors Technology failures or cyberattacks on the Company's **information** technology systems or the Company's effective response to technology failures or cyberattacks on its customers', suppliers' or other third parties' **information** technology systems could disrupt the Company's operations and negatively impact the Company's reputation, business, financial condition or results of operations. The Company increasingly relies on information technology systems to process, transmit and store electronic information. Like most companies, the Company's information technology systems are vulnerable to interruption due to a variety of events beyond the Company's control, including, but not limited to, power outages, computer and telecommunications failures, computer viruses, other malicious computer programs and cyberattacks, denial- of- service attacks, security breaches, catastrophic events such as fires, tornadoes, earthquakes and hurricanes, usage errors by employees and other security issues. In addition, third- party providers of data hosting or cloud services, as well as other vendors, customers and suppliers, are vulnerable to cybersecurity incidents involving data the Company shares with them. While incidents at our third- party service providers have not materially impacted our business operations, one or more of these incidents could significantly impact the Company in the future. The Company depends heavily upon the efficient operation of technological resources and a failure in these **information** technology systems or controls could negatively impact the Company's business, financial condition or results of operations. In addition, the Company continuously upgrades and updates current technology or installs new technology. In order to address risks to its **information** technology systems, the Company continues to monitor networks and systems, **to** upgrade security policies and **to** train its employees, and it requires third- party service providers and business partners, customers, suppliers and other third parties to do the same. The inability to implement upgrades, updates or installations in a timely manner, to train employees effectively in the use of new or updated technology, or to obtain the anticipated benefits of the Company's technology could adversely impact the Company's business, financial condition, results of operations or profitability. **Additionally, the failure of the Company to successfully migrate key data to new systems could lead to data integrity issues, service interruptions or delays and other increased costs that could adversely impact the Company's business, financial condition or results of operations.** The Company has technology security initiatives and disaster recovery plans in place to mitigate its risk to these vulnerabilities; however, these measures may not be adequate or implemented properly to ensure that the Company's operations are not disrupted. If the Company's **information** technology systems, or those of its third- party service providers or business partners, are damaged, breached or cease to function properly, the Company may incur significant financial and other resources to mitigate, upgrade, repair or replace them, and the Company may suffer interruptions in its business operations, resulting in lost revenues and potential delays in reporting its financial results. Further, misuse, leakage or falsification of the Company's information could result in violations of data privacy laws and regulations and damage the reputation and credibility of the Company. The Company may suffer financial and reputational damage because of lost or misappropriated confidential information belonging to the Company, current or former employees, bottling partners, other customers, suppliers or consumers, and may become subject to legal action and increased regulatory oversight. The Company could also be required to spend significant financial and other resources to remedy the damage caused by a security breach or to repair or replace networks and information technology systems, including liability for stolen information, increased cybersecurity protection costs, litigation expense and increased insurance premiums. The Company's financial condition can be impacted by the stability of the general economy. Unfavorable changes in general economic conditions or 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. Periods of sustained high inflation may have adverse impacts on demand for the Company's products and on the Company's ability to sustain margins due to higher input costs. In addition, efforts by the government to curb inflation may cause a general economic slowdown. Adverse economic conditions could also increase the likelihood of customer delinquencies and bankruptcies, which would increase the risk of ~~uncollectability~~ **collectability** of certain accounts. Each of these factors could adversely affect the Company's overall business, financial condition and results of operations. The Company's capital structure, including its cash positions and borrowing capacity with banks or other financial institutions and financial markets, exposes it to the risk of default by or failure of counterparty financial institutions. The risk of counterparty default or failure may be heightened during economic downturns and periods of uncertainty in the financial markets. If one of the Company's counterparties were to become insolvent or enter bankruptcy, the Company's ability to recover losses incurred as a result of default or to retrieve assets that are deposited or held in accounts with such counterparty may be limited by the counterparty's liquidity or the applicable laws governing the insolvency or bankruptcy proceedings. Consequently, the Company's access to capital may be diminished. Any such event of default or failure could negatively impact the Company's business, financial condition and results of operations. **Changes in The concentration risks among the Company's top customer customers relationships and suppliers marketing strategies could impact our sales volume and net sales our ability to access necessary product inputs at commercially advantageous prices.** The Company faces concentration risks related to a few customers comprising a large portion of the Company's annual sales volume and net sales. The Company's business, financial condition

and results of operations could be adversely affected if net sales from one or more of these significant customers is materially reduced or if the cost of complying with the customers' demands is significant. Additionally, if receivables from one or more of these significant customers become uncollectible, the Company's financial condition and results of operations may be adversely impacted. The Company's largest customers, Wal- Mart Stores, Inc. and The Kroger Company, accounted for approximately ~~32-35~~ % of the Company's ~~2022-2023~~ total bottle / can sales volume to retail customers and approximately ~~26-28~~ % of the Company's ~~2022-2023~~ total net sales. These customers typically make purchase decisions based on a combination of price, product quality, consumer demand and customer service performance and generally do not enter into long- term contracts. The Company faces risks related to maintaining the volume demanded on a short- term basis from these customers, which can also divert resources away from other customers. The loss of Wal - Mart Stores, Inc. or The Kroger Company as a customer could have a material adverse effect on the business, financial condition and results of operations of the Company. **Further** **Moreover**, the Company's net sales are affected by promotion of the Company's products by significant customers, such as in- store displays created by customers or the promotion of the Company's products in customers' periodic advertising. If the Company's significant customers change the manner in which they market or promote the Company's products, or if the marketing efforts by significant customers become ineffective, the Company's sales volume and net sales could be adversely impacted **goods**. The Company purchases all of the plastic bottles used in its manufacturing plants from Southeastern Container and Western Container,two manufacturing cooperatives the Company co- owns with several other Coca - Cola bottlers,and all of its aluminum cans from two domestic suppliers.The inability of these suppliers to meet the Company's requirements for containers could result in the Company not being able to fulfill customer orders and production demand until alternative sources of supply are 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 plastic bottle or aluminum can suppliers to meet the Company's purchase requirements could negatively impact inventory levels,customer confidence and results of operations,including sales levels and **profitability**. 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 prices due to 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, such as immediate consumption, pricing and gross margins could be adversely affected. Any related efforts by the Company to improve pricing and / or gross margin may result in lower than expected sales volume. In addition, the Company's sales of finished goods to The Coca - Cola Company and other U. S. Coca - Cola bottlers are governed by the RMA, pursuant to which the prices, or certain elements of the formulas used to determine the prices, for such finished goods are unilaterally established by The Coca - Cola Company from time to time. This limits the Company's ability to adjust pricing in response to changes in the marketplace, which could have an adverse impact on the Company's business, financial condition and results of operations. Changes in the Company's level of debt, borrowing costs and credit ratings could impact **the Company's** access to capital and credit markets, restrict the Company's operating flexibility and limit the Company's ability to obtain additional financing to fund future needs. As of December 31, ~~2022-2023~~, the Company had \$ ~~598-599~~ . ~~8-2~~ million of debt outstanding. The Company's level of debt requires a substantial portion of future cash flows from operations to be dedicated to the payment of principal and interest, which reduces funds available for other purposes. The Company's debt level can negatively impact its operations by limiting the Company's ability to, and / or increasing its cost to, access credit markets for working capital, capital expenditures and other general corporate purposes; increasing the Company's vulnerability to economic downturns and adverse industry conditions by limiting the Company's ability to react to changing economic and business conditions; and exposing the Company to increased risk that the Company will not be able to refinance the principal amount of debt as it becomes due or that a significant decrease in cash flows from operations could make it difficult for the Company to meet its debt service requirements and to comply with financial covenants in its debt agreements. The Company's acquisition related contingent consideration, revolving credit facility and pension and postretirement medical benefits are subject to changes in interest rates. If interest rates increase in the future, the Company's borrowing costs could increase, which could negatively impact the Company's financial condition and results of operations and limit the Company's ability to spend in other areas of the business. Further, a decline in the interest rates used to discount the Company's pension and postretirement medical **liabilities** **benefits** could increase the cost of these benefits and the amount of the liabilities. In assessing the Company's credit strength, credit rating agencies consider the Company's capital structure, financial policies, consolidated balance sheet and other financial information, and may also consider financial information of other bottling and beverage companies. The Company's credit ratings could be significantly impacted by the Company's operating performance, changes in the methodologies used by rating agencies to assess the Company's credit ratings, changes in The Coca - Cola Company's credit ratings and the rating agencies' perception of the impact of credit market conditions on the Company's current or future financial performance. Lower credit ratings could significantly increase the Company's borrowing costs or adversely affect the Company's ability to obtain additional financing at acceptable interest rates or to refinance existing debt. Failure to attract, train and retain qualified employees while controlling labor costs, and other labor issues could have an adverse effect on the Company's reputation, business, financial condition and results of operations or profitability. The Company's future growth and performance depend on its ability to attract, hire, train, develop, motivate and retain a highly skilled, diverse and properly credentialed workforce , **including front- line employees**. The Company's ability to meet its labor needs while controlling labor costs is subject to many external factors, including competition for and availability of qualified personnel in a given market, unemployment levels

within those markets, prevailing wage rates, minimum wage laws, health and other insurance costs and changes in employment and labor laws or other workplace regulations. The Company's labor costs could be impacted by new or revised labor laws, rules or regulations or healthcare laws that are adopted or implemented. Any unplanned turnover or unsuccessful implementation of the Company's succession plans could deplete the Company's institutional knowledge base and erode its competitive advantage or result in increased costs due to increased competition for employees, higher employee turnover or increased employee benefit costs. Any of the foregoing could adversely affect the Company's reputation, business, financial condition or results of operations. The Company uses various insurance structures to manage costs related to workers' compensation, auto liability, medical and other insurable risks. These structures consist of retentions, deductibles, limits and a diverse group of insurers that serve to strategically finance, transfer and mitigate the financial impact of losses to the Company. Losses are accrued using assumptions and procedures followed in the insurance industry, then adjusted for company-specific history and expectations. 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, which could reduce the profitability of the Company's operations. In addition, the Company's profitability is substantially affected by the cost of pension retirement benefits, postretirement medical benefits and current employees' medical benefits. ~~Macro-economic~~ **Macroeconomic** factors beyond the Company's control, including increases in healthcare costs, declines in investment returns on pension assets and changes in discount rates used to calculate pension and related liabilities, could result in significant increases in these costs for the Company. 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, which could reduce the profitability of the Company's operations. Failure to maintain productive relationships with our employees covered by collective bargaining agreements, including failing to renegotiate collective bargaining agreements, could have an adverse effect on the Company's business, financial condition and results of operations. Approximately ~~13-15~~ **13-15**% of the Company's employees are covered by collective bargaining agreements. Any inability of the Company to renegotiate subsequent agreements with labor unions on satisfactory terms and conditions could result in work interruptions or stoppages, which could have a material adverse impact on the Company's profitability. In addition, 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. Certain employees of the Company whose employment is covered under collective bargaining agreements participate in a multiemployer pension plan, the Employers- Teamsters Local Union Nos. 175 and 505 Pension Fund (the "Teamsters Plan"). Participating in the Teamsters Plan involves certain risks in addition to the risks associated with single employer pension plans, as contributed assets are pooled and may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the Teamsters Plan, the unfunded obligations of the Teamsters Plan may be borne by the remaining participating employers. If the Company chooses to stop participating in the Teamsters Plan, the Company could be required to pay the Teamsters Plan a withdrawal liability based on the underfunded status of the Teamsters Plan. Changes in tax laws, disagreements with tax authorities or additional tax liabilities could have a material adverse impact on the Company's financial condition and results of operations. The Company is subject to income taxes within the United States. The Company's annual income tax rate is based upon the Company's income, federal tax laws and various state and local tax laws within the jurisdictions in which the Company operates. Changes in federal, state or local income tax rates and / or tax laws could have a material adverse impact on the Company's financial results. Excise or other taxes imposed on the sale of certain of the Company's products by the federal government and certain state and local governments, particularly any taxes incorporated into shelf prices and passed along to consumers, could cause consumers to shift away from purchasing products of the Company, which could have a material adverse impact on the Company's business and financial results. In addition, 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. Litigation or legal proceedings could expose the Company to significant liabilities and damage the Company's reputation. The Company is from time to time a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business, including, but not limited to, litigation claims and legal proceedings arising out of its advertising and marketing practices, product claims and labels, intellectual property and commercial disputes, and environmental and employment matters. With respect to all such lawsuits, claims and proceedings, the Company records reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. Although the Company does not believe a material amount of loss in excess of recorded amounts is reasonably possible as a result of these claims, the Company faces risk of an adverse effect on its results of operations, financial position or cash flows, depending on the outcome of the legal proceedings. Natural disasters, changing weather patterns and unfavorable weather could negatively impact the Company's business, financial condition and future results of operations or profitability. Natural disasters or unfavorable weather conditions in the geographic regions in which the Company or its suppliers operate could have an adverse impact on the Company's revenue and profitability. For instance, unusually cold or rainy weather during the summer months may have a temporary effect on the demand for the Company's products and contribute to lower sales, which could adversely affect the Company's profitability for such periods. Prolonged drought conditions could lead to restrictions on water use, which could adversely affect the Company's cost and ability to manufacture and distribute products. Hurricanes or similar storms may have a negative sourcing impact or cause shifts in product mix to lower- margin products and packages. Climate change may have a long- term adverse impact on our business and results of operations. There is concern that a gradual increase in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere could cause significant changes in weather patterns and an increase in the frequency or duration of extreme weather and climate events. These changes could adversely impact some of the Company's facilities, the availability and cost of key raw materials used by the Company in production or the demand for the Company's products. Public expectations for reductions in greenhouse gas emissions could result in increased energy, transportation and raw material costs, and may require the Company

to make additional investments in facilities and equipment. In addition, federal, state or local governmental authorities may propose legislative and regulatory initiatives in response to concerns over climate change, which could directly or indirectly adversely affect the Company's business, require additional investments or increase the cost of raw materials, fuel, ingredients and water. As a result, the effects of climate change could have a long-term adverse impact on the Company's business and results of operations.