

COTT CORP /CN/
Form 10-Q
November 04, 2014
Table of Contents

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended: September 27, 2014

.. **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _____ to _____

Commission File Number: 001-31410

COTT CORPORATION

(Exact name of registrant as specified in its charter)

CANADA (State or Other Jurisdiction of	98-0154711 (IRS Employer
Incorporation or Organization)	Identification No.)
6525 VISCOUNT ROAD	L4V 1H6
MISSISSAUGA, ONTARIO, CANADA	
5519 WEST IDLEWILD AVENUE	
TAMPA, FLORIDA, UNITED STATES	33634
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code: (905) 672-1900 and (813) 313-1800	

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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 Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

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

Class	Outstanding at October 30, 2014
Common Stock, no par value per share	93,022,420 shares

Table of Contents

TABLE OF CONTENTS

<u>PART I FINANCIAL INFORMATION</u>	3
<u>Item 1. Financial Statements (unaudited)</u>	3
<u>Consolidated Statements of Operations</u>	3
<u>Condensed Consolidated Statements of Comprehensive (Loss) Income</u>	4
<u>Consolidated Balance Sheets</u>	5
<u>Consolidated Statements of Cash Flows</u>	6
<u>Consolidated Statements of Equity</u>	7
<u>Notes to the Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	39
<u>Overview</u>	39
<u>Results of Operations</u>	49
<u>Liquidity and Capital Resources</u>	55
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	60
<u>Item 4. Controls and Procedures</u>	60
<u>PART II. OTHER INFORMATION</u>	61
<u>Item 1. Legal Proceedings</u>	61
<u>Item 1A. Risk Factors</u>	61
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	61
<u>Item 6. Exhibits</u>	62
<u>SIGNATURES</u>	63

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements (unaudited)****Cott Corporation****Consolidated Statements of Operations***(in millions of U.S. dollars, except share and per share amounts)**Unaudited*

	For the Three Months Ended		For the Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Revenue, net	\$ 535.0	\$ 543.2	\$ 1,561.0	\$ 1,612.4
Cost of sales	471.5	478.2	1,373.4	1,414.4
Gross profit	63.5	65.0	187.6	198.0
Selling, general and administrative expenses	45.0	37.9	134.2	120.9
Loss on disposal of property, plant & equipment	0.7	1.1	1.2	1.4
Restructuring and asset impairments				
Restructuring	0.1		2.4	2.0
Asset impairments	(0.2)		1.7	
Operating income	17.9	26.0	48.1	73.7
Other expense (income), net	5.4	(0.7)	22.9	(0.4)
Interest expense, net	9.0	13.3	27.2	39.4
Income (loss) before income taxes	3.5	13.4	(2.0)	34.7
Income tax expense	1.8	0.1	3.4	2.3
Net income (loss)	\$ 1.7	\$ 13.3	\$ (5.4)	\$ 32.4
Less: Net income attributable to non-controlling interests	1.3	1.3	4.1	3.9
Net income (loss) attributed to Cott Corporation	\$ 0.4	\$ 12.0	\$ (9.5)	\$ 28.5
Net income (loss) per common share attributed to Cott Corporation				
Basic	\$	\$ 0.13	\$ (0.10)	\$ 0.30
Diluted		0.13	(0.10)	0.30
Weighted average outstanding shares (thousands) attributed to Cott Corporation				

Edgar Filing: COTT CORP /CN/ - Form 10-Q

Basic	93,607	94,235	94,053	94,922
Diluted	94,348	94,772	94,053	95,755
Dividends declared per share	\$ 0.06	\$ 0.06	\$ 0.18	\$ 0.18

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Cott Corporation****Condensed Consolidated Statements of Comprehensive (Loss) Income***(in millions of U.S. dollars)**Unaudited*

	For the Three Months Ended		For the Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Net income (loss)	\$ 1.7	\$ 13.3	\$ (5.4)	\$ 32.4
Other comprehensive (loss) income:				
Currency translation adjustment	(16.3)	12.0	(9.5)	(4.8)
Pension benefit plan, net of tax ¹	0.1	(0.1)	(0.2)	0.3
Unrealized gain (loss) on derivative instruments, net of tax ²	0.4	(0.1)	0.6	(0.1)
Total other comprehensive (loss) income	(15.8)	11.8	(9.1)	(4.6)
Comprehensive (loss) income	\$ (14.1)	\$ 25.1	\$ (14.5)	\$ 27.8
Less: Comprehensive income attributable to non-controlling interests	1.4	1.3	4.2	3.9
Comprehensive (loss) income attributed to Cott Corporation	\$ (15.5)	\$ 23.8	\$ (18.7)	\$ 23.9

1. Net of the effect of \$0.1 million and \$0.2 million tax expense for the three and nine months ended September 27, 2014, respectively, and net of the effect of nil and \$0.2 million tax expense for the three and nine months ended September 28, 2013, respectively.
2. Net of the effect of \$0.1 million and \$0.2 million tax expense for the three and nine months ended September 27, 2014, respectively, and net of the effect of nil tax benefit for the three and nine months ended September 28, 2013, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Cott Corporation****Consolidated Balance Sheets***(in millions of U.S. dollars, except share amounts)**Unaudited*

	September 27, 2014	December 28, 2013
ASSETS		
<i>Current assets</i>		
Cash & cash equivalents	\$ 47.4	\$ 47.2
Accounts receivable, net of allowance of \$5.4 (\$5.8 as of December 28, 2013)	250.2	204.4
Income taxes recoverable	1.0	1.1
Inventories	230.9	233.1
Prepaid expenses and other current assets	24.1	19.3
Total current assets	553.6	505.1
Property, plant & equipment, net	462.5	483.7
Goodwill	187.1	137.3
Intangibles and other assets, net	364.6	296.2
Deferred income taxes	5.4	3.6
Other tax receivable	0.3	0.2
Total assets	\$ 1,573.5	\$ 1,426.1
LIABILITIES AND EQUITY		
<i>Current liabilities</i>		
Short-term borrowings	\$ 69.3	\$ 50.8
Current maturities of long-term debt	4.1	3.9
Accounts payable and accrued liabilities	297.5	298.2
Total current liabilities	370.9	352.9
Long-term debt	535.5	403.5
Deferred income taxes	63.1	41.5
Other long-term liabilities	38.8	22.3
Total liabilities	1,008.3	820.2
<i>Equity</i>		
Capital stock, no par 93,438,440 (December 28, 2013 94,238,190) shares issued	389.4	392.8
Additional paid-in-capital	47.9	44.1
Retained earnings	147.4	176.3
Accumulated other comprehensive loss	(26.0)	(16.8)

Total Cott Corporation equity	558.7	596.4
Non-controlling interests	6.5	9.5
Total equity	565.2	605.9
Total liabilities and equity	\$ 1,573.5	\$ 1,426.1

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Cott Corporation****Consolidated Statements of Cash Flows***(in millions of U.S. dollars)**Unaudited*

	For the Three Months Ended		For the Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Operating Activities				
Net income (loss)	\$ 1.7	\$ 13.3	\$ (5.4)	\$ 32.4
Depreciation & amortization	27.2	25.1	78.5	74.7
Amortization of financing fees	0.7	0.7	1.9	2.2
Share-based compensation expense	1.5	1.1	4.9	3.6
Increase in deferred income taxes	2.2	0.3	3.7	1.9
Write-off of financing fees and discount	0.8		4.1	
Loss on disposal of property, plant & equipment	0.7	1.1	1.2	1.4
Asset impairments	(0.2)		1.7	
Other non-cash items			(0.7)	0.2
Change in operating assets and liabilities, net of acquisitions:				
Accounts receivable	27.2	19.0	(39.1)	(38.8)
Inventories	17.4	26.6	9.8	15.8
Prepaid expenses and other current assets	(0.5)		(1.5)	(2.0)
Other assets		6.1	(0.2)	6.0
Accounts payable and accrued liabilities, and other liabilities	(17.5)	(6.0)	(20.2)	(34.9)
Income taxes recoverable	(0.7)	0.1	(1.1)	0.4
Net cash provided by operating activities	60.5	87.4	37.6	62.9
Investing Activities				
Acquisitions, net of cash received		(4.7)	(80.8)	(11.2)
Additions to property, plant & equipment	(10.8)	(10.2)	(31.4)	(44.7)
Additions to intangibles and other assets	(1.5)	(2.1)	(4.3)	(4.0)
Proceeds from sale of property, plant & equipment	1.6	0.2	1.6	0.2
Proceeds from insurance recoveries				0.4
Net cash used in investing activities	(10.7)	(16.8)	(114.9)	(59.3)
Financing Activities				
Payments of long-term debt	(80.1)	(0.6)	(392.6)	(20.2)
Issuance of long-term debt			525.0	

Borrowings under ABL	191.1		474.3	
Payments under ABL	(156.0)		(455.4)	
Distributions to non-controlling interests	(2.4)	(2.2)	(7.2)	(5.0)
Financing fees	(1.2)	(0.1)	(9.1)	(0.1)
Common shares repurchased and cancelled	(4.6)	(4.5)	(7.7)	(12.9)
Dividends to shareholders	(5.6)	(5.5)	(16.4)	(16.7)
Payment of deferred consideration for acquisitions	(32.4)		(32.4)	
Net cash (used in) provided by financing activities	(91.2)	(12.9)	78.5	(54.9)
Effect of exchange rate changes on cash	(2.1)	1.3	(1.0)	(2.3)
Net (decrease) increase in cash & cash equivalents	(43.5)	59.0	0.2	(53.6)
Cash & cash equivalents, beginning of period	90.9	66.8	47.2	179.4
Cash & cash equivalents, end of period	\$ 47.4	\$ 125.8	\$ 47.4	\$ 125.8
Supplemental Non-cash Investing and Financing Activities:				
Acquisition related deferred consideration	\$	\$	\$ 19.0	\$ 5.1
Financing fees	\$	\$	\$ 0.2	\$
Supplemental Disclosures of Cash Flow Information:				
Cash paid for interest	\$ 3.9	\$ 15.9	\$ 28.9	\$ 41.0
Cash paid (received) for income taxes, net	\$ 1.0	\$ (0.2)	\$ 1.3	\$ 0.1

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Cott Corporation****Consolidated Statements of Equity***(in millions of U.S. dollars, except share amounts)**Unaudited*

	Cott Corporation Equity						
	Number of Common Shares	Common Shares	Additional Paid-in- Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Non- Controlling Interests	Total Equity
	<i>(In thousands)</i>						
Balance at December 29, 2012	95,371	\$ 397.8	\$ 40.4	\$ 186.0	\$ (12.4)	\$ 11.1	\$ 622.9
Common shares issued Director Share Awards	87		0.8				0.8
Common shares repurchased and cancelled	(1,248)	(5.2)		(4.8)			(10.0)
Common shares issued - Time-based RSUs	16	0.1	(0.1)				
Share-based compensation			2.8				2.8
Dividend payment				(16.7)			(16.7)
Distributions to non-controlling interests						(5.0)	(5.0)
Comprehensive (loss) income							
Currency translation adjustment					(4.8)		(4.8)
Pension benefit plan, net of tax					0.3		0.3
Unrealized loss on derivative instruments, net of tax					(0.1)		(0.1)
Net income				28.5		3.9	32.4
Balance at September 28, 2013	94,226	\$ 392.7	\$ 43.9	\$ 193.0	\$ (17.0)	\$ 10.0	\$ 622.6
Balance at December 28, 2013	94,238	\$ 392.8	\$ 44.1	\$ 176.3	\$ (16.8)	\$ 9.5	\$ 605.9
Common shares issued Director Share Awards	112		0.8				0.8
Common shares repurchased and cancelled	(1,073)	(4.7)		(3.0)			(7.7)
Common shares issued - Time-based RSUs	161	1.3	(1.3)				
Share-based compensation			4.3				4.3
Dividend payment				(16.4)			(16.4)
Distributions to non-controlling interests						(7.2)	(7.2)

Comprehensive income (loss)			
Currency translation adjustment	(9.6)	0.1	(9.5)
Pension benefit plan, net of tax	(0.2)		(0.2)
Unrealized gain on derivative instruments, net of tax	0.6		0.6
Net (loss) income	(9.5)	4.1	(5.4)

**Balance at September 27,
2014** **93,438** **\$ 389.4** **\$ 47.9** **\$ 147.4** **\$ (26.0)** **\$ 6.5** **\$ 565.2**

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Cott Corporation

Notes to the Consolidated Financial Statements

Unaudited

Note 1 Business and Recent Accounting Pronouncements

Description of Business

Cott Corporation, together with its consolidated subsidiaries (Cott, the Company, our Company, Cott Corporation, us, or our), is one of the world's largest producers of beverages on behalf of retailers, brand owners and distributors. Our product lines include carbonated soft drinks (CSDs), 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, energy drinks and shots, sports products, new age beverages, ready-to-drink teas, beverage concentrates, liquid enhancers, freezables and ready-to-drink alcoholic beverages, as well as hot chocolate, coffee, malt drinks, creamers/whiteners and cereals.

Basis of Presentation

The accompanying interim unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial reporting. Accordingly, they do not include all information and notes presented in the annual consolidated financial statements in conformity with U.S. GAAP. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of our results of operations for the interim periods reported and of our financial condition as of the date of the interim balance sheet have been included. This Quarterly Report on Form 10-Q should be read in conjunction with the annual audited consolidated financial statements and accompanying notes in our Annual Report on Form 10-K for the year ended December 28, 2013. The accounting policies used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements.

The presentation of these interim consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

During the nine months ended September 27, 2014, we recorded out-of-period adjustments that decreased net income by approximately \$1.1 million, which adjustments related to 2013 and were associated primarily with fixed assets and accrued liabilities. We evaluated the total out-of-period adjustments in relation to the current period, which is when the adjustments were recorded, as well as the period in which they originated, and concluded that these adjustments are not material to either the consolidated quarterly or annual financial statements for the impacted periods.

Recent Accounting Pronouncements

Update ASU 2013-11 Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists

In July 2013, the Financial Accounting Standards Board (FASB) amended its guidance regarding the information provided in relation to the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. An unrecognized tax benefit, or a portion of an

unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. For public entities, the amendments are effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. We have adopted this guidance and incorporated it into the presentation of our consolidated financial statements.

Table of Contents*Update ASU 2014-09 Revenue from Contracts with Customers (Topic 606)*

In May 2014, the FASB amended its guidance regarding revenue recognition and created a new Topic 606, Revenue from Contracts with Customers. The objectives for creating Topic 606 were to remove inconsistencies and weaknesses in revenue recognition, provide a more robust framework for addressing revenue issues, provide more useful information to users of the financial statements through improved disclosure requirements, simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer, and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The core principal of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve the core principle, an entity should apply the following steps: 1) identify the contract(s) with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations in the contract; and 5) recognize revenue when (or as) the entity satisfies a performance obligation. For public entities, the amendments are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The amendments may be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the amendment recognized at the date of initial application. We are currently assessing the impact of adoption of this standard on our consolidated financial statements.

Update ASU 2014-12 Compensation Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period

In June 2014, the FASB amended its guidance regarding accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718 as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. The stated vesting period (which includes the period in which the performance target could be achieved) may differ from the requisite service period. For public entities, the amendments are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. The amendments may be applied prospectively to all awards granted or modified after the effective date or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. We believe that the adoption of these amendments will not have a material impact on our consolidated financial statements.

Note 2 Acquisitions*Aimia Acquisition*

On May 30, 2014 (the Acquisition Date), our United Kingdom (U.K.) reporting segment acquired 100 percent of the share capital of Aimia Foods (Holdings) Limited (the Aimia Acquisition), which includes its operating subsidiary company, Aimia Foods Limited (together referred as Aimia) pursuant to a Share Purchase Agreement dated May 30, 2014. Aimia produces and distributes hot chocolate, coffee and cold cereal products primarily through food service, vending and retail channels. The aggregate purchase price for the Aimia Acquisition was £52.1 million (\$87.6 million) payable in cash, which included a payment for estimated closing balance sheet working capital, £19.9 million (\$33.5 million) in deferred consideration paid on September 15, 2014, and aggregate contingent consideration of up to £16.0 million (\$26.9 million), which is payable upon the achievement of certain measures related to Aimia's performance during the twelve months ending July 1, 2016 (the Earn Out Period).

Table of Contents

The total consideration paid by us for the Aimia Acquisition is summarized below:

(in millions of U.S. dollars)

Cash	\$ 80.4
Deferred consideration	33.5
Contingent consideration ¹	17.9
Working capital payment	7.2
Total consideration	\$ 139.0

1. Represents the estimated present value of the contingent consideration based on probability of achievement of performance targets recorded at fair value.

Our primary reasons for the Aimia Acquisition were to diversify Cott's product portfolio, packaging formats and channel mix, and enhance our customer offering and growth prospects.

The Aimia Acquisition is being accounted for as a business combination which, among other things, requires that assets acquired and liabilities assumed be measured at their acquisition date fair values. Identified intangible assets, goodwill and property, plant and equipment are recorded at their estimated fair values per preliminary valuations and may change based on the final valuations. The results of operations of Aimia have been included in our operating results beginning as of the Acquisition Date. We allocated the total purchase price to tangible assets, liabilities and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over the aggregate fair values was recorded as goodwill. The fair value assigned to identifiable intangible assets acquired was based on estimates and assumptions made by management. Intangible assets are amortized using a method that reflects the pattern in which economic benefits of the intangible asset are consumed using a straight-line amortization method.

The sellers are entitled to contingent consideration of up to a maximum of £16.0 million (\$26.9 million), based on the exchange rate on the Acquisition Date, which will become due by us if Aimia meets certain targets relating to net income plus interest, income taxes, depreciation and amortization (EBITDA) for the twelve months ending July 1, 2016. We estimated the fair value of the contingent consideration based on financial projections of the acquired business and estimated probabilities of achievement of the EBITDA targets. We believe that our estimates and assumptions are reasonable, but there is significant judgment involved. Changes in the fair value of contingent consideration liabilities subsequent to the acquisition will be recorded in our Consolidated Statements of Operations. The fair value of the contingent consideration was determined to be £10.6 million (\$17.9 million) using a present valued probability-weighted income approach. Key assumptions include probability-adjusted EBITDA amounts with discount rates consistent with the level of risk of achievement.

The following table summarizes the estimated allocation of the purchase price to the fair value of the assets acquired and liabilities assumed in connection with the Aimia Acquisition. The allocation of the purchase price is based on a preliminary valuation that is expected to be completed by the end of 2014.

As reported at

As reported at

<i>(in millions of U.S. dollars)</i>	June 28, 2014	Adjustments	September 27, 2014
Cash	\$ 9.5	\$	\$ 9.5
Accounts receivable	11.0		11.0
Inventories	9.6		9.6
Prepaid expenses and other assets	1.9		1.9
Property, plant & equipment	10.5	0.4	10.9
Goodwill	52.8	(0.3)	52.5
Intangibles and other assets	86.2		86.2
Accounts payable and accrued liabilities	(25.4)		(25.4)
Deferred tax liabilities	(17.1)	(0.1)	(17.2)
Total	\$ 139.0	\$	\$ 139.0

Table of Contents

The Company recognized \$2.1 million of acquisition related costs associated with the Aimia Acquisition that were expensed during the nine month period ended September 27, 2014. These costs are included in the selling, general, and administrative expenses of our Consolidated Statements of Operations in accordance with ASC 805, Business Combinations.

Intangible Assets

In our preliminary determination of the fair value of the intangible assets, we considered, among other factors, the best use of acquired assets, analysis of historical financial performance and estimates of future performance of Aimia's products. The estimated fair values of identified intangible assets were calculated considering market participant expectations and using an income approach and estimates and assumptions provided by Aimia's and our management. The following table sets forth the components of identified intangible assets associated with the Aimia Acquisition and their estimated weighted average useful lives:

<i>(in millions of U.S. dollars)</i>	Estimated Fair Market Value	Estimated Useful Life
Customer relationships	\$ 76.5	15 years
Trademarks and trade names	1.5	20 years
Non-competition agreements	2.9	5 years
Total	\$ 80.9	

Customer relationships represent future projected revenue that will be derived from sales to existing customers of Aimia.

Trademarks and trade names represent the future projected cost savings associated with the premium and brand image obtained as a result of owning the trademark or trade name as opposed to obtaining the benefit of the trademark or trade name through a royalty or rental fee.

In conjunction with the closing of the Aimia Acquisition, certain key employees of Aimia executed non-competition agreements, which prevent those employees from competing with us in the specified restricted territories for a period of time after the Acquisition Date. The value of the Aimia business could be materially diminished without these noncompetition agreements.

Goodwill

The principal factor that resulted in recognition of goodwill was that the purchase price for the Aimia Acquisition was based in part on cash flow projections assuming the reduction of administration costs and the integration of acquired customers and products into our operations, which is of greater value than on a standalone basis. The goodwill recognized as part of the Aimia Acquisition was allocated to the U.K. reporting segment, none of which is expected to be tax deductible.

Selected Financial Data (unaudited)

The following unaudited financial information from the Acquisition Date through September 27, 2014 represents the activity of Aimia that has been combined with our operations as of the Acquisition Date.

<i>(in millions of U.S. dollars)</i>	For the period from May 30, 2014 through September 27, 2014	
Revenue	\$	31.8
Net income		0.3

Calypso Acquisition

In June 2013, our U.K. reporting segment acquired 100 percent of the share capital of Cooke Bros. Holdings Limited (the Calypso Acquisition), which includes its subsidiary companies Calypso Soft Drinks Limited and Mr. Freeze (Europe) Limited (together, Calypso). Calypso produces fruit juices, juice drinks, soft drinks, and freezable products in the United

Table of Contents

Kingdom. The aggregate purchase price for the acquisition of Calypso was \$12.1 million, which includes approximately \$7.0 million paid at closing, a deferred payment of approximately \$2.3 million paid on the first anniversary of the closing date, and a deferred payment of approximately \$3.0 million to be paid on the second anniversary of the closing date. In connection with the Calypso Acquisition, we paid \$18.5 million of outstanding debt of the acquired companies. The closing payment and the first deferred payment were funded from available cash.

The total consideration paid by us in the Calypso Acquisition is summarized below:

(in millions of U.S. dollars)

Cash	\$ 7.0
Deferred consideration ¹	5.1
Total consideration	\$ 12.1

¹ Principal amount of \$5.3 million discounted to present value.

Our primary reasons for the Calypso Acquisition were to expand Cott's product portfolio and enhance our customer offering and growth prospects.

Supplemental Pro Forma Data (unaudited)

The following unaudited pro forma financial information for the three and nine months ended September 27, 2014 and September 28, 2013, respectively, represent the combined results of our operations as if the Aimia Acquisition and the Calypso Acquisition had occurred on December 30, 2012. The unaudited pro forma results reflect certain adjustments related to these acquisitions such as increased amortization expense on acquired intangible assets resulting from the preliminary fair valuation of assets acquired. The unaudited pro forma financial information does not necessarily reflect the results of operations that would have occurred had we operated as a single entity during such periods.

<i>(in millions of U.S. dollars, except share amounts)</i>	For the Three Months Ended		For the Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Revenue	\$ 535.0	\$ 565.9	\$ 1,607.8	\$ 1,706.7
Net income (loss)	0.4	13.2	(3.5)	34.4
Net income (loss) per common share, diluted	\$ 0.00	\$ 0.14	\$ (0.04)	\$ 0.36

Cliffstar Acquisition

On August 17, 2010, we completed the acquisition of substantially all of the assets and liabilities of Cliffstar Corporation (Cliffstar) and its affiliated companies (the Cliffstar Acquisition) for approximately \$503.0 million in cash, \$14.0 million in deferred consideration payable in equal installments over three years and contingent consideration of up to \$55.0 million. Contingent consideration of \$34.9 million was ultimately paid to the seller of Cliffstar, and all claims for contingent consideration have been resolved as of December 28, 2013.

Table of Contents**Note 3 Restructuring and Asset Impairments**

We implement restructuring programs from time to time that are designed to improve operating effectiveness and lower costs. When we implement these programs, we incur various charges, including severance, asset impairments, and other employment related costs. During the first quarter of 2014, we implemented one such program, which involved the closure of two of our smaller plants, one located in North America and another one located in the United Kingdom (the 2014 Restructuring Plan). The plant closures are expected to be completed by the end of our 2014 fiscal year and will result in cash charges associated with employee redundancy costs and relocation of assets, and non-cash charges related to asset impairments and accelerated depreciation on property, plant and equipment. In connection with the 2014 Restructuring Plan, we expect to incur total charges of approximately \$4.5 million to \$5.5 million. We also implemented a restructuring plan in June 2013, which consisted primarily of headcount reductions.

The following table summarizes restructuring charges for the three and nine months ended September 27, 2014 and September 28, 2013, respectively:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended		For the Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
North America	\$ 0.1	\$	\$ 2.3	\$ 1.0
United Kingdom			0.1	0.7
Mexico				0.3
Total	\$ 0.1	\$	\$ 2.4	\$ 2.0

There were no asset impairment charges for the three and nine months ended September 28, 2013. The following table summarizes asset impairment charges for the three and nine months ended September 27, 2014:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended	For the Nine Months Ended
	September 27, 2014	September 27, 2014
North America	\$	\$ 0.9
United Kingdom	(0.2)	0.8
Total	\$ (0.2)	\$ 1.7

The following tables summarize our restructuring liability as of September 27, 2014, along with charges to costs and expenses and cash payments:

2014 Restructuring Plan:**North America**

<i>(in millions of U.S. dollars)</i>	Balance at December 28, 2013	Charges to costs and expenses	Cash payments	Balance at September 27, 2014
Restructuring liability	\$	\$ 2.3	\$ (2.3)	\$
	\$	\$ 2.3	\$ (2.3)	\$

United Kingdom				
<i>(in millions of U.S. dollars)</i>	Balance at December 28, 2013	Charges to costs and expenses	Cash payments	Balance at September 27, 2014
Restructuring liability	\$	\$ 0.1	\$ (0.1)	\$
	\$	\$ 0.1	\$ (0.1)	\$

Table of Contents**Note 4 Share-Based Compensation**

The table below summarizes the share-based compensation expense for the three and nine months ended September 27, 2014 and September 28, 2013, respectively. This share-based compensation expense was recorded in selling, general, and administrative expenses in our Consolidated Statements of Operations. As used below:

(i) Performance-based RSUs mean restricted share units with performance-based vesting granted under the Company's 2010 Equity Incentive Plan (the 2010 Equity Incentive Plan) or Amended and Restated Equity Plan (as defined below), as the case may be, (ii) Time-based RSUs mean restricted share units with time-based vesting granted under the 2010 Equity Incentive Plan or Amended and Restated Equity Plan, as the case may be, (iii) Stock options mean non-qualified stock options granted under the Amended and Restated Equity Plan, the 2010 Equity Incentive Plan, or the Restated 1986 Common Share Option Plan, as amended (the Option Plan), as the case may be, and (iv) Director share awards mean common shares issued in consideration of the annual board retainer fee to non-management members of our board of directors under the 2010 Equity Incentive Plan or Amended and Restated Equity Plan, as the case may be.

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended		For the Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Stock options	\$ 0.4	\$ 0.2	\$ 1.2	\$ 0.6
Performance-based RSUs	0.2	0.3	1.0	0.7
Time-based RSUs	0.7	0.6	2.1	1.5
Director share awards	0.2		0.6	0.8
Total	\$ 1.5	\$ 1.1	\$ 4.9	\$ 3.6

As of September 27, 2014, the unrecognized share-based compensation expense and years we expect to recognize it as compensation expense were as follows:

<i>(in millions of U.S. dollars, except years)</i>	Unrecognized share-based compensation expense as of September 27, 2014		Weighted average years expected to recognize compensation
	expense as of September 27, 2014	Weighted average years expected to recognize compensation	
Stock options	\$ 2.1	1.8	
Performance-based RSUs	1.8	2.1	
Time-based RSUs	3.7	1.8	
Director share awards	0.2	0.3	
Total	\$ 7.8		

Stock option activity for the nine months ended September 27, 2014 was as follows:

	Shares <i>(in thousands)</i>	Weighted average exercise price
Balance at December 28, 2013	830	\$ 8.17
Awarded	441	8.00
Forfeited or expired	(50)	16.45
Outstanding at September 27, 2014	1,221	\$ 7.77
Exercisable at September 27, 2014	113	\$ 4.94

Table of Contents

During the nine months ended September 27, 2014, Performance-based RSU and Time-based RSU activity was as follows:

	Number of Performance- based RSUs (in thousands)	Weighted Average Grant-Date Fair Value	Number of Time-based RSUs (in thousands)	Weighted Average Grant-Date Fair Value
Balance at December 28, 2013	534	\$ 7.81	831	\$ 8.04
Awarded	274	8.00	368	8.00
Issued			(161)	8.20
Forfeited	(31)	7.90	(68)	8.25
Outstanding at September 27, 2014	777	\$ 7.87	970	\$ 7.98

On February 14, 2013, our board of directors adopted an amendment and restatement of the 2010 Equity Incentive Plan (the Amended and Restated Equity Plan), pursuant to which the 2010 Equity Incentive Plan was amended and restated to, among other things, increase the number of shares that may be issued under the plan to 12,000,000 shares and to provide that the number of shares available for issuance will be reduced 2.0 shares for each share issued pursuant to a full-value award (i.e., an award other than an option or stock appreciation right) after the effective date of the amendment and restatement. The Amended and Restated Equity Plan was approved by Cott's shareowners on April 30, 2013. Awards made in 2011 and 2012 prior to the amendment and restatement are generally governed by the terms of the 2010 Equity Incentive Plan without giving effect to these restrictions.

Certain outstanding stock options were granted under the Option Plan. Our board of directors terminated the Option Plan as of February 23, 2011, and no further awards will be granted under it. In connection with the termination of the Option Plan, outstanding options will continue in accordance with the terms of the Option Plan until exercised, forfeited or terminated, as applicable.

Note 5 Income Taxes

Income tax expense was \$3.4 million on pre-tax loss of \$2.0 million for the nine months ended September 27, 2014, as compared to an income tax expense of \$2.3 million on pre-tax income of \$34.7 million for the nine months ended September 28, 2013. This is the result of pre-tax income in certain jurisdictions that is not offset by pre-tax losses in other jurisdictions that have valuation allowances.

Note 6 Net (Loss) Income Per Common Share

Basic net (loss) income per common share is computed by dividing net (loss) income by the weighted average number of common shares outstanding during the period. Diluted net income per common share is calculated using the weighted average number of common shares outstanding adjusted to include the effect, if dilutive, of the exercise of in-the-money stock options, Performance-based RSUs and Time-based RSUs. Diluted net loss per common share is equivalent to basic net loss per common share.

Table of Contents

A reconciliation of the denominators of the basic and diluted net income per common share computations is as follows:

(in thousands)	For the Three Months Ended		For the Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Weighted average number of shares outstanding basic	93,607	94,235	94,053	94,922
Dilutive effect of stock options	39	53		53
Dilutive effect of Performance-based RSUs	276	167		283
Dilutive effect of Time-based RSUs	426	317		497
Adjusted weighted average number of shares outstanding diluted	94,348	94,772	94,053	95,755

At September 27, 2014, we excluded 832,951 (September 28, 2013 442,131) stock options from the computation of diluted net (loss) income per share because the options exercise price was greater than the average market price of the common shares. In addition, we excluded the impact of the remaining stock options, Performance-based RSUs and Time-based RSUs from the computation of diluted net loss per share for the nine months ended September 27, 2014 as they were considered anti-dilutive for purposes of calculating loss per share.

Note 7 Segment Reporting

Our product lines include CSDs, 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, energy drinks and shots, sports products, new age beverages, ready-to-drink teas, beverage concentrates, liquid enhancers, freezables and ready-to-drink alcoholic beverages, as well as hot chocolate, coffee, malt drinks, creamers/whiteners and cereal. Our business operates through three reporting segments North America (United States and Canada), United Kingdom, and All Other (which includes our Mexico operating segment, our Royal Crown International (RCI) operating segment and other Miscellaneous Expenses). Our corporate oversight function (Corporate) is not treated as a segment; it includes certain general and administrative costs that are not allocated to any of the reporting segments. The primary measures used in evaluating our reporting segments are revenues, operating income (loss), and additions to property, plant and equipment, which have been included as part of our segment disclosures listed below. During the fourth quarter of 2013, management reviewed our reporting segments and subsequently combined our Mexico and RCI reporting segments with the segment previously classified as All Other into one segment classified as All Other. Prior year information has been updated to reflect the change in our reporting segments.

Table of Contents

<i>(in millions of U.S. dollars)</i>	North America	United Kingdom	All Other	Corporate	Total
For the Three Months Ended September 27, 2014					
External revenue ¹	\$ 346.2	\$ 172.0	\$ 16.8	\$	\$ 535.0
Depreciation and amortization	20.7	6.1	0.4		27.2
Operating income (loss)	8.2	10.3	2.4	(3.0)	17.9
Additions to property, plant and equipment	7.9	2.5	0.4		10.8
For the Nine Months Ended September 27, 2014					
External revenue ¹	\$ 1,064.4	\$ 446.7	\$ 49.9	\$	\$ 1,561.0
Depreciation and amortization	62.2	15.0	1.3		78.5
Operating income (loss)	25.6	23.3	8.0	(8.8)	48.1
Additions to property, plant and equipment	20.9	10.1	0.4		31.4
As of September 27, 2014					
Property, plant and equipment	337.1	117.0	8.4		462.5
Goodwill	122.9	59.7	4.5		187.1
Intangibles and other assets	257.8	106.6	0.2		364.6
Total assets ²	1,049.1	488.0	36.4		1,573.5

1. Intersegment revenue between North America and the other reporting segments was \$5.5 million and \$17.7 million for the three and nine months ended September 27, 2014, respectively. Intersegment revenue between United Kingdom and the other reporting segments was \$0.3 million and \$0.3 million for the three and nine months ended September 27, 2014, respectively.
2. Excludes intersegment receivables, investments and notes receivable.

<i>(in millions of U.S. dollars)</i>	North America	United Kingdom	All Other	Corporate	Total
For the Three Months Ended September 28, 2013					
External revenue ¹	\$ 383.3	\$ 142.9	\$ 17.0	\$	\$ 543.2
Depreciation and amortization	20.8	3.8	0.5		25.1
Operating income (loss)	17.6	9.5	1.9	(3.0)	26.0
Additions to property, plant and equipment	9.0	1.2			10.2
For the Nine Months Ended September 28, 2013					
External revenue ¹	\$ 1,194.6	\$ 368.2	\$ 49.6	\$	\$ 1,612.4
Depreciation and amortization	62.9	10.3	1.5		74.7
Operating income (loss)	58.1	18.6	5.8	(8.8)	73.7
Additions to property, plant and equipment	33.9	9.5	1.3		44.7
As of December 28, 2013					
Property, plant and equipment	363.3	111.0	9.4		483.7
Goodwill	124.0	8.8	4.5		137.3
Intangibles and other assets	268.2	27.7	0.3		296.2
Total assets ²	1,089.5	296.3	40.3		1,426.1

1. Intersegment revenue between North America and the other reporting segments was \$5.6 million and \$14.8 million for the three and nine months ended September 28, 2013, respectively.
2. Excludes intersegment receivables, investments and notes receivable.

Table of Contents

For the nine months ended September 27, 2014, sales to Walmart accounted for 26.3% (September 28, 2013 29.9%) of our total revenue, 33.0% of our North America reporting segment revenue (September 28, 2013 35.9%), 12.9% of our U.K. reporting segment revenue (September 28, 2013 14.1%) and 3.1% of our All Other reporting segment revenue (September 28, 2013 4.3%).

Credit risk arises from the potential default of a customer in meeting its financial obligations to us. Concentrations of credit exposure may arise with a group of customers that have similar economic characteristics or that are located in the same geographic region. The ability of such customers to meet obligations would be similarly affected by changing economic, political or other conditions. We are not currently aware of any facts that would create a material credit risk.

Revenues attributed to external customers located outside of Canada are displayed separately within the United Kingdom and All Other reporting segments above with the exception of revenues attributed to external customers located in the United States, which are reported within the North America reporting segment. Revenues generated from sales to external customers in the United States were as follows:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended		For the Nine Months Ended	
	September 27, September 28,		September 27, September 28,	
	2014	2013	2014	2013
United States	\$ 307.4	\$ 337.5	\$ 946.1	\$ 1,047.9
Total	\$ 307.4	\$ 337.5	\$ 946.1	\$ 1,047.9

During 2014, we reclassified certain products in our North America reporting segment which impacts revenue by product but does not impact revenue within the North America reporting segment. Prior year reported revenue by product for our North America reporting segment has been revised to reflect this reclassification. Revenues by product by reporting segment were as follows:

Table of Contents**For the Three Months Ended September 27, 2014**

<i>(in millions of U.S. dollars)</i>	North America	United Kingdom	All Other	Total
<u>Revenue</u>				
Carbonated soft drinks	\$ 135.2	\$ 49.4	\$ 1.9	\$ 186.5
Juice and drinks	99.8	10.2	1.0	111.0
Concentrate	2.1	0.3	7.8	10.2
Sparkling Waters/Mixers	77.4	21.7	0.7	99.8
Energy	7.6	36.1	2.2	45.9
All other products	24.1	54.3	3.2	81.6
Total	\$ 346.2	\$ 172.0	\$ 16.8	\$ 535.0

For the Nine Months Ended September 27, 2014

<i>(in millions of U.S. dollars)</i>	North America	United Kingdom	All Other	Total
<u>Revenue</u>				
Carbonated soft drinks	\$ 394.6	\$ 135.4	\$ 5.5	\$ 535.5
Juice and drinks	326.6	35.7	2.7	365.0
Concentrate	7.7	1.5	21.3	30.5
Sparkling Waters/Mixers	236.8	59.9	2.3	299.0
Energy	21.3	97.6	6.8	125.7
All other products	77.4	116.6	11.3	205.3
Total	\$ 1,064.4	\$ 446.7	\$ 49.9	\$ 1,561.0

For the Three Months Ended September 28, 2013

<i>(in millions of U.S. dollars)</i>	North America	United Kingdom	All Other	Total
<u>Revenue</u>				
Carbonated soft drinks	\$ 151.6	\$ 46.7	\$ 2.4	\$ 200.7
Juice and drinks	117.3	11.2	0.6	129.1
Concentrate	2.0	0.5	7.1	9.6
Sparkling Waters/Mixers	77.4	20.5	0.4	98.3
Energy	7.5	32.7	2.3	42.5
All other products	27.5	31.3	4.2	63.0
Total	\$ 383.3	\$ 142.9	\$ 17.0	\$ 543.2

For the Nine Months Ended September 28, 2013

North	United
--------------	---------------

(in millions of U.S. dollars)

	America	Kingdom	All Other	Total
<u>Revenue</u>				
Carbonated soft drinks	\$ 462.5	\$ 119.4	\$ 9.8	\$ 591.7
Juice and drinks	379.9	19.9	2.0	401.8
Concentrate	6.6	1.7	21.2	29.5
Sparkling Waters/Mixers	232.3	53.6	2.7	288.6
Energy	21.0	97.5	5.4	123.9
All other products	92.3	76.1	8.5	176.9
Total	\$ 1,194.6	\$ 368.2	\$ 49.6	\$ 1,612.4

Table of Contents

Property, plant and equipment, net by geographic area as of September 27, 2014 and December 28, 2013 were as follows:

<i>(in millions of U.S. dollars)</i>	September 27, 2014	December 28, 2013
North America	\$ 337.1	\$ 363.3
United Kingdom	117.0	111.0
All Other	8.4	9.4
Total	\$ 462.5	\$ 483.7

Note 8 Inventories

The following table summarizes inventories as of September 27, 2014 and December 28, 2013:

<i>(in millions of U.S. dollars)</i>	September 27, 2014	December 28, 2013
Raw materials	\$ 83.5	\$ 89.0
Finished goods	129.0	126.3
Other	18.4	17.8
Total	\$ 230.9	\$ 233.1

Note 9 Intangibles and Other Assets

The following table summarizes intangibles and other assets as of September 27, 2014:

<i>(in millions of U.S. dollars)</i>	September 27, 2014		
	Cost	Accumulated Amortization	Net
Intangibles			
<i>Not subject to amortization</i>			
Rights	\$ 45.0	\$	\$ 45.0
<i>Subject to amortization</i>			
Customer relationships	453.3	188.0	265.3
Trademarks	34.0	26.6	7.4
Information technology	54.4	32.2	22.2
Other	9.1	4.5	4.6
	550.8	251.3	299.5

	595.8	251.3	344.5
Other Assets			
Financing costs	21.6	8.2	13.4
Deposits	1.0		1.0
Other	5.8	0.1	5.7
	28.4	8.3	20.1
Total Intangibles & Other Assets	\$ 624.2	\$ 259.6	\$ 364.6

Our only intangible asset with an indefinite life relates to the 2001 acquisition of intellectual property from Royal Crown Company, Inc., including the right to manufacture our concentrates, with all related inventions, processes, technologies, technical and manufacturing information, know-how and the use of the Royal Crown brand outside of North America and Mexico.

Table of Contents

Amortization expense of intangible and other assets was \$9.8 million and \$27.0 million for the three and nine months ended September 27, 2014, respectively, compared to \$8.6 million and \$25.9 million for the comparable prior year periods.

The estimated amortization expense for intangibles over the next five years is:

<i>(in millions of U.S. dollars)</i>	
Remainder of 2014	\$ 9.1
2015	35.4
2016	32.0
2017	28.7
2018	27.6
Thereafter	166.7
Total	\$ 299.5

Note 10 Debt

Our total debt as of September 27, 2014 and December 28, 2013 was as follows:

<i>(in millions of U.S. dollars)</i>		
	September 27,	December 28,
	2014	2013
8.375% senior notes due in 2017 ¹	\$	\$ 15.0
8.125% senior notes due in 2018		375.0
5.375% senior notes due in 2022	525.0	
ABL facility	69.3	50.8
GE Term Loan	8.9	10.3
Capital leases and other debt financing	5.7	7.2
Total debt	608.9	458.3
Less: Short-term borrowings and current debt:		
ABL facility	69.3	50.8
Total short-term borrowings	69.3	50.8
GE Term Loan current maturities	2.0	1.9
Capital leases and other financing current maturities	2.1	2.0
Total current debt	73.4	54.7
Long-term debt before discount	535.5	403.6
Less discount on 8.375% notes		(0.1)
Total long-term debt	\$ 535.5	\$ 403.5

1. Our 8.375% senior notes were issued at a discount of 1.425% on November 13, 2009.

Asset-Based Lending Facility

On March 31, 2008, we entered into a credit agreement with JPMorgan Chase Bank, N.A. as Agent that created an asset-based lending facility (the ABL facility) to provide financing for our North America, U.K. and Mexico operations. In connection with the Cliffstar Acquisition, we refinanced the ABL facility on August 17, 2010 to, among other things, provide for the Cliffstar Acquisition, the issuance of \$375.0 million of 8.125% senior notes that are due on September 1, 2018 (the 2018 Notes) and the application of net proceeds therefrom, the underwritten public offering of 13,340,000 common shares at a price of \$5.67 per share and the application of net proceeds therefrom and to increase the amount available for borrowings to \$275.0 million. We drew down a portion of the indebtedness under the ABL facility in order to fund the Cliffstar Acquisition. We incurred \$5.4 million of financing fees in connection with the refinancing of the ABL facility.

Table of Contents

On July 19, 2012, we amended the ABL facility to, among other things, extend the maturity date to July 19, 2017. We incurred \$1.2 million of financing fees in connection with the amendment of the ABL facility.

On October 22, 2013, we amended the ABL facility to, among other things, (1) provide for an increase in the lenders commitments under the ABL facility to \$300.0 million, as well as to increase the accordion feature, which permits us to increase the lenders commitments under the ABL facility to \$350.0 million, subject to certain conditions, (2) extend the maturity date to October 22, 2018, and (3) provide for greater flexibility under certain covenants. We incurred approximately \$0.7 million of financing fees in connection with the amendment of the ABL facility.

On May 28, 2014, we amended the ABL facility to increase our ability to incur certain unsecured debt and earnout consideration for permitted acquisitions, as well as to allow us to add additional borrowers and to designate additional guarantors to be included in the borrowing base calculation. We incurred approximately \$0.2 million of financing fees in connection with the amendment of the ABL facility. These costs are included in the selling, general, and administrative expenses of our Consolidated Statements of Operations.

The financing fees incurred in connection with the refinancing of the ABL facility on August 17, 2010, along with the financing fees incurred in connection with the amendments of the ABL facility, other than the amendment on May 28, 2014, are being amortized using the straight-line method over the duration of the amended ABL facility. Each of the amendments, with the exception of the amendment on May 28, 2014, was considered to be a modification of the original agreement under GAAP.

As of September 27, 2014, our total availability under the ABL facility was \$265.2 million, which was based on our borrowing base (accounts receivables, inventory, and fixed assets) as of October 15, 2014 (the September month-end under the terms of the credit agreement governing our ABL facility). We had \$69.3 million of outstanding borrowings under the ABL facility and \$6.9 million in outstanding letters of credit. As a result, our excess availability under the ABL facility was \$189.0 million. The commitment fee was 0.375% per annum of the unused commitment of \$223.8 million, which was based on our total ABL facility commitment of \$300.0 million excluding outstanding borrowings and outstanding letters of credit. Each month's borrowing base is not effective until submitted to the lenders, which usually occurs on the fifteenth day of the following month.

5.375% Senior Notes due in 2022

On June 24, 2014, we issued \$525.0 million of our 5.375% senior notes due 2022 (the 2022 Notes) to qualified purchasers in a private placement under Rule 144A and Regulation S under the Securities Act of 1933. The issuer of the 2022 Notes is our wholly-owned U.S. subsidiary Cott Beverages Inc., and we and most of our U.S., Canadian and U.K. subsidiaries guarantee the 2022 Notes. The interest on the 2022 Notes is payable semi-annually on January 1st and July 1st of each year commencing on January 1, 2015.

We incurred \$9.2 million of financing fees in connection with the issuance of the 2022 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of the 2022 Notes.

8.125% Senior Notes due in 2018

On August 17, 2010, we issued the 2018 Notes. The issuer of the 2018 Notes was our wholly-owned U.S. subsidiary Cott Beverages Inc., and we and most of our U.S., Canadian and U.K. subsidiaries guaranteed the 2018 Notes. The interest on the 2018 Notes was payable semi-annually on March 1st and September 1st of each year. We incurred \$8.6 million of financing fees in connection with the issuance of the 2018 Notes.

On June 24, 2014, we used a portion of the proceeds from our issuance of the 2022 Notes to purchase \$295.9 million aggregate principal amount of our 2018 Notes in a cash tender offer. The tender offer included approximately \$16.2 million in premium payments as well as accrued interest of \$7.5 million, the write off of approximately \$3.0 million in deferred financing fees, and other costs of approximately \$0.2 million.

On July 9, 2014 and July 24, 2014, we redeemed all of the remaining \$79.1 million aggregate principal amount of our 2018 Notes. The redemption included approximately \$3.8 million in premium payments as well as accrued interest of approximately \$2.5 million and the write off of approximately \$0.8 million in deferred financing fees.

Table of Contents*8.375% Senior Notes due in 2017*

On November 13, 2009, we issued \$215.0 million of our 8.375% senior notes due 2017 (the 2017 Notes). The 2017 Notes were issued at a \$3.1 million discount. The issuer of the 2017 Notes was our wholly-owned U.S. subsidiary Cott Beverages Inc., and we and most of our U.S., Canadian and U.K. subsidiaries guaranteed the 2017 Notes. The interest on the 2017 Notes was payable semi-annually on May 15th and November 15th of each year. We incurred \$5.1 million of financing fees in connection with the 2017 Notes.

On November 15, 2013, we redeemed \$200.0 million aggregate principal amount of our 2017 Notes at 104.118% of par. The redemption included approximately \$8.2 million in premium payments, the write off of approximately \$4.0 million in deferred financing fees and discount charges, and other costs of approximately \$0.5 million.

On February 19, 2014, we redeemed all of the remaining \$15.0 million aggregate principal amount of the 2017 Notes at 104.118% of par. The redemption included approximately \$0.6 million in premium payments as well as the write off of approximately \$0.3 million in deferred financing fees and discount charges.

GE Term Loan

In January 2008, we entered into a capital lease finance arrangement with General Electric Capital Corporation (GE Capital) for the lease of equipment. In September 2013, we purchased the equipment subject to the lease for an aggregate purchase price of \$10.7 million, with the financing for such purchase provided by GE Capital at 5.23% interest.

Note 11 Accumulated Other Comprehensive (Loss) Income

Changes in accumulated other comprehensive (loss) income by component¹ for the nine months ended September 27, 2014 were as follows:

<i>(in millions of U.S. dollars)</i>	September 27, 2014				Total
	Gains and Losses Pension		Currency		
	on Derivative Instruments	Benefit Plan Items	Translation Adjustment Items		
Beginning balance December 28, 2013	\$ 0.2	\$ (8.4)	\$ (8.6)		\$(16.8)
OCI before reclassifications	0.7	(0.5)	(9.6)		(9.4)
Amounts reclassified from AOCI	(0.1)	0.3			0.2
Net current-period OCI	0.6	(0.2)	(9.6)		(9.2)
Ending balance September 27, 2014	\$ 0.8	\$ (8.6)	\$ (18.2)		\$(26.0)

1. All amounts are net of tax. Amounts in parentheses indicate debits.

The following table summarizes the amounts reclassified from accumulated other comprehensive (loss) income¹ for the three and nine months ended September 27, 2014 and September 28, 2013, respectively.

Table of Contents

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended		For the Nine Months Ended		Affected Line Item in the Statement Where Net Income Is Presented
Details About AOCI	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013	
Components	2014	2013	2014	2013	
Gains and losses on derivative instruments					
Foreign currency and commodity hedges	\$ (0.1)	\$ 0.1	\$ 0.1	\$ 0.3	Cost of sales
	\$ (0.1)	\$ 0.1	\$ 0.1	\$ 0.3	Total before taxes
					Tax (expense) or benefit
	\$ (0.1)	\$ 0.1	\$ 0.1	\$ 0.3	Net of tax
Amortization of pension benefit plan items					
Prior service costs ²	\$ (0.1)	\$ 0.1	\$ (0.3)	\$ (0.2)	
Actuarial adjustments ²				(0.1)	
Actuarial losses ²				(0.1)	
	(0.1)	0.1	(0.3)	(0.4)	Total before taxes
				(0.2)	Tax (expense) or benefit
	\$ (0.1)	\$ 0.1	\$ (0.3)	\$ (0.6)	Net of tax
Total reclassifications for the period	\$ (0.2)	\$ 0.2	\$ (0.2)	\$ (0.3)	Net of tax

1. Amounts in parentheses indicate debits.
2. These AOCI components are included in the computation of net periodic pension cost.

Note 12 Commitments and Contingencies

We are subject to various claims and legal proceedings with respect to matters such as governmental regulations, and other actions arising out of the normal course of business. Management believes that the resolution of these matters will not have a material adverse effect on our financial position, results of operations, or cash flow.

In June 2013, we completed the Calypso Acquisition, which included a deferred payment of approximately \$2.3 million paid on the first anniversary of the closing date, and a deferred payment of approximately \$3.0 million to be paid on the second anniversary of the closing date.

We had \$6.9 million in standby letters of credit outstanding as of September 27, 2014 (September 28, 2013 \$7.5 million).

In March 2014, we had a favorable legal settlement in the amount of \$3.5 million, of which \$3.0 million was collected in April 2014 and the remaining \$0.5 million is due in January 2015.

In May 2014, we completed the Aimia Acquisition, which included deferred consideration of £19.9 million (\$33.5 million), which was paid by us on September 15, 2014 and aggregate contingent consideration of up to £16.0 million (\$26.9 million), which is payable upon achievement of certain measures related to Aimia's performance during the twelve months ending July 1, 2016.

Note 13 Share Repurchase Program

On May 6, 2014, our board of directors approved the renewal of our share repurchase program for up to 5% of Cott's outstanding common shares over a 12-month period commencing upon the expiration of Cott's then-effective share repurchase program on May 21, 2014. During the third quarter ended September 27, 2014, we repurchased 642,680 common shares for approximately \$4.6 million through open market transactions. We are unable to predict the number of shares that ultimately will be repurchased under the share repurchase program, or the aggregate dollar amount of the shares actually purchased. We may discontinue purchases at any time, subject to compliance with applicable regulatory requirements. Shares purchased by us under the share repurchase program are cancelled.

Table of Contents

Note 14 Hedging Transactions and Derivative Financial Instruments

We are directly and indirectly affected by changes in foreign currency market conditions. These changes in market conditions may adversely impact our financial performance and are referred to as market risks. When deemed appropriate by management, we use derivatives as a risk management tool to mitigate the potential impact of certain market risks.

We use various types of derivative instruments including, but not limited to, forward contracts and swap agreements for certain commodities. Forward contracts are agreements to buy or sell a quantity of a currency at a predetermined future date, and at a predetermined rate or price. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices. We do not enter into derivative financial instruments for trading purposes.

All derivatives are carried at fair value in the Consolidated Balance Sheets in the line item other receivables or other payables. The carrying values of the derivatives reflect the impact of legally enforceable agreements with the same counterparties. These allow us to net settle positive and negative positions (assets and liabilities) arising from different transactions with the same counterparty.

The accounting for gains and losses that result from changes in the fair values of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments and the types of hedging relationships. Derivatives can be designated as fair value hedges, cash flow hedges or hedges of net investments in foreign operations. The changes in the fair values of derivatives that have been designated and qualify for fair value hedge accounting are recorded in the same line item in our Consolidated Statements of Operations as the changes in the fair value of the hedged items attributable to the risk being hedged. The changes in fair values of derivatives that have been designated and qualify as cash flow hedges are recorded in accumulated other comprehensive income (loss) (AOCI) and are reclassified into the line item in the Consolidated Statements of Operations in which the hedged items are recorded in the same period the hedged items affect earnings. Due to the high degree of effectiveness between the hedging instruments and the underlying exposures being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged. The changes in fair values of derivatives that were not designated and/or did not qualify as hedging instruments are immediately recognized into earnings.

For derivatives that will be accounted for as hedging instruments, we formally designate and document, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. In addition, we formally assess both at the inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are effective at offsetting changes in either the fair values or cash flows of the related underlying exposures. Any ineffective portion of a financial instrument's change in fair value is immediately recognized into earnings. Ineffectiveness was not material for all periods presented.

We estimate the fair values of our derivatives based on quoted market prices or pricing models using current market rates (refer to Note 15). The notional amounts of the derivative financial instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates or other financial indices. We do not view the fair values of our derivatives in isolation, but rather in relation to the fair values or cash flows of the underlying hedged transactions or other exposures. All of our derivatives are straight-forward over-the-counter instruments with liquid markets.

Credit Risk Associated with Derivatives

We have established strict counterparty credit guidelines and enter into transactions only with financial institutions of investment grade or better. We monitor counterparty exposures regularly and review promptly any downgrade in credit rating. We mitigate pre-settlement risk by being permitted to net settle for transactions with the same counterparty. To minimize the concentration of credit risk, we enter into derivative transactions with a portfolio of financial institutions. Based on these factors, we consider the risk of the counterparty default to be minimal.

Table of Contents

Cash Flow Hedging Strategy

We use cash flow hedges to minimize the variability in cash flows of assets or liabilities or forecasted transactions caused by fluctuations in foreign currency exchange rates and commodity prices. The changes in fair values of hedges that are determined to be ineffective are immediately reclassified from AOCI into earnings. We did not discontinue any cash flow hedging relationships during the nine months ended September 27, 2014 or September 28, 2013, respectively. These foreign exchange contracts typically have maturities of less than eighteen months.

We maintain a foreign currency cash flow hedging program to reduce the risk that our procurement activities will be adversely affected by changes in foreign currency exchange rates. We enter into forward contracts to hedge certain portions of forecasted cash flows denominated in foreign currencies. The total notional values of derivatives that were designated and qualified for our foreign currency cash flow hedging program were \$1.8 million and \$3.6 million as of September 27, 2014 and December 28, 2013, respectively.

We have entered into commodity swaps on aluminum to mitigate the price risk associated with forecasted purchases of materials used in our manufacturing process. These derivative instruments have been designated and qualify as a part of our commodity cash flow hedging program. The objective of this hedging program is to reduce the variability of cash flows associated with future purchases of aluminum. The total notional values of derivatives that were designated and qualified for our commodity cash flow hedging program were \$43.0 million and nil as of September 27, 2014 and December 28, 2013, respectively.

The fair value of the Company's derivative assets was \$0.9 million and \$0.3 million as of September 27, 2014 and December 28, 2013, respectively. The fair value of the Company's derivative liabilities was nil as of September 27, 2014 and December 28, 2013, respectively.

The settlement of our derivative instruments resulted in a charge to cost of sales of approximately \$0.1 million and a credit to cost of sales of approximately \$0.1 million for the three and nine months ended September 27, 2014, respectively, compared to a credit to cost of sales of approximately \$0.1 million and \$0.5 million for the comparable prior year periods.

Note 15 Fair Value Measurements

Accounting Standards Codification No. 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

We have certain assets and liabilities, such as our derivative instruments, that are required to be recorded at fair value on a recurring basis in accordance with U.S. GAAP.

The fair value of our derivative instruments represents a Level 2 instrument. Level 2 instruments are valued based on observable inputs for quoted prices for similar assets and liabilities in active markets. The fair value of the derivative assets as of September 27, 2014 and December 28, 2013 was \$0.9 million and \$0.3 million, respectively. The fair value of the derivative liabilities as of September 27, 2014 and December 28, 2013 was nil, respectively.

Table of Contents**Fair Value of Financial Instruments**

The carrying amounts reflected in the Consolidated Balance Sheets for cash and cash equivalents, receivables, payables, short-term borrowings and long-term debt approximate their respective fair values, except as otherwise indicated. The carrying values and estimated fair values of our significant outstanding debt as of September 27, 2014 and December 28, 2013 were as follows:

<i>(in millions of U.S. dollars)</i>	September 27, 2014		December 28, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
8.375% senior notes due in 2017 ¹	\$	\$	\$ 15.0	\$ 15.6
8.125% senior notes due in 2018 ¹			375.0	404.1
5.375% senior notes due in 2022 ¹	525.0	510.8		
Total	\$ 525.0	\$ 510.8	\$ 390.0	\$ 419.7

1. The fair values were based on the trading levels and bid/offer prices observed by a market participant and are considered Level 1 financial instruments.

Note 16 Guarantor Subsidiaries

The 2022 Notes issued by our 100% owned subsidiary, Cott Beverages Inc., are, and the 2017 Notes and 2018 Notes prior to their retirement were, guaranteed on a senior basis pursuant to guarantees by Cott Corporation and certain other 100% owned direct and indirect subsidiaries (the Guarantor Subsidiaries). Cott Beverages Inc. and each Guarantor Subsidiary is 100% owned by Cott Corporation. The guarantees of the 2017 Notes, 2018 Notes and 2022 Notes by Cott Corporation and the Guarantor Subsidiaries are full and unconditional, and all such guarantees are joint and several. The guarantees of the Guarantor Subsidiaries are subject to release in limited circumstances only upon the occurrence of certain customary conditions.

We have not presented separate financial statements and separate disclosures have not been provided concerning Guarantor Subsidiaries due to the presentation of condensed consolidating financial information set forth in this Note, consistent with the Securities and Exchange Commission (the SEC) interpretations governing reporting of subsidiary financial information.

The following supplemental financial information sets forth on a consolidating basis, our Balance Sheets, Statements of Operations and Cash Flows for Cott Corporation, Cott Beverages Inc., Guarantor Subsidiaries and our other subsidiaries (the Non-guarantor Subsidiaries). The supplemental financial information reflects our investments and those of Cott Beverages Inc. in their respective subsidiaries using the equity method of accounting.

We reclassified certain intercompany dividends and advances to affiliates previously reported in the Condensed Consolidating Statement of Cash Flows for the nine months ended September 28, 2013 included in our Quarterly Report on Form 10-Q. The intercompany dividends represented transactions between Cott Corporation, Cott Beverages, Inc., the Guarantors and Non-Guarantors and the cash flows related to these transactions should have been classified as financing activities. The advances to affiliates represented activity between Cott Corporation and

Non-Guarantors that should not have impacted the Condensed Consolidating Statement of Cash Flow because they represented non-cash charges. These reclassifications do not change the total cash flows reported in each column presented in the Condensed Consolidating Statement of Cash Flows. We assessed the materiality of these items on our previously issued annual report and quarterly financial statements in accordance with SEC Staff Accounting Bulletin No. 99, and concluded that the errors were not material to the consolidated financial statements taken as a whole. The statements of cash flows presented below for the three and nine months ended September 28, 2013 as revised, reflect the correct classification of these items.

Table of Contents**Condensed Consolidating Statement of Operations***(in millions of U.S. dollars)**Unaudited*

	For the Three Months Ended September 27, 2014					
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue, net	\$ 42.4	\$ 187.1	\$ 282.6	\$ 35.7	\$ (12.8)	\$ 535.0
Cost of sales	36.2	162.6	254.6	30.9	(12.8)	471.5
Gross profit	6.2	24.5	28.0	4.8		63.5
Selling, general and administrative expenses	5.8	24.1	13.1	2.0		45.0
Loss on disposal of property, plant & equipment	0.2	0.3	0.2			0.7
Restructuring and asset impairments						
Restructuring	0.1					0.1
Asset impairments			(0.2)			(0.2)
Operating income	0.1	0.1	14.9	2.8		17.9
Other expense, net	0.4	4.6	0.4			5.4
Intercompany interest (income) expense, net		(4.6)	4.6			
Interest expense, net	0.1	8.5	0.3	0.1		9.0
(Loss) income before income tax expense and equity income (loss)	(0.4)	(8.4)	9.6	2.7		3.5
Income tax expense		1.7	0.1			1.8
Equity income (loss)	0.8	1.4	1.8		(4.0)	
Net income (loss)	\$ 0.4	\$ (8.7)	\$ 11.3	\$ 2.7	\$ (4.0)	\$ 1.7
Less: Net income attributable to non-controlling interests				1.3		1.3
Net income (loss) attributed to Cott Corporation	\$ 0.4	\$ (8.7)	\$ 11.3	\$ 1.4	\$ (4.0)	\$ 0.4
Comprehensive (loss) income attributed to Cott Corporation	\$ (15.5)	\$ (36.0)	\$ 4.3	\$ 3.0	\$ 28.7	\$ (15.5)

Table of Contents**Condensed Consolidating Statement of Operations***(in millions of U.S. dollars)**Unaudited***For the Nine Months Ended September 27, 2014**

	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue, net	\$ 129.4	\$ 562.0	\$ 803.2	\$ 104.0	\$ (37.6)	\$ 1,561.0
Cost of sales	111.7	487.4	722.7	89.2	(37.6)	1,373.4
Gross profit	17.7	74.6	80.5	14.8		187.6
Selling, general and administrative expenses	18.4	74.0	35.4	6.4		134.2
Loss on disposal of property, plant & equipment	0.2	0.8	0.2			1.2
Restructuring and asset impairments						
Restructuring	2.1	0.2	0.1			2.4
Asset impairments	0.9		0.8			1.7
Operating (loss) income	(3.9)	(0.4)	44.0	8.4		48.1
Other (income) expense, net	(9.1)	21.7	10.2	0.1		22.9
Intercompany interest (income) expense, net		(12.0)	12.0			
Interest expense, net	0.2	26.0	0.9	0.1		27.2
Income (loss) before income tax (benefit) expense and equity (loss) income	5.0	(36.1)	20.9	8.2		(2.0)
Income tax (benefit) expense	(1.4)	4.6	0.1	0.1		3.4
Equity (loss) income	(15.9)	4.1	8.8		3.0	
Net (loss) income	\$ (9.5)	\$ (36.6)	\$ 29.6	\$ 8.1	\$ 3.0	\$ (5.4)
Less: Net income attributable to non-controlling interests				4.1		4.1
Net (loss) income attributed to Cott Corporation	\$ (9.5)	\$ (36.6)	\$ 29.6	\$ 4.0	\$ 3.0	\$ (9.5)
Comprehensive (loss) income attributed to Cott Corporation	\$ (18.7)	\$ (42.7)	\$ 57.8	\$ 4.8	\$ (19.9)	\$ (18.7)

Table of Contents**Condensed Consolidating Statement of Operations***(in millions of U.S. dollars)**Unaudited*

	For the Three Months Ended September 28, 2013					
	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Revenue, net	\$ 42.5	\$ 197.6	\$ 271.5	\$ 37.4	\$ (5.8)	\$ 543.2
Cost of sales	39.2	170.5	241.3	33.0	(5.8)	478.2
Gross profit	3.3	27.1	30.2	4.4		65.0
Selling, general and administrative expenses	6.8	14.9	13.2	3.0		37.9
Loss on disposal of property, plant & equipment	0.1	0.4	0.6			1.1
Operating (loss) income	(3.6)	11.8	16.4	1.4		26.0
Other income, net	(0.1)		(0.6)			(0.7)
Intercompany interest (income) expense, net		(3.0)	3.0			
Interest (income) expense, net	(0.1)	13.1	0.2	0.1		13.3
(Loss) income before income tax (benefit) expense and equity income (loss)	(3.4)	1.7	13.8	1.3		13.4
Income tax (benefit) expense	(2.8)	3.9	(1.2)	0.2		0.1
Equity income (loss)	12.6	1.3	(0.3)		(13.6)	
Net income (loss)	\$ 12.0	\$ (0.9)	\$ 14.7	\$ 1.1	\$ (13.6)	\$ 13.3
Less: Net income attributable to non-controlling interests				1.3		1.3
Net income (loss) attributed to Cott Corporation	\$ 12.0	\$ (0.9)	\$ 14.7	\$ (0.2)	\$ (13.6)	\$ 12.0
Comprehensive income attributed to Cott Corporation	\$ 23.8	\$ 28.9	\$ 30.6	\$	\$ (59.5)	\$ 23.8

Table of Contents**Condensed Consolidating Statement of Operations***(in millions of U.S. dollars)**Unaudited*

	For the Nine Months Ended September 28, 2013						
	Cott	Cott	Guarantor	Non-Guarantor	Elimination	Consolidated	
	Corporation	Beverages Inc.	Subsidiaries	Subsidiaries	Entries	Consolidated	
Revenue, net	\$ 131.9	\$ 605.5	\$ 777.4	\$ 116.0	\$ (18.4)	\$ 1,612.4	
Cost of sales	114.5	520.1	695.9	102.3	(18.4)	1,414.4	
Gross profit	17.4	85.4	81.5	13.7		198.0	
Selling, general and administrative expenses	22.3	53.8	37.7	7.1		120.9	
Loss on disposal of property, plant & equipment	0.1	0.7	0.6			1.4	
Restructuring	0.5	0.5	0.7	0.3		2.0	
Operating (loss) income	(5.5)	30.4	42.5	6.3		73.7	
Other (income), net	(0.1)		(0.3)			(0.4)	
Intercompany interest (income) expense, net		(8.7)	8.7				
Interest (income) expense, net	(0.2)	39.1	0.4	0.1		39.4	
(Loss) income before income tax expense (benefit) and equity income (loss)	(5.2)		33.7	6.2		34.7	
Income tax (benefit) expense	(2.1)	5.5	(1.5)	0.4		2.3	
Equity income (loss)	31.6	3.9	(0.9)		(34.6)		
Net income (loss)	\$ 28.5	\$ (1.6)	\$ 34.3	\$ 5.8	\$ (34.6)	\$ 32.4	
Less: Net income attributable to non-controlling interests				3.9		3.9	
Net income (loss) attributed to Cott Corporation	\$ 28.5	\$ (1.6)	\$ 34.3	\$ 1.9	\$ (34.6)	\$ 28.5	
Comprehensive income (loss) attributed to Cott Corporation	\$ 23.9	\$ (2.1)	\$ 33.3	\$ 4.1	\$ (35.3)	\$ 23.9	

Table of Contents**Consolidating Balance Sheets***(in millions of U.S. dollars)**Unaudited*

	As of September 27, 2014					
	Cott	Cott	Guarantor	Non-Guarantor	Elimination	Consolidated
	Corporatio	Beverages	Inc. Subsidiaries	Subsidiaries	Entries	Consolidated
ASSETS						
<i>Current assets</i>						
Cash & cash equivalents	\$ 5.7	\$ 1.9	\$ 32.1	\$ 7.7	\$	\$ 47.4
Accounts receivable, net of allowance	17.5	134.6	258.5	13.8	(174.2)	250.2
Income taxes recoverable	0.4	0.6				1.0
Inventories	14.9	75.7	133.5	6.8		230.9
Prepaid expenses and other assets	3.2	11.3	9.5	0.1		24.1
Total current assets	41.7	224.1	433.6	28.4	(174.2)	553.6
Property, plant & equipment, net	40.5	180.5	232.7	8.8		462.5
Goodwill	24.6	4.6	157.9			187.1
Intangibles and other assets, net	1.2	91.1	264.6	7.7		364.6
Deferred income taxes	4.6			0.8		5.4
Other tax receivable	0.2	0.1				0.3
Due from affiliates	38.6	173.2	3.0		(214.8)	
Investments in subsidiaries	435.9	286.4	697.9		(1,420.2)	
Total assets	\$ 587.3	\$ 960.0	\$ 1,789.7	\$ 45.7	\$ (1,809.2)	\$ 1,573.5
LIABILITIES AND EQUITY						
<i>Current liabilities</i>						
Short-term borrowings	\$	\$ 40.0	\$ 29.3	\$	\$	\$ 69.3
Current maturities of long-term debt	0.1	2.5	0.5	1.0		4.1
Accounts payable and accrued liabilities	27.0	202.2	231.8	10.7	(174.2)	297.5
Total current liabilities	27.1	244.7	261.6	11.7	(174.2)	370.9
Long-term debt		532.9	1.8	0.8		535.5
Deferred income taxes		36.3	25.5	1.3		63.1
Other long-term liabilities	0.1	5.5	33.2			38.8
Due to affiliates	1.4	1.6	175.5	36.3	(214.8)	
Total liabilities	28.6	821.0	497.6	50.1	(389.0)	1,008.3
<i>Equity</i>						

Edgar Filing: COTT CORP /CN/ - Form 10-Q

Capital stock, no par	389.4	509.4	1,632.9	40.4	(2,182.7)	389.4
Additional paid-in-capital	47.9					47.9
Retained earnings (deficit)	147.4	(388.3)	(362.3)	(53.6)	804.2	147.4
Accumulated other comprehensive (loss) income	(26.0)	17.9	21.5	2.3	(41.7)	(26.0)
Total Cott Corporation equity	558.7	139.0	1,292.1	(10.9)	(1,420.2)	558.7
Non-controlling interests				6.5		6.5
Total equity	558.7	139.0	1,292.1	(4.4)	(1,420.2)	565.2
Total liabilities and equity	\$ 587.3	\$ 960.0	\$ 1,789.7	\$ 45.7	\$ (1,809.2)	\$ 1,573.5

Table of Contents**Consolidating Balance Sheets***(in millions of U.S. dollars)*

	As of December 28, 2013					
	Cott Corporatio	Cott Beverages Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
ASSETS						
<i>Current assets</i>						
Cash & cash equivalents	\$ 1.5	\$ 1.1	\$ 39.1	\$ 5.5	\$	\$ 47.2
Accounts receivable, net of allowance	19.0	114.1	229.8	15.5	(174.0)	204.4
Income taxes recoverable	0.4	0.7				1.1
Inventories	16.2	77.0	132.9	7.0		233.1
Prepaid expenses and other assets	2.1	10.1	7.0	0.1		19.3
Total current assets	39.2	203.0	408.8	28.1	(174.0)	505.1
Property, plant & equipment, net	47.9	190.2	235.7	9.9		483.7
Goodwill	25.8	4.5	107.0			137.3
Intangibles and other assets, net	1.3	88.0	196.2	10.7		296.2
Deferred income taxes	3.6					3.6
Other tax receivable		0.2				0.2
Due from affiliates	39.6	125.7	2.9	41.9	(210.1)	
Investments in subsidiaries	507.8	246.7	697.7		(1,452.2)	
Total assets	\$ 665.2	\$ 858.3	\$ 1,648.3	\$ 90.6	\$ (1,836.3)	\$ 1,426.1
LIABILITIES AND EQUITY						
<i>Current liabilities</i>						
Short-term borrowings	\$	\$ 16.2	\$ 34.6	\$	\$	\$ 50.8
Current maturities of long-term debt		2.4	0.6	0.9		3.9
Accounts payable and accrued liabilities	25.5	214.4	225.6	6.7	(174.0)	298.2
Total current liabilities	25.5	233.0	260.8	7.6	(174.0)	352.9
Long-term debt	0.1	399.6	2.2	1.6		403.5
Deferred income taxes		32.0	9.1	0.4		41.5
Other long-term liabilities	0.1	2.8	19.4			22.3
Due to affiliates	43.1	1.6	128.1	37.3	(210.1)	
Total liabilities	68.8	669.0	419.6	46.9	(384.1)	820.2
<i>Equity</i>						
Capital stock, no par	392.8	509.4	1,557.5	82.5	(2,149.4)	392.8
Additional paid-in-capital	44.1					44.1

Edgar Filing: COTT CORP /CN/ - Form 10-Q

Retained earnings (deficit)	176.3	(344.1)	(322.1)	(49.8)	716.0	176.3
Accumulated other comprehensive (loss) income	(16.8)	24.0	(6.7)	1.5	(18.8)	(16.8)
Total Cott Corporation equity	596.4	189.3	1,228.7	34.2	(1,452.2)	596.4
Non-controlling interests				9.5		9.5
Total equity	596.4	189.3	1,228.7	43.7	(1,452.2)	605.9
Total liabilities and equity	\$ 665.2	\$ 858.3	\$ 1,648.3	\$ 90.6	\$ (1,836.3)	\$ 1,426.1

Table of Contents**Consolidating Statements of Condensed Cash Flows***(in millions of U.S. dollars)**Unaudited*

	For the Three Months Ended September 27, 2014					
	Cott	Cott	Guarantor	Non-Guarantor	Elimination	Consolidated
	Corporation	Beverages Inc.	Subsidiaries	Subsidiaries	Entries	
Operating Activities						
Net income (loss)	\$ 0.4	\$ (8.7)	\$ 11.3	\$ 2.7	\$ (4.0)	\$ 1.7
Depreciation & amortization	1.7	10.2	13.9	1.4		27.2
Amortization of financing fees		0.7				0.7
Share-based compensation expense	0.1	1.1	0.2	0.1		1.5
(Decrease) increase in deferred income taxes	(0.3)	1.8	0.7			2.2
Loss on disposal of property, plant & equipment	0.2	0.3	0.2			0.7
Asset impairments			(0.2)			(0.2)
Write-off of financing fees and discount		0.8				0.8
Equity income, net of distributions	(0.8)	(1.4)	(1.8)		4.0	
Intercompany dividends	44.2	2.5			(46.7)	
Other non-cash items	(0.2)		0.2			
Net change in operating assets and liabilities, net of acquisitions	(36.3)	47.1	12.1	3.0		25.9
Net cash provided by operating activities	9.0	54.4	36.6	7.2	(46.7)	60.5
Investing Activities						
Additions to property, plant & equipment		(7.8)	(2.6)	(0.4)		(10.8)
Additions to intangibles and other assets		(1.5)				(1.5)
Proceeds from sale of property, plant & equipment		1.6				1.6
Net cash (used in) provided by investing activities		(7.7)	(2.6)	(0.4)		(10.7)

Financing Activities

Edgar Filing: COTT CORP /CN/ - Form 10-Q

Payments of long-term debt	(79.2)	(0.1)	(0.8)	(80.1)
Borrowings under ABL	191.1			191.1
Payments under ABL	(156.0)			(156.0)
Distributions to non-controlling interests			(2.4)	(2.4)
Financing fees	(1.2)			(1.2)
Common shares repurchased and cancelled	(4.6)			(4.6)
Payment of deferred consideration for acquisitions	(32.4)			(32.4)
Dividends paid to shareholders	(5.6)			(5.6)
Intercompany dividends		(44.2)	(2.5)	46.7
Net cash used in financing activities	(10.2)	(77.7)	(44.3)	(5.7)
Effect of exchange rate changes on cash	(0.3)		(1.7)	(0.1)
Net (decrease) increase in cash & cash equivalents	(1.5)	(31.0)	(12.0)	1.0
Cash & cash equivalents, beginning of period	7.2	32.9	44.1	6.7
Cash & cash equivalents, end of period	\$ 5.7	\$ 1.9	\$ 32.1	\$ 7.7
				\$ 47.4

Table of Contents**Consolidating Statements of Condensed Cash Flows***(in millions of U.S. dollars)**Unaudited*

	For the Nine Months Ended September 27, 2014					
	Cott	Cott	Guarantor	Non-Guarantor	Elimination	Consolidated
	Corporation	Beverages Inc.	Subsidiaries	Subsidiaries	Entries	Consolidated
Operating Activities						
Net (loss) income	\$ (9.5)	\$ (36.6)	\$ 29.6	\$ 8.1	\$ 3.0	\$ (5.4)
Depreciation & amortization	4.8	30.6	38.8	4.3		78.5
Amortization of financing fees	0.1	1.7	0.1			1.9
Share-based compensation expense	0.9	3.4	0.5	0.1		4.9
(Decrease) increase in deferred income taxes	(1.6)	4.4	0.9			3.7
Loss on disposal of property, plant & equipment	0.2	0.8	0.2			1.2
Asset impairments	0.9		0.8			1.7
Write-off of financing fees and discount		4.1				4.1
Equity loss (income), net of distributions	15.9	(4.1)	(8.8)		(3.0)	
Intercompany dividends	62.4	7.5	9.3		(79.2)	
Other non-cash items	(0.4)	(0.2)	(0.1)			(0.7)
Net change in operating assets and liabilities, net of acquisitions	(44.3)	(89.8)	76.1	5.7		(52.3)
Net cash provided by (used in) operating activities	29.4	(78.2)	147.4	18.2	(79.2)	37.6
Investing Activities						
Acquisitions, net of cash received			(80.8)			(80.8)
Additions to property, plant & equipment	(0.9)	(20.0)	(10.1)	(0.4)		(31.4)
Additions to intangibles and other assets		(4.3)				(4.3)
Proceeds from sale of property, plant & equipment		1.6				1.6
Net cash (used in) provided by investing activities	(0.9)	(22.7)	(90.9)	(0.4)		(114.9)

Financing Activities						
Payments of long-term debt	(0.1)	(391.4)	(0.3)	(0.8)		(392.6)
Issuance of long-term debt		525.0				525.0
Borrowings under ABL		474.3				474.3
Payments under ABL		(455.4)				(455.4)
Distributions to non-controlling interests				(7.2)		(7.2)
Financing fees		(9.1)				(9.1)
Common shares repurchased and cancelled	(7.7)					(7.7)
Dividends paid to shareholders	(16.4)					(16.4)
Payment of deferred consideration for acquisitions		(32.4)				(32.4)
Intercompany dividends		(9.3)	(62.4)	(7.5)	79.2	
Net cash (used in) provided by financing activities	(24.2)	101.7	(62.7)	(15.5)	79.2	78.5
Effect of exchange rate changes on cash	(0.1)		(0.8)	(0.1)		(1.0)
Net increase (decrease) in cash & cash equivalents	4.2	0.8	(7.0)	2.2		0.2
Cash & cash equivalents, beginning of period	1.5	1.1	39.1	5.5		47.2
Cash & cash equivalents, end of period	\$ 5.7	\$ 1.9	\$ 32.1	\$ 7.7	\$	\$ 47.4

Table of Contents**Consolidating Statements of Condensed Cash Flows***(in millions of U.S. dollars)**Unaudited***For the Three Months Ended September 28, 2013**

	Cott Corporation	Cott Beverages Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Operating Activities						
Net income (loss)	\$ 12.0	\$ (0.9)	\$ 14.7	\$ 1.1	\$ (13.6)	\$ 13.3
Depreciation & amortization	1.6	9.6	12.3	1.6		25.1
Amortization of financing fees		0.7				0.7
Share-based compensation expense	0.3	0.7	0.1			1.1
(Decrease) increase in deferred income taxes	(2.5)	3.4	(0.5)	(0.1)		0.3
Loss on disposal of property, plant & equipment	0.1	0.4	0.6			1.1
Equity (income) loss, net of distributions	(12.6)	(1.3)	0.3		13.6	
Intercompany dividends	2.2	2.4			(4.6)	
Other non-cash items	0.2	(0.2)				
Net change in operating assets and liabilities, net of acquisition	(0.7)	28.3	18.0	0.2		45.8
Net cash provided by operating activities	0.6	43.1	45.5	2.8	(4.6)	87.4
Investing Activities						
Acquisition, net of cash acquired		(4.7)				(4.7)
Additions to property, plant & equipment	(1.1)	(7.9)	(1.2)			(10.2)
Additions to intangibles and other assets		(2.1)				(2.1)
Proceeds from sale of property, plant & equipment				0.2		0.2
Net cash (used in) provided by investing activities	(1.1)	(14.7)	(1.2)	0.2		(16.8)
Financing Activities						
Payments of long-term debt			(0.1)	(0.5)		(0.6)
Distributions to non-controlling interests				(2.2)		(2.2)

Common shares repurchased and cancelled	(4.5)				(4.5)
Financing fees	(0.1)				(0.1)
Dividends paid to shareholders	(5.5)				(5.5)
Intercompany dividends		(2.2)	(2.4)	4.6	
Net cash used in financing activities	(10.1)	(2.3)	(5.1)	4.6	(12.9)
Effect of exchange rate changes on cash	0.5	0.8			1.3
Net (decrease) increase in cash & cash equivalents	(10.1)	28.4	42.8	(2.1)	59.0
Cash & cash equivalents, beginning of period	33.3	13.5	12.6	7.4	66.8
Cash & cash equivalents, end of period	\$ 23.2	\$ 41.9	\$ 55.4	\$ 5.3	\$ 125.8

Table of Contents**Consolidating Statements of Condensed Cash Flows***(in millions of U.S. dollars)**Unaudited***For the Nine Months Ended September 28, 2013**

	Cott Corporate	Cott Beverages	Guaranto InSubsidiaries	Non-Guaranto Subsidiaries	Elimination Entries	Consolidated
Operating Activities						
Net income (loss)	\$ 28.5	\$ (1.6)	\$ 34.3	\$ 5.8	\$ (34.6)	\$ 32.4
Depreciation & amortization	4.7	29.0	36.4	4.6		74.7
Amortization of financing fees	0.1	2.0	0.1			2.2
Share-based compensation expense	1.1	2.2	0.3			3.6
(Decrease) increase in deferred income taxes	(2.0)	5.2	(1.2)	(0.1)		1.9
Loss on disposal of property, plant & equipment	0.1	0.7	0.6			1.4
Equity (income) loss, net of distributions	(31.6)	(3.9)	0.9		34.6	
Intercompany dividends	24.7	5.3			(30.0)	
Other non-cash items	0.2					0.2
Net change in operating assets and liabilities, net of acquisition	(5.2)	2.4	(52.2)	1.5		(53.5)
Net cash provided by (used in) operating activities	20.6	41.3	19.2	11.8	(30.0)	62.9
Investing Activities						
Acquisition, net of cash acquired		(4.7)	(6.5)			(11.2)
Additions to property, plant & equipment	(6.0)	(27.9)	(9.5)	(1.3)		(44.7)
Additions to intangibles and other assets		(4.0)				(4.0)
Proceeds from sale of property, plant & equipment				0.2		0.2
Proceeds from insurance recoveries		0.4				0.4
Net cash used in investing activities	(6.0)	(36.2)	(16.0)	(1.1)		(59.3)
Financing Activities						
Payments of long-term debt	(0.1)	(0.7)	(18.6)	(0.8)		(20.2)
Distributions to non-controlling interests				(5.0)		(5.0)
Common shares repurchased and cancelled	(12.9)					(12.9)
Financing fees	(0.1)					(0.1)
Dividends paid to shareholders	(16.7)					(16.7)
Intercompany dividends			(24.7)	(5.3)	30.0	
Net cash used in financing activities	(29.8)	(0.7)	(43.3)	(11.1)	30.0	(54.9)
Effect of exchange rate changes on cash	(1.4)		(0.9)			(2.3)

Net (decrease) increase in cash & cash equivalents	(16.6)	4.4	(41.0)	(0.4)	(53.6)
Cash & cash equivalents, beginning of period	39.8	37.5	96.4	5.7	179.4
Cash & cash equivalents, end of period	\$ 23.2	\$ 41.9	\$ 55.4	\$ 5.3	\$ 125.8

Table of Contents

Note 17 Subsequent Events

On October 28, 2014, our board of directors declared a dividend of \$0.06 per share on common shares, payable in cash on December 11, 2014 to shareowners of record at the close of business on December 1, 2014.

Table of Contents

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to further the reader's understanding of the consolidated financial condition and results of operations of our Company. It should be read in conjunction with the financial statements included in this quarterly report on Form 10-Q and our annual report on Form 10-K for the year ended December 28, 2013 (the 2013 Annual Report). These historical financial statements may not be indicative of our future performance. This discussion contains a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risks referred to under Risk Factors in Item 1A in our 2013 Annual Report, in Item 1A in our quarterly report on Form 10-Q for the quarter ended June 28, 2014, and in Item 1A in this report.

Overview

We are one of the world's largest producers of beverages on behalf of retailers, brand owners and distributors. We market or supply over 500 retail, licensed and Company-owned brands in the United States, the United Kingdom/Europe, Canada and Mexico. Our product lines include carbonated soft drinks (CSDs), 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, energy drinks and shots, sports products, new age beverages, ready-to-drink teas, beverage concentrates, liquid enhancers, freezables and ready-to-drink alcoholic beverages, as well as hot chocolate, coffee, malt drinks, creamers/whiteners and cereals.

The beverage market is subject to some seasonal variations. Our beverage sales are generally higher during the warmer months and also can be influenced by the timing of holidays and weather fluctuations. Our purchases of raw materials and related accounts payable fluctuate based upon the demand for our products as well as the timing of the fruit growing seasons. The seasonality of our sales volume combined with the seasonal nature of fruit growing causes our working capital needs to fluctuate throughout the year, with inventory levels increasing in the first half of the year in order to meet high summer demand, and with fruit inventories peaking during the last quarter of the year when purchases are made after the growing season. In addition, our accounts receivable balances decline in the fall as customers pay their higher-than-average outstanding balances from the summer deliveries.

We typically operate at low margins and therefore relatively small changes in cost structures can materially affect results.

Ingredient and packaging costs represent a significant portion of our cost of sales. These costs are subject to global and regional commodity price trends. Our most significant commodities are aluminum, polyethylene terephthalate (PET) resin, corn, sugar, fruit and fruit concentrates. We attempt to manage our exposure to fluctuations in ingredient and packaging costs by entering into fixed price commitments for a portion of our ingredient and packaging requirements and implementing price increases as needed.

We supply Walmart and its affiliated companies, under annual non-exclusive supply agreements, with a variety of products in the United States, Canada, the United Kingdom, and Mexico, including CSDs, 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, energy drinks, sports products, new age beverages, and ready-to-drink teas. During the first nine months of 2014, we supplied Walmart with all of its private-label CSDs in the United States. In the event Walmart were to utilize additional suppliers to fulfill a portion of its requirements for CSDs, our operating results could be materially adversely affected. Sales to Walmart for the nine months ended September 27, 2014 and September 28, 2013 accounted for 26.3% and 29.9% of total revenue for those periods, respectively.

On May 30, 2014 (the Acquisition Date), our United Kingdom (U.K.) reporting segment acquired 100 percent of the share capital of Aimia Foods (Holdings) Limited (the Aimia Acquisition), which includes its operating subsidiary company, Aimia Foods Limited (together referred as Aimia) pursuant to a Share Purchase Agreement dated May 30, 2014. Aimia produces and distributes hot chocolate, coffee and cold cereal products primarily through food service, vending and retail channels. The aggregate purchase price for the Aimia Acquisition was £52.1 million (\$87.6 million) payable in cash, which included a payment for estimated closing balance sheet working capital, £19.9 million (\$33.5 million) in deferred consideration, which was paid on September 15, 2014, and aggregate contingent consideration of up to £16.0 million (\$26.9 million), which is payable upon the achievement of certain measures related to Aimia's performance during the twelve months ending July 1, 2016 (the Earn Out Period).

Table of Contents

With the Aimia Acquisition, we have further diversified our product portfolio to include food and beverage products that are typically measured for consumption on an individual serving size basis rather than in the 8 oz. equivalent measurement that we have used historically to report our volumes. As a result, we have determined to report our volumes on an individual serving size basis by converting our volume into servings based on the U.S. Food and Drug Administration guidelines for single-serving sizes of our products. Previously reported volumes in prior periods have been adjusted to conform to this new measurement standard. This change had no impact on previously reported amounts in our consolidated financial statements.

In June 2013, our U.K. reporting segment acquired 100 percent of the share capital of Cooke Bros. Holdings Limited (the Calypso Acquisition), which includes the subsidiary companies Calypso Soft Drinks Limited and Mr. Freeze (Europe) Limited (together, Calypso). Calypso produces fruit juices, juice drinks, soft drinks, and freeze products in the United Kingdom. The aggregate purchase price for the acquisition of Calypso was \$12.1 million, which includes approximately \$7.0 million paid at closing, a deferred payment of approximately \$2.3 million paid on the first anniversary of the closing date, and a deferred payment of approximately \$3.0 million to be paid on the second anniversary of the closing date. The closing payment and first deferred payment were funded from available cash.

Forward-looking Statements

In addition to historical information, this report may contain statements relating to future events and future results. These statements are forward looking within the meaning of the Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation and involve known and unknown risks, uncertainties, future expectations and other factors that may cause actual results, performance or achievements of Cott Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such statements include, but are not limited to, statements that relate to projections of sales, earnings, earnings per share, cash flows, capital expenditures or other financial items, discussions of estimated future revenue enhancements and cost savings. These statements also relate to our business strategy, goals and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. Generally, words such as anticipate, believe, continue, could, endeavor, estimate, expect, intend, may, will, should and similar terms and phrases are used to identify forward-looking statements in this report and in the documents incorporated in this report by reference. These forward-looking statements reflect current expectations regarding future events and operating performance and are made only as of the date of this report.

The forward-looking statements are not guarantees of future performance or events and, by their nature, are based on certain estimates and assumptions regarding interest and foreign exchange rates, expected growth, results of operations, performance, business prospects and opportunities and effective income tax rates, which are subject to inherent risks and uncertainties. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in forward-looking statements may include, but are not limited to, assumptions regarding management's current plans and estimates, our ability to remain a low cost supplier, and effective management of commodity costs. Although we believe the assumptions underlying these forward-looking statements are reasonable, any of these assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could prove to be incorrect. Our operations involve risks and uncertainties, many of which are outside of our control, and any one or any combination of these risks and uncertainties could also affect whether the forward-looking statements ultimately prove to be correct. These risks and uncertainties include, but are not limited to, those described in Part I, Item 1A. Risk Factors in our 2013 Annual Report, and those described from time to time in our future reports filed with the Securities and Exchange Commission (SEC) and Canadian securities regulatory authorities.

The following are some of the factors that could affect our financial performance, including but not limited to, sales, earnings and cash flows, or could cause actual results to differ materially from estimates contained in or underlying the forward-looking statements:

our ability to compete successfully in the highly competitive beverage category;

changes in consumer tastes and preferences for existing products and our ability to develop and timely launch new products that appeal to such changing consumer tastes and preferences;

loss of or a reduction in business with key customers, particularly Walmart;

fluctuations in commodity prices and our ability to pass on increased costs to our customers, and the impact of those increased prices on our volumes;

our ability to manage our operations successfully;

Table of Contents

our ability to fully realize the potential benefit of acquisitions or other strategic opportunities that we pursue;

our ability to realize the expected benefits of the Aimia Acquisition because of integration difficulties and other challenges;

risks associated with the purchase agreement in connection with the Aimia Acquisition;

the effectiveness of Aimia's system of internal control over financial reporting;

currency fluctuations that adversely affect the exchange between the U.S. dollar and the British pound sterling, the Euro, the Canadian dollar, the Mexican peso and other currencies;

our ability to maintain favorable arrangements and relationships with our suppliers;

our substantial indebtedness and our ability to meet our obligations under our debt agreements, and risks of further increases to our indebtedness;

our ability to maintain compliance with the covenants and conditions under debt agreements;

fluctuations in interest rates which could increase our borrowing costs;

credit rating changes;

the impact of global financial events on our financial results;

our ability to fully realize the expected cost savings and/or operating efficiencies from our restructuring activities;

any disruption to production at our beverage concentrates or other manufacturing facilities;

our ability to protect our intellectual property;

compliance with product health and safety standards;

liability for injury or illness caused by the consumption of contaminated products;

liability and damage to our reputation as a result of litigation or legal proceedings;

changes in the legal and regulatory environment in which we operate;

the impact of proposed taxes on soda and other sugary drinks;

enforcement of compliance with the Ontario Environmental Protection Act;

unseasonably cold or wet weather, which could reduce demand for our products;

the impact of national, regional and global events, including those of a political, economic, business and competitive nature;

our ability to recruit, retain, and integrate new management;

our exposure to intangible asset risk;

our ability to renew our collective bargaining agreements on satisfactory terms;

disruptions in our information systems; or

volatility of our stock price.

We undertake no obligation to update any information contained in this report or to publicly release the results of any revisions to forward-looking statements to reflect events or circumstances of which we may become aware of after the date of this report. Undue reliance should not be placed on forward-looking statements, and all future written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing.

Non-GAAP Measures

In this report, we supplement our reporting of financial measures determined in accordance with U.S. generally accepted accounting principles (GAAP) by utilizing certain non-GAAP financial measures. We exclude these items to better understand trends in the business. We exclude the impact of foreign exchange to separate the impact of currency exchange rate changes from our results of operations.

Table of Contents

We also utilize earnings before interest expense, taxes, depreciation and amortization (EBITDA), which is GAAP earnings (loss) before interest expense, provision for income taxes, depreciation and amortization. We consider EBITDA to be an indicator of operating performance. We also use EBITDA, as do analysts, lenders, investors and others, because it excludes certain items that can vary widely across different industries or among companies within the same industry. These differences can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies. We also utilize adjusted EBITDA, which is EBITDA excluding restructuring expenses and asset impairments, bond redemption and other financing costs, certain tax reorganization and regulatory costs and acquisition and integration costs related to the Aimia Acquisition, the Calypso Acquisition or the Cliffstar Acquisition, as the case may be (Adjusted EBITDA). We consider Adjusted EBITDA to be an indicator of our operating performance. Adjusted EBITDA excludes certain items to make more meaningful period-over-period comparisons of our ongoing core operations before material charges.

We also utilize adjusted net income (loss), which is GAAP earnings (loss) excluding restructuring expenses and asset impairments, bond redemption and other financing costs, certain tax reorganization and regulatory costs and acquisition and integration costs, as well as adjusted earnings (loss) per diluted share, which is adjusted net income (loss) divided by diluted weighted average outstanding shares. We consider these measures to be indicators of our operating performance. These measures exclude certain items to make period-over-period comparisons of our ongoing core operations before material charges.

We also utilize adjusted gross profit as a percentage of revenue, which is GAAP gross profit excluding purchase accounting inventory step-up divided by GAAP revenue. We consider adjusted gross profit as a percentage of revenue to be an indicator of our operating performance.

We also utilize adjusted selling, general and administrative expenses (SG&A), which is GAAP SG&A excluding acquisition and integration costs. We consider adjusted SG&A expenses to be an indicator of our operating performance.

Additionally, we supplement our reporting of net cash provided by operating activities determined in accordance with GAAP by excluding capital expenditures to present free cash flow and adjusted free cash flow (which is free cash flow excluding bond redemption cash costs), which management believes provides useful information to investors about the amount of cash generated by the business that, after the acquisition of property and equipment, can be used for strategic opportunities, including investing in our business, making strategic acquisitions, paying dividends, and strengthening the balance sheet.

Because we use these adjusted financial results in the management of our business and to understand underlying business performance, we believe this supplemental information is useful to investors for their independent evaluation and understanding of our business performance and the performance of our management. The non-GAAP financial measures described above are in addition to, and not meant to be considered superior to, or a substitute for, our financial statements prepared in accordance with GAAP. In addition, the non-GAAP financial measures included in this report reflect our judgment of particular items, and may be different from, and therefore may not be comparable to, similarly titled measures reported by other companies.

Summary Financial Results

Our net income for the three months ended September 27, 2014 (the third quarter) and our net loss for the nine months ended September 27, 2014 (first nine months of 2014 or year to date) was \$0.4 million or nil per diluted share and \$9.5 million or \$0.10 per diluted share, respectively, compared to net income of \$12.0 million or \$0.13 per diluted share and \$28.5 million or \$0.30 per diluted share for the three and nine months ended September 28, 2013,

respectively.

The following items of significance affected our financial results for the third quarter and first nine months of 2014:

Servings in equivalent cases, excluding concentrate servings, decreased 1.9% year to date. The decrease was due primarily to continued aggressive CSD promotional activity from the national brands in North America, the general market decline in the North America CSD category, as well as a reduction in case pack water in both North America and the U.K, partially offset by a combination of increased juice and drinks volume with additional contract manufacturing business wins and volume from the Calypso and Aimia businesses;

revenue decreased 3.2% year to date from the comparable prior year period due primarily to adverse CSD volume due to continued aggressive promotional activity from the national brands as well as an overall mix shift toward contract manufacturing. Excluding the impact of foreign exchange, revenue decreased 4.8% from the comparable prior year period;

Table of Contents

gross profit as a percentage of revenue decreased to 12.0% year to date compared to 12.3% from the comparable prior year period due primarily to the competitive environment and lower North America volume alongside additional freight and operating costs caused by inclement weather in North America as well as increased freight costs from internal transfers associated with the initial start-up and expansion of contract manufacturing volume, offset in part by a product mix shift into higher margin products; adjusted gross profit as a percentage of revenue decreased to 12.1% compared to 12.3% from the comparable prior year period;

SG&A expenses year to date increased to \$134.2 million from \$120.9 million in the comparable prior year period due primarily to higher employee-related incentive costs in the current year and higher third party fees associated with acquisition activity as well as the addition of the Calypso and Aimia businesses; adjusted selling, general and administrative expenses for the period increased to \$130.8 million from \$118.9 million in the comparable prior year period;

other expense, net was \$22.9 million year to date compared to other income of \$0.4 million in the comparable prior year period due primarily to costs associated with the redemption of our 8.125% Senior Notes due 2018 (the 2018 Notes) partially offset by a favorable legal settlement;

interest expense decreased by \$12.2 million year to date, or 31.0%, as compared to the prior year period due primarily to reduced interest expense resulting from the redemption of our 8.375% Senior Notes due 2017 (the 2017 Notes) as well as more favorable pricing terms under our asset-based lending (ABL) facility;

income tax expense was \$3.4 million year to date compared to \$2.3 million in the comparable prior year period due primarily to current year period pre-tax income in certain jurisdictions that is not offset by losses in other jurisdictions that have valuation allowances;

Adjusted EBITDA decreased to \$135.2 million year to date from \$154.3 million in the comparable prior year period due to the items listed above; reported EBITDA decreased to \$103.7 million year to date from \$148.8 million in the comparable prior year period; and

Adjusted net income and adjusted net income per diluted share were \$20.4 million and \$0.21 year to date, respectively, compared to adjusted net income of \$33.5 million and adjusted earnings per diluted share of \$0.35 in the comparable prior year period.

The following items of significance affected our financial results for the third quarter and first nine months of 2013:

revenue decreased 7.0% year to date from the comparable prior year period (8.1% excluding the impact of Calypso) due primarily to lower global volumes, slightly offset by an increase in average price per case on a global basis. Absent foreign exchange impact, revenue decreased 6.4% year to date from the comparable prior year period;

gross profit as a percentage of revenue decreased to 12.0% and 12.3% for the third quarter and year to date, respectively, compared to 12.5% and 13.2%, respectively, from the comparable prior year period due primarily to lower volumes which resulted in unfavorable fixed cost absorption;

filled beverage 8-ounce equivalents (beverage case volume), which excludes concentrate sales, decreased 8.3% year to date due primarily to the general market decline in the North America CSD category and increased promotional activity from the national brands;

SG&A expenses for the first nine months decreased to \$120.9 million from \$134.4 million in the comparable prior year period due primarily to lower employee-related expenses and a reduction in professional fees and similar costs;

our loss on disposal of property, plant and equipment was related to the disposal of approximately \$1.4 million of equipment that was either replaced or no longer being used in our North America reporting segment;

other income was \$0.4 million year to date compared to other income of \$2.2 million in the comparable prior year period due to insurance recoveries in excess of the loss incurred on a U.S. facility in the amount of \$1.3 million and recording a bargain purchase of \$0.9 million in the U.K. in the prior year compared to \$0.4 million in income associated with foreign exchange effects in the current year;

Table of Contents

interest expense decreased by \$1.2 million as a result of favorable terms associated with amending our ABL facility;

income tax expense was \$2.3 million year to date compared to \$5.5 million in the comparable prior year period, due primarily to a reduction in pretax income;

Adjusted EBITDA decreased 9.4% to \$154.3 million year to date from \$170.4 million in the comparable prior year period due to the items listed above; and

Adjusted net income and adjusted earnings per diluted share were \$33.5 million and \$0.35 year to date, respectively, compared to \$48.7 million and \$0.51 in the prior year, respectively.

Table of Contents

The following table summarizes our Consolidated Statements of Operations as a percentage of revenue for the three and nine months ended September 27, 2014 and September 28, 2013, respectively:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended				For the Nine Months Ended			
	September 27, 2014		September 28, 2013		September 27, 2014		September 28, 2013	
	\$	%	\$	%	\$	%	\$	%
Revenue, net	535.0	100.0	543.2	100.0	1,561.0	100.0	1,612.4	100.0
Cost of sales	471.5	88.1	478.2	88.0	1,373.4	88.0	1,414.4	87.7
Gross profit	63.5	11.9	65.0	12.0	187.6	12.0	198.0	12.3
Selling, general, and administrative expenses	45.0	8.4	37.9	7.0	134.2	8.6	120.9	7.5
Loss on disposal of property, plant & equipment	0.7	0.1	1.1	0.2	1.2	0.1	1.4	0.1
Restructuring and asset impairments								
Restructuring	0.1				2.4	0.2	2.0	0.1
Asset impairments	(0.2)				1.7	0.1		
Operating income	17.9	3.3	26.0	4.8	48.1	3.1	73.7	4.6
Other expense (income), net	5.4	1.0	(0.7)	(0.1)	22.9	1.5	(0.4)	
Interest expense, net	9.0	1.7	13.3	2.4	27.2	1.7	39.4	2.4
Income (loss) before income taxes	3.5	0.7	13.4	2.5	(2.0)	(0.1)	34.7	2.2
Income tax expense	1.8	0.3	0.1		3.4	0.2	2.3	0.1
Net income (loss)	1.7	0.3	13.3	2.4	(5.4)	(0.3)	32.4	2.0
Less: Net income attributable to non-controlling interests	1.3	0.2	1.3	0.2	4.1	0.3	3.9	0.2
Net income (loss) attributed to Cott Corporation	0.4	0.1	12.0	2.2	(9.5)	(0.6)	28.5	1.8
Depreciation & amortization	27.2	5.1	25.1	4.6	78.5	5.0	74.7	4.6

The following table summarizes our revenue and operating income (loss) by reporting segment for the three and nine months ended September 27, 2014 and September 28, 2013, respectively (for purposes of the table below, our Corporate oversight function (Corporate) is not treated as a segment; it includes certain general and administrative costs that are not allocated to any of the reporting segments):

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended		For the Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
<u>Revenue</u>				

Edgar Filing: COTT CORP /CN/ - Form 10-Q

North America	\$ 346.2	\$ 383.3	\$ 1,064.4	\$ 1,194.6
United Kingdom	172.0	142.9	446.7	368.2
All Other	16.8	17.0	49.9	49.6
Total	\$ 535.0	\$ 543.2	\$ 1,561.0	\$ 1,612.4

Operating income (loss)

North America	\$ 8.2	\$ 17.6	\$ 25.6	\$ 58.1
United Kingdom	10.3	9.5	23.3	18.6
All Other	2.4	1.9	8.0	5.8
Corporate	(3.0)	(3.0)	(8.8)	(8.8)
Total	\$ 17.9	\$ 26.0	\$ 48.1	\$ 73.7

Table of Contents

Certain of our volume conversions from 8 oz. equivalent measurements into individual servings were incorrectly applied which resulted in errors in individual servings previously reported in our Quarterly Report on Form 10-Q filed on August 7, 2014 for all periods presented. This conversion primarily impacted the overall percentage changes for the reported quarter to date servings presented during the second quarter of 2014 and the overall gross servings reported within the All Other reporting segment. We have updated the prior period servings disclosed in the tables below. The following table summarizes our servings in equivalent cases (an equivalent case represents a case of twenty four individual servings) by reporting segment for the three and nine months ended September 27, 2014 and September 28, 2013, respectively:

<i>(in millions)</i>	For the Three Months Ended		For the Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
<u><i>Servings in equivalent cases - including concentrate</i></u>				
North America	159.8	165.6	492.9	513.3
United Kingdom ¹	74.3	73.0	202.9	194.3
All Other	77.1	71.9	220.3	215.7
Total	311.2	310.5	916.1	923.3
<u><i>Servings in equivalent cases - excluding concentrate</i></u>				
North America	141.9	147.2	427.4	451.8
United Kingdom ¹	72.0	70.3	194.4	182.8
All Other	6.4	8.2	22.3	21.8
Total	220.3	225.7	644.1	656.4

1. The United Kingdom reporting segment excludes servings that relate to approximately 20% of Aimia's revenues as we are continuing to evaluate the appropriate reporting metric for those excluded products. Revenues are attributed to reporting segments based on the location of the customer.

During 2014, we reclassified certain products in our North America reporting segment which impacts revenue and servings in equivalent cases by product but does not impact total revenue or total servings in equivalent cases within the North America reporting segment. Prior year reported revenue and servings in equivalent cases by product for our North America reporting segment have been revised to reflect this reclassification. The following tables summarize revenue and servings in equivalent cases by product by reporting segment for the three and nine months ended September 27, 2014 and September 28, 2013, respectively:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended September 27, 2014			
	North America	United Kingdom	All Other	Total

<u>Revenue</u>				
Carbonated soft drinks	\$ 135.2	\$ 49.4	\$ 1.9	\$ 186.5
Juice and drinks	99.8	10.2	1.0	111.0
Concentrate	2.1	0.3	7.8	10.2
Sparkling Waters/Mixers	77.4	21.7	0.7	99.8
Energy	7.6	36.1	2.2	45.9
All other products	24.1	54.3	3.2	81.6
 Total	 \$ 346.2	 \$ 172.0	 \$ 16.8	 \$ 535.0

Table of Contents**For the Three Months Ended September 27, 2014**

<i>(in millions)</i>	North America	United Kingdom	All Other	Total
<u>Servings in equivalent cases - including concentrate</u>				
Carbonated soft drinks	62.5	22.9	1.2	86.6
Juice and drinks	27.7	2.2	0.1	30.0
Concentrate	17.9	2.3	70.7	90.9
Sparkling Waters/Mixers	34.1	10.8	0.4	45.3
Energy	1.4	7.6	1.5	10.5
All other products	16.2	28.5	3.2	47.9
Total	159.8	74.3	77.1	311.2

For the Nine Months Ended September 27, 2014

<i>(in millions of U.S. dollars)</i>	North America	United Kingdom	All Other	Total
<u>Revenue</u>				
Carbonated soft drinks	\$ 394.6	\$ 135.4	\$ 5.5	\$ 535.5
Juice and drinks	326.6	35.7	2.7	365.0
Concentrate	7.7	1.5	21.3	30.5
Sparkling Waters/Mixers	236.8	59.9	2.3	299.0
Energy	21.3	97.6	6.8	125.7
All other products	77.4	116.6	11.3	205.3
Total	\$ 1,064.4	\$ 446.7	\$ 49.9	\$ 1,561.0

For the Nine Months Ended September 27, 2014

<i>(in millions)</i>	North America	United Kingdom	All Other	Total
<u>Servings in equivalent cases - including concentrate</u>				
Carbonated soft drinks	181.5	62.6	3.0	247.1
Juice and drinks	89.2	7.1	0.5	96.8
Concentrate	65.5	8.5	198.0	272.0
Sparkling Waters/Mixers	102.9	30.8	1.4	135.1
Energy	3.9	20.4	4.4	28.7
All other products	49.9	73.5	13.0	136.4
Total	492.9	202.9	220.3	916.1

For the Three Months Ended September 28, 2013

<i>(in millions of U.S. dollars)</i>	North America	United Kingdom	All Other	Total
<u>Revenue</u>				
Carbonated soft drinks	\$ 151.6	\$ 46.7	\$ 2.4	\$ 200.7
Juice and drinks	117.3	11.2	0.6	129.1

Edgar Filing: COTT CORP /CN/ - Form 10-Q

Concentrate	2.0	0.5	7.1	9.6
Sparkling Waters/Mixers	77.4	20.5	0.4	98.3
Energy	7.5	32.7	2.3	42.5
All other products	27.5	31.3	4.2	63.0
Total	\$ 383.3	\$ 142.9	\$ 17.0	\$ 543.2

Table of Contents**For the Three Months Ended September 28, 2013**

<i>(in millions)</i>	North America	United Kingdom	All Other	Total
<u><i>Servings in equivalent cases - including concentrate</i></u>				
Carbonated soft drinks	68.1	23.4	1.5	93.0
Juice and drinks	27.6	2.5	0.2	30.3
Concentrate	18.4	2.7	63.7	84.8
Sparkling Waters/Mixers	33.7	12.2	0.4	46.3
Energy	1.3	7.3	1.5	10.1
All other products	16.5	24.9	4.6	46.0
Total	165.6	73.0	71.9	310.5

For the Nine Months Ended September 28, 2013

<i>(in millions of U.S. dollars)</i>	North America	United Kingdom	All Other	Total
<u><i>Revenue</i></u>				
Carbonated soft drinks	\$ 462.5	\$ 119.4	\$ 9.8	\$ 591.7
Juice and drinks	379.9	19.9	2.0	401.8
Concentrate	6.6	1.7	21.2	29.5
Sparkling Waters/Mixers	232.3	53.6	2.7	288.6
Energy	21.0	97.5	5.4	123.9
All other products	92.3	76.1	8.5	176.9
Total	\$ 1,194.6	\$ 368.2	\$ 49.6	\$ 1,612.4

For the Nine Months Ended September 28, 2013

<i>(in millions)</i>	North America	United Kingdom	All Other	Total
<u><i>Servings in equivalent cases - including concentrate</i></u>				
Carbonated soft drinks	208.7	61.1	6.1	275.9
Juice and drinks	85.0	4.8	0.5	90.3
Concentrate	61.5	11.5	193.9	266.9
Sparkling Waters/Mixers	100.0	32.2	3.0	135.2
Energy	3.7	22.0	3.2	28.9
All other products	54.4	62.7	9.0	126.1
Total	513.3	194.3	215.7	923.3

Table of Contents**Results of Operations**

The following tables summarize the change in revenue by reporting segment for the three and nine months ended September 27, 2014 and September 28, 2013, respectively:

**For the Three Months Ended
September 27, 2014**

(in millions of U.S. dollars,

<i>except percentage amounts)</i>	Cott	North America	United Kingdom	All Other
Change in revenue	\$ (8.2)	\$ (37.1)	\$ 29.1	\$ (0.2)
Impact of foreign exchange ¹	(11.6)	1.7	(13.4)	0.1
Change excluding foreign exchange	\$ (19.8)	\$ (35.4)	\$ 15.7	\$ (0.1)
Percentage change in revenue	(1.5)%	(9.7)%	20.4%	(1.2)%
Percentage change in revenue excluding foreign exchange	(3.6)%	(9.2)%	11.0%	(0.6)%

**For the Nine Months Ended
September 27, 2014**

(in millions of U.S. dollars,

<i>except percentage amounts)</i>	Cott	North America	United Kingdom	All Other
Change in revenue	\$ (51.4)	\$ (130.2)	\$ 78.5	\$ 0.3
Impact of foreign exchange ¹	(25.5)	7.9	(34.0)	0.6
Change excluding foreign exchange	\$ (76.9)	\$ (122.3)	\$ 44.5	\$ 0.9
Percentage change in revenue	(3.2)%	(10.9)%	21.3%	0.6%
Percentage change in revenue excluding foreign exchange	(4.8)%	(10.2)%	12.1%	1.8%

1. Impact of foreign exchange is the difference between the current year's revenue translated utilizing the current year's average foreign exchange rates less the current year's revenue translated utilizing the prior year's average foreign exchange rates.

**For the Three Months Ended
September 28, 2013**

(in millions of U.S. dollars,

<i>except percentage amounts)</i>	Cott	North America	United Kingdom	All Other
Change in revenue	\$ (40.6)	\$ (56.0)	\$ 17.4	\$ (2.0)
Impact of foreign exchange ¹	4.7	2.0	2.9	(0.2)
Change excluding foreign exchange	\$ (35.9)	\$ (54.0)	\$ 20.3	\$ (2.2)
Percentage change in revenue	(7.0)%	(12.7)%	13.9%	(10.5)%
Percentage change in revenue excluding foreign exchange	(6.1)%	(12.3)%	16.2%	(11.6)%

Table of Contents**For the Nine Months Ended
September 28, 2013***(in millions of U.S. dollars,**except percentage amounts)*

	Cott	North America	United Kingdom	All Other
Change in revenue	\$ (121.0)	\$ (128.5)	\$ 12.0	\$ (4.5)
Impact of foreign exchange ¹	9.2	2.9	7.3	(1.0)
Change excluding foreign exchange	\$ (111.8)	\$ (125.6)	\$ 19.3	\$ (5.5)
Percentage change in revenue	(7.0)%	(9.7)%	3.4%	(8.3)%
Percentage change in revenue excluding foreign exchange	(6.4)%	(9.5)%	5.4%	(10.2)%

1. Impact of foreign exchange is the difference between the current year's revenue translated utilizing the current year's average foreign exchange rates less the current year's revenue translated utilizing the prior year's average foreign exchange rates.

The following table summarizes our EBITDA and Adjusted EBITDA for the three and nine months ended September 27, 2014 and September 28, 2013, respectively:

	For the Three Months Ended		For the Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
<i>(in millions of U.S. dollars)</i>				
Net income (loss) attributed to Cott Corporation	\$ 0.4	\$ 12.0	\$ (9.5)	\$ 28.5
Interest expense, net	9.0	13.3	27.2	39.4
Income tax expense	1.8	0.1	3.4	2.3
Depreciation & amortization	27.2	25.1	78.5	74.7
Net income attributable to non-controlling interests	1.3	1.3	4.1	3.9
EBITDA	\$ 39.7	\$ 51.8	\$ 103.7	\$ 148.8
Restructuring and asset impairments	(0.1)		4.1	2.0
Bond redemption and other financing costs	4.7		25.2	
Tax reorganization and regulatory costs	0.8	0.5	1.1	0.5
Acquisition and integration costs, net ¹	0.5	1.2	1.1	3.0
Adjusted EBITDA	\$ 45.6	\$ 53.5	\$ 135.2	\$ 154.3

1.

For the nine months ended September 27, 2014, acquisition and integration costs, net includes purchase accounting inventory step-up adjustments included within cost of sales, acquisition and integration costs related to the Aimia Acquisition, the Calypso Acquisition and the Cliffstar Acquisition included within SG&A expenses partially offset by a favorable legal settlement included within other expense (income), net as reported in our Consolidated Statements of Operations.

Table of Contents

The following table summarizes our adjusted net income and adjusted earnings per share for the three and nine months ended September 27, 2014 and September 28, 2013, respectively:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended		For the Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Net income (loss) attributed to Cott Corporation	\$ 0.4	\$ 12.0	\$ (9.5)	\$ 28.5
Restructuring and asset impairments, net of tax			3.2	1.9
Bond redemption and other financing costs, net of tax	4.7		25.2	
Tax reorganization and regulatory costs, net of tax	0.8	0.5	1.1	0.5
Acquisition and integration costs, net of tax	0.5	1.0	0.4	2.6
Adjusted net income attributed to Cott Corporation	\$ 6.4	\$ 13.5	\$ 20.4	\$ 33.5
Adjusted net income per common share attributed to Cott Corporation				
Basic	\$ 0.07	\$ 0.14	\$ 0.22	\$ 0.35
Diluted	\$ 0.07	\$ 0.14	\$ 0.21	\$ 0.35
Weighted average outstanding shares (millions) attributed to Cott Corporation				
Basic	93.6	94.2	94.1	94.9
Diluted	94.3	94.8	95.1	95.8

The following unaudited financial information for the three and nine months ended September 27, 2014 represents the activity of Calypso and Aimia for such periods. Calypso and Aimia were combined with our U.K. operations as of their respective dates of acquisition:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended September 27, 2014	For the Nine Months Ended September 27, 2014
Revenue		
United Kingdom	\$ 172.0	\$ 446.7
Less:		
Calypso	(14.0)	(49.5)
Aimia	(24.8)	(31.8)
United Kingdom excluding Calypso and Aimia	\$ 133.2	\$ 365.4

The following table summarizes our free cash flow for the three and nine months ended September 27, 2014 and September 28, 2013, respectively:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended	
	September 27, 2014	September 28, 2013
Net cash provided by operating activities	\$ 60.5	\$ 87.4
Less: Capital expenditures	(10.8)	(10.2)
Free Cash Flow	\$ 49.7	\$ 77.2

	For the Nine Months Ended	
	September 27, 2014	September 28, 2013
Net cash provided by operating activities	\$ 37.6	\$ 62.9
Less: Capital expenditures	(31.4)	(44.7)
Free Cash Flow	\$ 6.2	\$ 18.2

Table of Contents

The following table summarizes our adjusted free cash flow for the three and nine months ended September 27, 2014 and September 28, 2013, respectively:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended	
	September 27, 2014	September 28, 2013
Free Cash Flow	\$ 49.7	\$ 77.2
Plus: Bond redemption cash costs	3.8	
Adjusted Free Cash Flow	\$ 53.5	\$ 77.2

	For the Nine Months Ended	
	September 27, 2014	September 28, 2013
Free Cash Flow	\$ 6.2	\$ 18.2
Plus: Bond redemption cash costs	20.8	
Adjusted Free Cash Flow	\$ 27.0	\$ 18.2

The following table summarizes our adjusted SG&A expenses for the three and nine months ended September 27, 2014 and September 28, 2013, respectively:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended	
	September 27, 2014	September 28, 2013
Selling, general and administrative expenses	\$ 45.0	\$ 37.9
Less: Acquisition and integration costs	0.5	0.5
Adjusted selling, general and administrative expenses	\$ 44.5	\$ 37.4

	For the Nine Months Ended	
	September 27, 2014	September 28, 2013
Selling, general and administrative expenses	\$ 134.2	\$ 120.9
Less: Acquisition and integration costs	3.4	2.0

Adjusted selling, general and administrative expenses	\$ 130.8	\$	118.9
--	-----------------	----	-------

Table of Contents

The following table summarizes our adjusted gross profit for the three and nine months ended September 27, 2014 and September 28, 2013, respectively:

<i>(in millions of U.S. dollars, except percentage amounts)</i>	For the Three Months Ended	
	September 27, September 28,	
	2014	2013
Revenue, net	\$ 535.0	\$ 543.2
Gross profit	\$ 63.5	\$ 65.0
Plus: Inventory step-up		0.7
Adjusted gross profit	\$ 63.5	\$ 65.7
Adjusted gross profit as a percentage of revenue	11.9%	12.1%

	For the Nine Months Ended	
	September 27, 2014	September 28, 2013
	Revenue, net	\$ 1,561.0
Gross profit	187.6	198.0
Plus: Inventory step-up	1.2	1.0
Adjusted gross profit	\$ 188.8	\$ 199.0
Adjusted gross profit as a percentage of revenue	12.1%	12.3%

Revenue

Revenue decreased \$8.2 million, or 1.5%, and \$51.4 million, or 3.2%, in the third quarter and year to date, respectively, from the comparable prior year periods. Excluding the impact of foreign exchange, revenue decreased 3.6% and 4.8% in the third quarter and year to date, respectively, from the comparable prior year periods.

North America revenue decreased \$37.1 million, or 9.7%, and \$130.2 million, or 10.9%, in the third quarter and year to date, respectively, from the comparable prior year periods due primarily to lower CSD volumes and revenue as a result of prolonged aggressive promotional activity from the national brands, a reduction in case pack water volume, as well as an overall product mix shift into contract manufacturing, offset in part by a combination of increased juice and drinks volume with additional contract manufacturing business wins. Excluding the impact of foreign exchange, revenue decreased 9.2% and 10.2% in the third quarter and year to date, respectively.

U.K. revenue increased \$29.1 million, or 20.4%, and \$78.5 million, or 21.3%, in the third quarter and year to date, respectively, from the comparable prior year periods due primarily to additional revenues from two full quarters of operations of Calypso and Aimia operations from the acquisition date through September 27, 2014. Absent foreign exchange impact, U.K. revenue increased 11.0% and 12.1% in the third quarter and year to date, respectively. Excluding the revenues associated with Calypso and Aimia, U.K revenue increased \$6.0 million and \$17.1 million in the third quarter and year to date, respectively.

All Other revenue decreased \$0.2 million, or 1.2%, and increased \$0.3 million, or 0.6%, in the third quarter and year to date, respectively, from the comparable prior year periods.

Cost of Sales

Cost of sales represented 88.1% and 88.0% of revenue in the third quarter and year to date, respectively, compared to 88.0% and 87.7% in the comparable prior year periods. The increase in cost of sales as a percentage of revenue was due primarily to the competitive environment and lower North America volume alongside additional freight and operating costs caused by inclement weather in North America as well as increased freight costs from internal transfers associated with the initial start-up and expansion of contract manufacturing volume, offset in part by fixed costs absorption associated with increased juice and drinks volume and additional contract manufacturing wins.

Table of Contents***Gross Profit***

Gross profit as a percentage of revenue decreased to 11.9% and 12.0% in the third quarter and year to date, respectively, from 12.0% and 12.3% in the comparable prior year periods due primarily to the competitive environment and lower North America volume alongside additional freight and operating costs caused by inclement weather in North America as well as increased freight costs from internal transfers associated with the initial start-up and expansion of contract manufacturing volume, offset in part by a product mix shift into higher margin products and the increase in contract manufacturing volume.

Selling, General and Administrative Expenses

SG&A expenses increased \$7.1 million, or 18.7%, and \$13.3 million, or 11.0%, in the third quarter and year to date, respectively, from the comparable prior year periods. The increase was due primarily to higher employee-related incentive costs in the current year and an increase in acquisition-related expenses as well as the addition of the Calypso and Aimia businesses. As a percentage of revenue, SG&A expenses increased to 8.4% and 8.6% in the third quarter and year to date, respectively, from 7.0% and 7.5% in the comparable prior year periods, respectively.

Restructuring and Asset Impairments

We implement restructuring programs from time to time that are designed to improve operating effectiveness and lower costs. When we implement these programs, we incur various charges, including severance, asset impairments, and other employment related costs. During the first quarter of 2014, we implemented one such program, which involved the closure of two of our smaller plants, one located in North America and another one located in the United Kingdom (the 2014 Restructuring Plan) and expect to incur total pre-tax charges of approximately \$4.5 million to \$5.5 million during fiscal year 2014. For the nine months ended September 27, 2014, in connection with the 2014 Restructuring Plan, we incurred charges of approximately \$2.4 million related primarily to headcount reductions and \$1.7 million related to asset impairments. We recorded restructuring charges of approximately \$2.0 million related to headcount reductions in the comparable prior year period.

Operating Income

Operating income was \$17.9 million and \$48.1 million in the third quarter and year to date, respectively, compared to \$26.0 million and \$73.7 million in the comparable prior year periods, respectively. The decrease was due primarily to higher SG&A expenses and restructuring and asset impairment charges absent in the comparable prior year period.

Other Expense (Income), Net

Other expense was \$5.4 million and \$22.9 million in the third quarter and year to date, respectively, compared to other income of \$0.7 million and \$0.4 million, respectively, in the comparable prior year periods. The increase in other expense during the year was due primarily to costs associated with the redemption of our 2018 Notes, partially offset by a favorable legal settlement.

Income Taxes

Income tax expense was \$1.8 million and \$3.4 million in the third quarter and year to date, respectively, compared to income tax expense of \$0.1 million and \$2.3 million, respectively, in the comparable prior year periods. This is the result of pre-tax income in certain jurisdictions that is not offset by pre-tax losses in other jurisdictions that have valuation allowances.

Table of Contents**Liquidity and Capital Resources**

The following table summarizes our cash flows for the three and nine months ended September 27, 2014 and September 28, 2013, respectively, as reported in our Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended		For the Nine Months Ended	
	September 27, September 28,		September 27, September 28,	
	2014	2013	2014	2013
Net cash provided by operating activities	\$ 60.5	\$ 87.4	\$ 37.6	\$ 62.9
Net cash used in investing activities	(10.7)	(16.8)	(114.9)	(59.3)
Net cash (used in) provided by financing activities	(91.2)	(12.9)	78.5	(54.9)
Effect of exchange rate changes on cash	(2.1)	1.3	(1.0)	(2.3)
Net (decrease) increase in cash and cash equivalents	(43.5)	59.0	0.2	(53.6)
Cash & cash equivalents, beginning of period	90.9	66.8	47.2	179.4
Cash & cash equivalents, end of period	\$ 47.4	\$ 125.8	\$ 47.4	\$ 125.8

Financial and Capital Resources and Liquidity

As of September 27, 2014, we had total debt of \$608.9 million and \$47.4 million of cash and cash equivalents compared to \$608.1 million of debt and \$125.8 million of cash and cash equivalents as of September 28, 2013.

We believe that our level of resources, which includes cash on hand, available borrowings under the ABL facility and funds provided by operations, will be adequate to fund working capital requirements, capital expenditures, and debt service obligations for the next twelve months. Our ability to generate cash to meet our current expenses and debt service obligations will depend on our future performance. If we do not have enough cash to pay our debt service obligations, or if the ABL facility, or our 5.375% senior notes due 2022 (the 2022 Notes) were to become currently due, either at maturity or as a result of a breach, we may be required to take actions such as amending our ABL facility or the indenture governing our 2022 Notes, refinancing all or part of our existing debt, selling assets, incurring additional indebtedness or raising equity. If we need to seek additional financing, there is no assurance that this additional financing will be available on favorable terms or at all.

Should we desire to consummate significant acquisition opportunities or undertake significant expansion activities, our capital needs would increase and could result in our need to increase available borrowings under our ABL facility or access public or private debt and equity markets.

As of September 27, 2014, our total availability under the ABL facility was \$265.2 million, which was based on our borrowing base (accounts receivables, inventory, and fixed assets) as of October 15, 2014 (the September month-end under the terms of the credit agreement governing our ABL facility). We had \$69.3 million of outstanding borrowings under the ABL facility and \$6.9 million in outstanding letters of credit. As a result, our excess availability under the

ABL facility was \$189.0 million. Each month's borrowing base is not effective until submitted to the lenders, which usually occurs on the fifteenth day of the following month.

We earn approximately 100% of our consolidated operating income in subsidiaries located outside of Canada. All of these foreign earnings are considered to be indefinitely reinvested in foreign jurisdictions where we have made, and will continue to make, substantial investments to support the ongoing development and growth of our international operations. Accordingly, no Canadian income taxes have been provided for on these foreign earnings. Cash and cash equivalents held by our foreign subsidiaries are readily convertible into other foreign currencies, including Canadian dollars. We do not intend, nor do we foresee a need, to repatriate these funds into Canada.

We expect existing domestic cash, cash equivalents, cash flows from operations and the issuance of domestic debt to continue to be sufficient to fund our domestic operating, investing and financing activities. In addition, we expect existing foreign cash, cash equivalents, and cash flows from operations to continue to be sufficient to fund our foreign operating and investing activities.

Table of Contents

In the future, should we require more capital to fund significant discretionary activities in Canada than is generated by our domestic operations and is available through the issuance of domestic debt or stock, we could elect to repatriate future periods' earnings from foreign jurisdictions. This alternative could result in a higher effective tax rate during the period of repatriation. While the likelihood is remote, we could also elect to repatriate earnings from foreign jurisdictions that have previously been considered to be indefinitely reinvested. Upon distribution of those earnings in the form of dividends or otherwise, we may be subject to additional Canadian income taxes and withholding taxes payable to various foreign jurisdictions, where applicable. This alternative could result in a higher effective tax rate in the period in which such a determination is made to repatriate prior period foreign earnings.

A dividend has been declared during each quarter of 2014 for an aggregate dividend payment of approximately \$16.4 million. In the first nine months of 2014, we repurchased 1,072,142 common shares for approximately \$7.7 million through open market transactions of which 1,015,803 were repurchased under our share repurchase program.

On June 24, 2014, we issued \$525.0 million of 2022 Notes. We used a portion of the proceeds from our issuance of the 2022 Notes to purchase \$295.9 million aggregate principal amount of our 2018 Notes in a cash tender offer. The tender offer included approximately \$16.2 million in premium payments as well as accrued interest of \$7.5 million, the write off of approximately \$3.0 million in deferred financing fees, and other costs of approximately \$0.2 million.

On July 9, 2014 and July 24, 2014, we redeemed all of the remaining \$79.1 million aggregate principal amount of our 2018 Notes. The redemption included approximately \$3.8 million in premium payments as well as accrued interest of approximately \$2.5 million and the write off of approximately \$0.8 million in deferred financing fees.

We may, from time to time, depending on market conditions, including without limitation whether the 2022 Notes are then trading at a discount to their face amount, repurchase the 2022 Notes for cash and/or in exchange for shares of our common stock, warrants, preferred stock, debt or other consideration, in each case in open market purchases and/or privately negotiated transactions. The amounts involved in any such transactions, individually or in aggregate, may be material. However, the covenants in our ABL facility subject such purchases to certain limitations and conditions.

Operating Activities

Cash provided by operating activities was \$37.6 million year to date compared \$62.9 million in the comparable prior year period. The \$25.3 million decrease in cash provided by operating activities was due primarily to a decrease in net income.

Investing Activities

Cash used in investing activities was \$114.9 million year to date compared to \$59.3 million in the comparable prior year period. The \$55.6 million increase in cash used in investing activities was due primarily to the Aimia Acquisition, partially offset by a reduction in fixed asset purchases.

Financing Activities

Cash provided by financing activities was \$78.5 million year to date compared to cash used of \$54.9 million in the comparable prior year period. The \$133.4 change was due primarily to the proceeds received from the issuance of the 2022 Notes, partially offset by the redemption of the 2018 Notes, financing fees associated with the 2022 Notes and the payment of non-contingent deferred consideration for the Aimia Acquisition.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as defined under Item 303(a)(4) of Regulation S-K as of September 27, 2014.

Contractual Obligations

Other than the retirement of the 2017 Notes and the 2018 Notes, and the issuance of the 2022 Notes, each discussed below under the heading Debt, we have no material changes to the disclosure on this matter made in our 2013 Annual Report.

Table of Contents**Debt***Asset-Based Lending Facility*

On March 31, 2008, we entered into a credit agreement with JPMorgan Chase Bank N.A. as Agent that created an ABL facility to provide financing for our North America, U.K. and Mexico operations. In connection with the Cliffstar Acquisition, we refinanced the ABL facility on August 17, 2010 to, among other things, provide for the Cliffstar Acquisition, the issuance of the 2018 Notes and the application of net proceeds therefrom, the underwritten public offering of 13,340,000 common shares at a price of \$5.67 per share and the application of net proceeds therefrom and to increase the amount available for borrowings to \$275.0 million. We drew down a portion of the indebtedness under the ABL facility in order to fund the Cliffstar Acquisition. We incurred \$5.4 million of financing fees in connection with the refinancing of the ABL facility.

On July 19, 2012, we amended the ABL facility to, among other things, extend the maturity date to July 19, 2017. We incurred \$1.2 million of financing fees in connection with the amendment of the ABL facility.

On October 22, 2013, we amended the ABL facility to, among other things, (1) provide for an increase in the lenders commitments under the ABL facility to \$300.0 million, as well as to increase the accordion feature, which permits us to increase the lenders commitments under the ABL facility to \$350.0 million, subject to certain conditions, (2) extend the maturity date to October 22, 2018, and (3) provide for greater flexibility under certain covenants. We incurred approximately \$0.7 million of financing fees in connection with the amendment of the ABL facility.

On May 28, 2014, we amended the ABL facility to increase our ability to incur certain unsecured debt and earnout consideration for permitted acquisitions, as well as to allow us to add additional borrowers and to designate additional guarantors to be included in the borrowing base calculation. We incurred approximately \$0.2 million of financing fees in connection with the amendment of the ABL facility. These costs are included in the SG&A expenses of our Consolidated Statements of Operations.

The financing fees incurred in connection with the refinancing of the ABL facility on August 17, 2010, along with the financing fees incurred in connection with the amendments of the ABL facility, other than the amendment on May 28, 2014, are being amortized using the straight-line method over the duration of the amended ABL facility. Each of the amendments, with the exception of the amendment on May 28, 2014, was considered to be a modification of the original agreement under GAAP.

As of September 27, 2014, we had \$69.3 million of outstanding borrowings under the ABL facility. The commitment fee was 0.375% per annum of the unused commitment, which, taking into account \$6.9 million of letters of credit, was \$189.0 million as of September 27, 2014.

5.375% Senior Notes due in 2022

On June 24, 2014, we issued \$525.0 million of the 2022 Notes to qualified purchasers in a private placement under Rule 144A and Regulation S under the Securities Act of 1933. The issuer of the 2022 Notes is our wholly-owned U.S. subsidiary Cott Beverages Inc., and we and most of our U.S., Canadian and U.K. subsidiaries guarantee the 2022 Notes. The interest on the 2022 Notes is payable semi-annually on January 1st and July 1st of each year commencing on January 1, 2015.

We incurred \$9.2 million of financing fees in connection with the issuance of the 2022 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of

the 2022 Notes.

8.125% Senior Notes due in 2018

On August 17, 2010, we issued \$375.0 million of the 2018 Notes. The issuer of the 2018 Notes was our wholly-owned U.S. subsidiary Cott Beverages Inc., and we and most of our U.S., Canadian and U.K. subsidiaries guaranteed the 2018 Notes. The interest on the 2018 Notes was payable semi-annually on March 1st and September 1st of each year. We incurred \$8.6 million of financing fees in connection with the issuance of the 2018 Notes.

On June 24, 2014, we used a portion of the proceeds from our issuance of the 2022 Notes to purchase \$295.9 million aggregate principal amount of our 2018 Notes in a cash tender offer. The tender offer included approximately \$16.2 million in premium payments as well as accrued interest of \$7.5 million, the write off of approximately \$3.0 million in deferred financing fees, and other costs of approximately \$0.2 million.

Table of Contents

On July 9, 2014 and July 24, 2014, we redeemed all of the remaining \$79.1 million aggregate principal amount of our 2018 Notes. The redemption included approximately \$3.8 million in premium payments as well as accrued interest of approximately \$2.5 million and the write off of approximately \$0.8 million in deferred financing fees.

8.375% Senior Notes due in 2017

On November 13, 2009, we issued \$215.0 million of the 2017 Notes. The 2017 Notes were issued at a \$3.1 million discount. The issuer of the 2017 Notes was our wholly-owned U.S. subsidiary Cott Beverages Inc., and we and most of our U.S., Canadian and U.K. subsidiaries guaranteed the 2017 Notes. The interest on the 2017 Notes was payable semi-annually on May 15th and November 15th of each year. We incurred \$5.1 million of financing fees in connection with the 2017 Notes.

On November 15, 2013, we redeemed \$200.0 million aggregate principal amount of our 2017 Notes at 104.118% of par. The redemption included approximately \$8.2 million in premium payments, the write off of approximately \$4.0 million in deferred financing fees and discount charges, and other costs of approximately \$0.5 million.

On February 19, 2014, we redeemed all of the remaining \$15.0 million aggregate principal amount of the 2017 Notes at 104.118% of par. The redemption included approximately \$0.6 million in premium payments as well as the write off of approximately \$0.3 million in deferred financing fees and discount charges.

GE Term Loan

In January 2008, we entered into a capital lease finance arrangement with General Electric Capital Corporation (GE Capital) for the lease of equipment. In September 2013, we purchased the equipment subject to the lease for an aggregate purchase price of \$10.7 million, with the financing for such purchase provided by GE Capital at 5.23% interest.

Credit Ratings and Covenant Compliance

Credit Ratings

On June 10, 2014, Moody's assigned a B3 rating to the 2022 Notes and affirmed the B2 corporate family rating and the rating outlook at stable.

On June 10, 2014, S&P assigned a B+ rating to the 2022 Notes, affirmed the B+ long-term corporate credit rating, and changed the rating outlook from watch developing to negative.

Covenant Compliance

5.375% Senior Notes due in 2022

Under the indenture governing the 2022 Notes, we are subject to a number of covenants, including covenants that limit our and certain of our subsidiaries' ability, subject to certain exceptions and qualifications, to (i) pay dividends or make distributions, repurchase equity securities, prepay subordinated debt or make certain investments, (ii) incur additional debt or issue certain disqualified stock or preferred stock, (iii) create or incur liens on assets securing indebtedness, (iv) merge or consolidate with another company or sell all or substantially all of our assets taken as a whole, (v) enter into transactions with affiliates and (vi) sell assets. As of September 27, 2014, we were in compliance with all of the covenants under the 2022 Notes and there have been no amendments to any such covenants since the

2022 Notes were issued.

8.125% Senior Notes due in 2018

Under the indenture governing the 2018 Notes, we are subject to a number of covenants, including covenants that limit our and certain of our subsidiaries' ability, subject to certain exceptions and qualifications, to (i) pay dividends or make distributions, repurchase equity securities, prepay subordinated debt or make certain investments, (ii) incur additional debt or issue certain disqualified stock or preferred stock, (iii) create or incur liens on assets securing indebtedness, (iv) merge or consolidate with another company or sell all or substantially all of our assets taken as a whole, (v) enter into transactions with affiliates and (vi) sell assets. On June 24, 2014, we purchased \$295.9 million aggregate principal amount of our 2018 Notes in a cash tender offer. On July 9, 2014 and July 24, 2014, we redeemed all of the remaining \$79.1 million aggregate principal amount of our 2018 Notes. As of September 27, 2014, we were in compliance with all of the covenants under the 2018 Notes and there have been no amendments to any such covenants since the 2018 Notes were issued. At all times prior to the redemption of the remaining outstanding 2018 Notes, we were in compliance with all of the covenants under the 2018 Notes.

Table of Contents*8.375% Senior Notes due in 2017*

Under the indenture governing the 2017 Notes, we are subject to a number of covenants, including covenants that limit our and certain of our subsidiaries' ability, subject to certain exceptions and qualifications, to (i) pay dividends or make distributions, repurchase equity securities, prepay subordinated debt or make certain investments, (ii) incur additional debt or issue certain disqualified stock or preferred stock, (iii) create or incur liens on assets securing indebtedness, (iv) merge or consolidate with another company or sell all or substantially all of our assets taken as a whole, (v) enter into transactions with affiliates and (vi) sell assets. On February 19, 2014, we redeemed the remaining 2017 Notes, which had an aggregate principal amount of \$15.0 million. At all times prior to the redemption of the remaining outstanding 2017 Notes, we were in compliance with all of the covenants under the 2017 Notes.

ABL Facility

Under the credit agreement governing the ABL facility, Cott and its restricted subsidiaries are subject to a number of business and financial covenants, including a covenant requiring a minimum fixed charge coverage ratio of at least 1.1 to 1.0 effective when and if excess availability is less than the greater of 10% of the lenders' commitments under the ABL facility or \$27.5 million. If excess availability is less than the greater of 12.5% of the lenders' commitments under the ABL facility or \$34.375 million, the lenders will take dominion over the cash and will apply excess cash to reduce amounts owing under the facility. We were in compliance with all of the applicable covenants under the ABL facility as of September 27, 2014.

*Issuer Purchases of Equity Securities**Common Share Repurchase Program*

On May 6, 2014, our board of directors approved the renewal of our share repurchase program for up to 5% of Cott's outstanding common shares over a 12-month period commencing upon the expiration of Cott's then-effective share repurchase program on May 21, 2014. During the third quarter ended September 27, 2014, we repurchased 642,680 common shares for approximately \$4.6 million through open market transactions. See Part II, Item 2 of this Quarterly Report on Form 10-Q. We are unable to predict the number of shares or the aggregate dollar amount of the shares that ultimately will be repurchased under the share repurchase program. We may discontinue purchases at any time, subject to compliance with applicable regulatory requirements.

Capital structure

Since December 28, 2013, equity has decreased by \$40.7 million. The decrease was primarily the result of dividend payments of \$16.4 million, unfavorable changes in our currency translation adjustment of \$9.5 million, common share repurchases of \$7.7 million and distributions to non-controlling interest of \$7.2 million.

Dividend payments

On July 29, 2014, our board of directors declared a dividend of \$0.06 per share on our common shares, payable in cash on September 10, 2014 to shareowners of record at the close of business on August 28, 2014. On October 28, 2014, our board of directors declared a dividend of \$0.06 per share on our common shares, payable in cash on December 11, 2014 to shareowners of record at the close of business on December 1, 2014.

Cott intends to pay a regular quarterly dividend on its common shares subject to, among other things, the best interests of its shareowners, Cott's results of operations, cash balances and future cash requirements, financial condition,

statutory regulations and covenants set forth in the ABL facility and indenture governing the 2022 Notes, as well as other factors that our board of directors may deem relevant from time to time.

Critical Accounting Policies

Our critical accounting policies require management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and the accompanying notes. These estimates are based on historical experience, the advice of external experts or on other assumptions management believes to be reasonable. Where actual amounts differ from estimates, revisions are included in the results for the period in which actual amounts become known. Historically, differences between estimates and actual amounts have not had a significant impact on our consolidated financial statements.

Table of Contents

Critical accounting policies and estimates used to prepare the financial statements are discussed with our Audit Committee as they are implemented and on an annual basis.

We have no material changes to our Critical Accounting Policies and Estimates disclosure as filed in our 2013 Annual Report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the ordinary course of business, we are exposed to foreign currency, interest rate and commodity price risks. We hedge firm commitments or anticipated transactions and do not enter into derivatives for speculative purposes. We do not hold financial instruments for trading purposes.

Currency Exchange Rate Risk

Our North America and U.K. reporting segments purchase a portion of their inventory for our Canadian and European operations, respectively, through transactions denominated and settled in U.S. dollars and Euros, respectively, currencies different from the functional currency of those operations. These inventory purchases are subject to exposure from movements in exchange rates. We use foreign exchange forward contracts to hedge operational exposures resulting from changes in these foreign currency exchange rates. The intent of the foreign exchange contracts is to provide predictability in our overall cost structure. These foreign exchange contracts, carried at fair value, typically have maturities of less than eighteen months. We had outstanding foreign exchange forward contracts with notional amounts of \$1.8 million and \$3.6 million as of September 27, 2014 and December 28, 2013, respectively.

Debt Obligations and Interest Rates

Our ABL facility is vulnerable to fluctuations in the U.S. short-term base rate and the LIBOR rate. In light of our \$69.3 million of ABL borrowings outstanding as of September 27, 2014, a 100 basis point increase in the current per annum interest rate for our ABL facility (excluding the \$6.9 million of outstanding letters of credit) would result in additional interest expense of approximately \$0.7 million during the next year. The weighted average interest rate of our debt outstanding at September 27, 2014 was 5.0%.

Commodity Price Risk

During 2014, we have entered into commodity swaps on aluminum to mitigate the price risk associated with forecasted purchases of materials used in our manufacturing process. These derivative instruments have been designated and qualify as a part of our commodity cash flow hedging program. The objective of this hedging program is to reduce the variability of cash flows associated with future purchases of aluminum. The total notional values of derivatives that were designated and qualified for our commodity cash flow hedging program were \$43.0 million and nil as of September 27, 2014 and December 28, 2013, respectively.

Item 4. Controls and Procedures Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Company s management, under the supervision and with the participation of the Company s Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company s disclosure controls and procedures as of September 27, 2014. Based upon this evaluation, the Company s Chief Executive Officer and Chief Financial Officer concluded that, as of September 27, 2014, the Company s disclosure controls and procedures are functioning effectively to ensure that information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and accumulated and communicated to the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Table of Contents

In addition, our management carried out an evaluation, as required by Rule 13a-15(d) of the Exchange Act, with the participation of our Chief Executive Officer and our Chief Financial Officer, of changes in our internal control over financial reporting. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that there have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**Item 1. Legal Proceedings**

Reference is made to the legal proceedings described in our 2013 Annual Report.

Item 1A. Risk Factors

There has been no material change in our risk factors since June 28, 2014. Please refer to the risk factors in Item 1A in our 2013 Annual Report, as updated by our quarterly report on Form 10-Q for the quarter ended June 28, 2014.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
Issuer Purchases of Equity Securities***Common Share Repurchase Program*

On May 6, 2014, our board of directors approved the renewal of our share repurchase program for up to 5% of Cott's outstanding common shares over a 12-month period commencing upon the expiration of Cott's then-effective share repurchase program on May 21, 2014. During the third quarter ended September 27, 2014, we repurchased 642,680 common shares for approximately \$4.6 million through open market transactions. We are unable to predict the number of shares that ultimately will be repurchased under the share repurchase program, or the aggregate dollar amount of the shares actually purchased. We may discontinue purchases at any time, subject to compliance with applicable regulatory requirements.

The following table summarizes the repurchase activity under our share repurchase program during the third quarter of 2014:

Total Number of Shares of Common Stock Purchased	Average Price Paid per Share of Common Stock	Total Number of Shares of Common Stock Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares of Common Stock that May Yet Be Purchased Under the Plans or Programs
---	---	---	---

Edgar Filing: COTT CORP /CN/ - Form 10-Q

July 2014	379,680	\$ 6.93	379,680	4,079,921
August 2014	157,500	7.33	157,500	3,922,421
September 2014	105,500	7.38	105,500	3,816,921
Total	642,680		642,680	

Table of Contents**Item 6. Exhibits**

Number	Description
3.1	Articles of Amalgamation of Cott Corporation (incorporated by reference to Exhibit 3.1 to our Form 10-K (file no. 001-31410) filed February 28, 2007).
3.2	Second Amended and Restated By-laws of Cott Corporation, as amended (incorporated by reference to Exhibit 3.2 to our Form 10-Q filed May 8, 2014).
31.1	Certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended September 27, 2014 (filed herewith).
31.2	Certification of the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended September 27, 2014 (filed herewith).
32.1	Certification of the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended September 27, 2014 (furnished herewith).
32.2	Certification of the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended September 27, 2014 (furnished herewith).
101	The following financial statements from Cott Corporation's Quarterly Report on Form 10-Q for the quarter ended September 27, 2014, filed on November 4, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Equity, (vi) Notes to the Consolidated Financial Statements (filed herewith).

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COTT CORPORATION

(Registrant)

Date: November 4, 2014

/s/ Jay Wells

Jay Wells

Chief Financial Officer

(On behalf of the Company)

Date: November 4, 2014

/s/ Gregory Leiter

Gregory Leiter

Senior Vice President, Chief Accounting Officer and
Assistant Secretary

(Principal Accounting Officer)

Table of Contents**Exhibit Index**

Number	Description
3.1	Articles of Amalgamation of Cott Corporation (incorporated by reference to Exhibit 3.1 to our Form 10-K (file no. 001-31410) filed February 28, 2007).
3.2	Second Amended and Restated By-laws of Cott Corporation, as amended (incorporated by reference to Exhibit 3.2 to our Form 10-Q filed May 8, 2014).
31.1	Certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended September 27, 2014 (filed herewith).
31.2	Certification of the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended September 27, 2014 (filed herewith).
32.1	Certification of the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended September 27, 2014 (furnished herewith).
32.2	Certification of the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended September 27, 2014 (furnished herewith).
101	The following financial statements from Cott Corporation's Quarterly Report on Form 10-Q for the quarter ended September 27, 2014, filed on November 4, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Equity, (vi) Notes to the Consolidated Financial Statements (filed herewith).