

COTT CORP /CN/  
Form 10-Q  
October 29, 2009  
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**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 26, 2009

.. **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: 000-31410

**COTT CORPORATION**

(Exact name of registrant as specified in its charter)

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

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 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.

|  |   |
|--|---|
| Large accelerated filer <input type="checkbox"/>   | Accelerated filer <input checked="" type="checkbox"/> |
| Non-accelerated filer <input type="checkbox"/> (do not check if a smaller reporting company) | Smaller reporting company <input type="checkbox"/>    |

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 23, 2009 |
|--------------------------------------|---------------------------------|
| Common Stock, no par value per share | 81,306,330 shares               |

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****Cott Corporation****Consolidated Statements of Operations**

(in millions of U.S. dollars, except per share amounts)

**Unaudited**

|   | For the Three Months<br>Ended |                       | For the Nine Months Ended |                       |
|---|-------------------------------|-----------------------|---------------------------|-----------------------|
|   | September 26,<br>2009         | September 27,<br>2008 | September 26,<br>2009     | September 27,<br>2008 |
| <b>Revenue, net</b>   | <b>\$ 404.9</b>               | \$ 420.5              | <b>\$ 1,210.7</b>         | \$ 1,276.7            |
| Cost of sales   | <b>341.1</b>                  | 372.8                 | <b>1,015.4</b>            | 1,131.2               |
| <b>Gross profit</b>   | <b>63.8</b>                   | 47.7                  | <b>195.3</b>              | 145.5                 |
| Selling, general and administrative expenses                              | <b>36.9</b>                   | 42.4                  | <b>106.7</b>              | 139.7                 |
| Loss on disposal of property, plant & equipment                           |                               | 0.1                   |                           | 0.4                   |
| Restructuring, goodwill and asset impairments                             | Note 2                        |                       |                           |                       |
| Restructuring   |                               | (0.1)                 | <b>1.6</b>                | 6.6                   |
| Goodwill impairments  |                               | 69.2                  |                           | 69.2                  |
| Asset impairments   |                               | 26.6                  | <b>3.5</b>                | 27.0                  |
| <b>Operating income (loss)</b>  | <b>26.9</b>                   | (90.5)                | <b>83.5</b>               | (97.4)                |
| Other expense (income), net   | <b>3.2</b>                    | 0.4                   | <b>0.5</b>                | (5.8)                 |
| Interest expense, net   | <b>7.6</b>                    | 8.6                   | <b>22.7</b>               | 24.3                  |
| <b>Income (loss) before income taxes</b>                                  | <b>16.1</b>                   | (99.5)                | <b>60.3</b>               | (115.9)               |
| Income tax (benefit) expense  | Note 4                        | <b>0.9</b>            | (12.2)                    | <b>(10.7)</b>         |
| <b>Net income (loss)</b>  | <b>\$ 15.2</b>                | \$ (87.3)             | <b>\$ 71.0</b>            | \$ (109.4)            |
| Less: Net income attributable to non-controlling interests                | <b>1.3</b>                    | 0.3                   | <b>3.5</b>                | 1.3                   |
| <b>Net income (loss) attributed to Cott Corporation</b>                   | <b>\$ 13.9</b>                | \$ (87.6)             | <b>\$ 67.5</b>            | \$ (110.7)            |
| <b>Net income (loss) per common share attributed to Cott Corporation</b>  | Note 5                        |                       |                           |                       |
| Basic   | <b>\$ 0.18</b>                | \$ (1.25)             | <b>\$ 0.93</b>            | \$ (1.56)             |
| Diluted   | <b>\$ 0.18</b>                | \$ (1.25)             | <b>\$ 0.92</b>            | \$ (1.56)             |
| <b>Weighted average outstanding shares attributed to Cott Corporation</b> |                               |                       |                           |                       |
| Basic   | <b>76.6</b>                   | 70.3                  | <b>72.5</b>               | 71.1                  |

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|         |             |      |             |      |
|---------|-------------|------|-------------|------|
| Diluted | <b>77.0</b> | 70.3 | <b>73.1</b> | 71.1 |
|---------|-------------|------|-------------|------|

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 26,<br>2009 | December 27,<br>2008 |
|---|-----------------------|----------------------|
| <b>ASSETS</b>   |                       |                      |
| <i>Current assets</i>   |                       |                      |
| Cash & cash equivalents   | \$ 19.0               | \$ 14.7              |
| Accounts receivable, net of allowance of \$6.7 (\$5.5 as of December 27, 2008)    | 169.4                 | 164.4                |
| Income taxes recoverable  | 9.2                   | 7.7                  |
| Inventories   | Note 7<br>112.5       | 111.1                |
| Prepaid and other expenses  | 11.1                  | 9.3                  |
| Deferred income taxes   | 12.7                  | 3.0                  |
| Other current assets  | 2.1                   |                      |
| <b>Total current assets</b>   | <b>336.0</b>          | 310.2                |
| Property, plant and equipment   | 338.3                 | 346.8                |
| Goodwill  | Note 8<br>29.7        | 27.0                 |
| Intangibles and other assets  | Note 8<br>152.2       | 169.6                |
| Deferred income taxes   | 22.0                  | 10.3                 |
| Other tax receivable  |                       | 9.2                  |
| <b>Total assets</b>   | <b>\$ 878.2</b>       | \$ 873.1             |
| <b>LIABILITIES AND EQUITY</b>   |                       |                      |
| <i>Current liabilities</i>  |                       |                      |
| Short-term borrowings   | Note 9<br>\$          | \$ 107.5             |
| Current maturities of long-term debt  | 7.2                   | 7.6                  |
| Income taxes payable  | 2.1                   | 0.1                  |
| Accounts payable and accrued liabilities  | 171.1                 | 166.7                |
| <b>Total current liabilities</b>  | <b>180.4</b>          | 281.9                |
| Long-term debt  | Note 9<br>269.0       | 294.4                |
| Other long-term liabilities   | Note 2<br>13.7        | 16.0                 |
| Other tax liabilities   | 12.3                  | 18.3                 |
| Deferred income taxes   | 21.0                  | 16.0                 |
| <b>Total liabilities</b>  | <b>496.4</b>          | 626.6                |
| Contingencies and Commitments   | Note 10               |                      |
| <i>Equity</i>   |                       |                      |
| Capital stock, no par - 81,306,330 (December 27, 2008 - 71,871,330) shares issued | 322.4                 | 275.0                |
| Treasury stock  | Note 11<br>(5.3)      | (6.4)                |
| Additional paid-in-capital  | 38.1                  | 38.1                 |
| Retained earnings (deficit)   | 37.8                  | (29.7)               |

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|                                      |                 |                 |
|--------------------------------------|-----------------|-----------------|
| Accumulated other comprehensive loss | (27.0)          | (47.8)          |
| <b>Total Cott Corporation equity</b> | <b>366.0</b>    | 229.2           |
| Non-controlling interests            | 15.8            | 17.3            |
| <b>Total equity</b>                  | <b>381.8</b>    | 246.5           |
| <b>Total liabilities and equity</b>  | <b>\$ 878.2</b> | <b>\$ 873.1</b> |

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 26,<br>2009      | September 27,<br>2008 | September 26,<br>2009     | September 27,<br>2008 |
| <b>Operating Activities</b>  |                            |                       |                           |                       |
| Net income (loss)  | \$ 15.2                    | \$ (87.3)             | \$ 71.0                   | \$ (109.4)            |
| Depreciation and amortization  | 16.4                       | 20.1                  | 49.7                      | 60.9                  |
| Amortization of financing fees   | 0.4                        | 0.2                   | 1.0                       | 0.8                   |
| Share-based compensation expense   | 0.4                        | 0.3                   | 1.2                       | 5.4                   |
| Increase (decrease) in deferred income taxes                                   |                            | (4.7)                 | 2.9                       | (3.2)                 |
| Decrease in other income tax liabilities                                       | (0.1)                      | (10.1)                | (16.6)                    | (11.1)                |
| Loss on disposal of property, plant & equipment                                |                            | 0.1                   |                           | 0.4                   |
| Gain on buyback of Notes   | 0.2                        |                       | 0.2                       |                       |
| Asset impairments  |                            | (0.8)                 | 3.5                       | (0.4)                 |
| Intangible asset impairments   |                            | 27.4                  |                           | 27.4                  |
| Goodwill impairments   |                            | 69.2                  |                           | 69.2                  |
| Lease contract termination loss  |                            |                       |                           | 0.3                   |
| Lease contract termination payments  | (0.9)                      | (2.7)                 | (2.8)                     | (3.1)                 |
| Other non-cash items   | 2.9                        | 4.2                   | 1.8                       | 4.8                   |
| Change in accounts receivable  | 37.2                       | 30.4                  | 1.9                       | 5.0                   |
| Change in inventories  | 7.7                        | 3.3                   | 2.2                       | (1.3)                 |
| Change in prepaid expenses and other current assets                            | 1.5                        | 3.8                   | (1.5)                     | (2.8)                 |
| Change in other assets   | 0.5                        | (5.6)                 | 0.3                       | (6.0)                 |
| Change in accounts payable and accrued liabilities                             | (24.4)                     | (30.7)                | (0.2)                     | (3.9)                 |
| Change in income taxes recoverable   | (0.2)                      | 1.0                   | 0.6                       | 8.7                   |
| Net cash provided by operating activities                                      | 56.8                       | 18.1                  | 115.2                     | 41.7                  |
| <b>Investing Activities</b>  |                            |                       |                           |                       |
| Additions to property, plant and equipment                                     | (5.3)                      | (22.5)                | (18.9)                    | (46.7)                |
| Additions to intangibles   |                            | (0.1)                 |                           | (3.4)                 |
| Proceeds from disposal of property, plant & equipment and held-for-sale assets | 0.1                        | (0.1)                 | 1.4                       | 2.5                   |
| Net cash used in investing activities  | (5.2)                      | (22.7)                | (17.5)                    | (47.6)                |
| <b>Financing Activities</b>  |                            |                       |                           |                       |
| Payments of long-term debt   | (22.7)                     | (3.0)                 | (26.4)                    | (4.5)                 |
| Issuance of long-term debt   |                            | 17.0                  |                           | 33.6                  |
| Borrowings on credit facility, net   |                            |                       |                           | (127.5)               |
| Short-term borrowings, net   |                            | 0.2                   |                           | (8.2)                 |
| Short-term borrowings, ABL   | 48.9                       | 436.5                 | 679.4                     | 1,031.9               |
| Short-term repayments, ABL   | (115.5)                    | (446.2)               | (788.1)                   | (910.4)               |
| Distributions to non-controlling interests                                     | (2.6)                      | (1.1)                 | (4.9)                     | (2.7)                 |
| Proceeds from issuance of common shares, net of offering costs                 | 47.4                       |                       | 47.4                      |                       |
| Purchase of treasury shares  |                            |                       |                           | (6.4)                 |
| Deferred financing fees  | (1.1)                      | (0.7)                 | (1.1)                     | (5.0)                 |
| Other financing activities   | (0.2)                      | (0.5)                 | (0.4)                     | (0.4)                 |
| Net cash (used in) provided by financing activities                            | (45.8)                     | 2.2                   | (94.1)                    | 0.4                   |



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|   |                |                |                |
|---|----------------|----------------|----------------|
| Effect of exchange rate changes on cash                       | (0.9)          | 0.7            | (1.3)          |
| <b>Net increase (decrease) in cash &amp; cash equivalents</b> | <b>5.8</b>     | <b>(3.3)</b>   | <b>4.3</b>     |
| <b>Cash &amp; cash equivalents, beginning of period</b>       | <b>13.2</b>    | <b>23.9</b>    | <b>14.7</b>    |
| <b>Cash &amp; cash equivalents, end of period</b>             | <b>\$ 19.0</b> | <b>\$ 20.6</b> | <b>\$ 19.0</b> |
| <b>Supplemental Disclosures of Cash Flow Information:</b>     |                |                |                |
| Cash paid for interest  | \$ 2.1         | \$ 2.5         | \$ 16.7        |
| Cash paid for income taxes, net                               | 3.5            | 2.4            | 3.3            |

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<br>Common<br>Shares<br>(In thousands) | Number of<br>Treasury<br>Shares<br>(In thousands) | Common<br>Shares | Treasury<br>Shares | Restricted<br>Shares | Additional<br>Paid-in-<br>Capital | Retained<br>Earnings<br>(Deficit) | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Non-<br>Controlling<br>Interests | Total<br>Equity |
| <b>Balance at<br/>December 29, 2007</b>                       | <b>71,871</b>                                   |   | <b>\$ 275.0</b>  |                    | <b>\$ (0.4)</b>      | <b>\$ 32.2</b>                    | <b>\$ 93.1</b>                    | <b>\$ 32.3</b>   | <b>\$ 19.6</b>                   | <b>\$ 451.8</b> |
| Treasury Shares -<br>Note 11                                  |   | 1,954   |                  | (5.4)              |                      |                                   |                                   |  |                                  | (5.4)           |
| Treasury shares<br>purchased                                  |   |   |                  |                    |                      |                                   |                                   |  |                                  |                 |
| Employee Stock Plan<br>- Note 11                              |   | 353   |                  | (1.0)              |                      | 1.0                               |                                   |  |                                  |                 |
| Restricted shares -<br>Note 3                                 |   |   |                  |                    | 0.4                  | (0.4)                             |                                   |  |                                  |                 |
| Share-based<br>compensation - Note 3                          |   |   |                  |                    |                      | 4.6                               |                                   |  |                                  | 4.6             |
| Distributions to<br>non-controlling<br>interests              |   |   |                  |                    |                      |                                   |                                   |  | (2.7)                            | (2.7)           |
| Currency translation<br>adjustment                            |   |   |                  |                    |                      |                                   |                                   | (25.9)   | (0.1)                            | (26.0)          |
| Pension liabilities, net<br>of tax                            |   |   |                  |                    |                      |                                   |                                   | 0.2  |                                  | 0.2             |
| Net (loss) income   |   |   |                  |                    |                      |                                   | (110.7)                           |  | 1.3                              | (109.4)         |
| <b>Balance at<br/>September 27, 2008</b>                      | <b>71,871</b>                                   | <b>2,307</b>                                      | <b>\$ 275.0</b>  | <b>\$ (6.4)</b>    |                      | <b>\$ 37.4</b>                    | <b>\$ (17.6)</b>                  | <b>\$ 6.6</b>  | <b>\$ 18.1</b>                   | <b>\$ 313.1</b> |
| <b>Balance at<br/>December 27, 2008</b>                       | <b>71,871</b>                                   | <b>2,307</b>                                      | <b>\$ 275.0</b>  | <b>\$ (6.4)</b>    |                      | <b>\$ 38.1</b>                    | <b>\$ (29.7)</b>                  | <b>\$ (47.8)</b>                                       | <b>\$ 17.3</b>                   | <b>\$ 246.5</b> |
| Treasury shares issued<br>- Note 11                           |   | (396)   |                  | 1.1                |                      | (1.1)                             |                                   |  |                                  |                 |
| Common shares<br>issued - Note 12                             | 9,435   |   | 47.4             |                    |                      |                                   |                                   |  |                                  | 47.4            |
| Share-based<br>compensation - Note 3                          |   |   |                  |                    |                      | 1.2                               |                                   |  |                                  | 1.2             |
| Reclassified<br>share-based<br>compensation to<br>liabilities |   |   |                  |                    |                      | (0.1)                             |                                   |  |                                  | (0.1)           |
| Distributions to<br>non-controlling<br>interests              |   |   |                  |                    |                      |                                   |                                   |  | (4.9)                            | (4.9)           |
| Currency translation<br>adjustment                            |   |   |                  |                    |                      |                                   |                                   | 20.3   | (0.1)                            | 20.2            |
| Pension liabilities, net<br>of tax                            |   |   |                  |                    |                      |                                   |                                   | 0.5  |                                  | 0.5             |
| Net income  |   |   |                  |                    |                      |                                   | 67.5                              |  | 3.5                              | 71.0            |

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|                           |               |              |                 |                 |                |                |                  |                |                 |  |
|---------------------------|---------------|--------------|-----------------|-----------------|----------------|----------------|------------------|----------------|-----------------|--|
| <b>Balance at</b>         |               |              |                 |                 |                |                |                  |                |                 |  |
| <b>September 26, 2009</b> | <b>81,306</b> | <b>1,911</b> | <b>\$ 322.4</b> | <b>\$ (5.3)</b> | <b>\$ 38.1</b> | <b>\$ 37.8</b> | <b>\$ (27.0)</b> | <b>\$ 15.8</b> | <b>\$ 381.8</b> |  |

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

**Table of Contents****Cott Corporation****Condensed Consolidated Statements of Comprehensive Income (Loss)****(in millions of U.S. dollars, except per share amounts, U.S. GAAP)****Unaudited**

|   | <b>For the Three Months Ended</b> |                           | <b>For the Nine Months Ended</b> |                           |
|---|-----------------------------------|---------------------------|----------------------------------|---------------------------|
|   | <b>September 26, 2009</b>         | <b>September 27, 2008</b> | <b>September 26, 2009</b>        | <b>September 27, 2008</b> |
| Net income (loss)   | \$ 15.2                           | \$ (87.3)                 | \$ 71.0                          | \$ (109.4)                |
| Other comprehensive income (loss), net of tax:                    |                                   |                           |                                  |                           |
| Net currency translation  | 3.2                               | (23.5)                    | 20.2                             | (26.0)                    |
| Pension benefit plan, net of tax                                  | 0.1                               | 0.1                       | 0.5                              | 0.2                       |
| <b>Total other comprehensive income (loss), net of tax</b>        | <b>3.3</b>                        | <b>(23.4)</b>             | <b>20.7</b>                      | <b>(25.8)</b>             |
| <b>Comprehensive income (loss)</b>                                | <b>\$ 18.5</b>                    | <b>\$ (110.7)</b>         | <b>\$ 91.7</b>                   | <b>\$ (135.2)</b>         |
| Less: Net income attributable to non-controlling interests        | 1.3                               | 0.3                       | 3.5                              | 1.3                       |
| <b>Comprehensive income (loss) attributed to Cott Corporation</b> | <b>\$ 17.2</b>                    | <b>\$ (111.0)</b>         | <b>\$ 88.2</b>                   | <b>\$ (136.5)</b>         |

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

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**Cott Corporation**

**Notes to the Consolidated Financial Statements**

**Unaudited**

**Note 1 Business and Summary of Significant Accounting Policies**

***Business***

Cott Corporation, together with its consolidated subsidiaries ( Cott, the Company, our Company, Cott Corporation, we, us, or our ), is one of the world's largest non-alcoholic beverage companies and the world's largest retailer brand soft drink provider. In addition to carbonated soft drinks ( CSDs ), our product lines include clear, still and sparkling flavored waters, juice-based products, bottled water, energy drinks and ready-to-drink teas. We operate in five operating segments North America (which includes our United States ( U.S. ) reporting unit and Canada reporting unit), United Kingdom ( U.K. ) (which includes our United Kingdom reporting unit and our Continental Europe reporting unit), Mexico, Royal Crown International ( RCI ) and All Other (which includes our Asia reporting unit and our international corporate expenses). We closed our active Asian operations at the end of fiscal year 2008.

***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 and the Form 8-K (filed on May 29, 2009) for the year ended December 27, 2008. 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.

***Reclassifications***

Certain comparative figures have been revised to correctly reflect the reclassification within the Consolidated Statement of Cash Flows from a financing activity to an operating activity as of September 27, 2008.

***Recent Accounting Pronouncements***

***ASC No. 805 Business Combinations***

In December 2007, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Codification ( ASC ) No. 805, Business Combinations. This statement significantly changes the financial accounting and reporting of business combination transactions. The provisions of this statement are to be applied prospectively to business combination transactions in the first annual reporting period beginning on or after December 15, 2008. This will have an impact on our accounting for any future business combinations; however, at this time, there is no impact.

***ASC No. 810-10-10 Non-controlling Interests***

In December 2007, the FASB issued ASC No. 810-10-10, Consolidation ( ASC 810-10-10 ). ASC 810-10-10 establishes accounting and reporting standards for noncontrolling interests in subsidiaries. This statement requires the reporting of all noncontrolling interests as a separate component of total equity, the reporting of consolidated net income (loss) as the amount attributable to both the parent and the noncontrolling interests and the separate disclosure of net income (loss) attributable to the parent and to the noncontrolling interests. In addition, this statement provides accounting and reporting guidance related to changes in noncontrolling ownership interests. Other than the reporting requirements described above, which require retrospective application, the provisions of ASC 810-10-10 are to be applied prospectively in the first annual

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reporting period beginning on or after December 15, 2008. The presentation and disclosure requirements of ASC

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**Cott Corporation**

**Notes to the Consolidated Financial Statements (Continued)**

**Unaudited**

810-10-10 have resulted in reclassifications to our prior period consolidated financial information and the remeasurement of our 2008 effective tax rate. We reported non-controlling interests as a component of equity in our Consolidated Balance Sheets and below income tax expense in our Consolidated Statements of Operations. As non-controlling interests will be recorded below income tax expense, it will have an impact on our total effective tax rate, but our total taxes will not change.

*ASC No. 815-10 Derivatives and Hedging Disclosure*

In March 2008, the FASB issued ASC No. 815-10, *Derivatives and Hedging* (ASC 815-10). ASC 815-10 increases the disclosure requirements for derivative instruments and hedging activities to improve the transparency of financial reporting. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how an entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. The provisions of this statement are to be applied prospectively in the first annual reporting period beginning on or after November 15, 2008 with comparative disclosures for earlier periods at initial adoption being optional. We have no material contracts for which ASC 815-10 applies.

*ASC No. 350-30-55-1C Useful Life Intangibles*

In April 2008, the FASB issued ASC No. 350-30-55-1C, *Intangibles—Goodwill and Other* (ASC 350-30-55-1C). ASC 350-30-55-1C amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under ASC No. 350-30, *Intangibles—Goodwill and Other*. Its intent is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure its fair value. This ASC was effective for us as of March 28, 2009. We have evaluated the potential impact of ASC 350-30-55-1C on our consolidated financial statements and it did not have a material impact on our consolidated financial statements.

*ASC No. 820-10 Fair Value Measurement and Disclosure*

Effective for our 2009 fiscal year, we adopted ASC No. 820-10, *Fair Value Measurements and Disclosures* (ASC 820-10), as it relates to nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value in the financial statements on at least an annual basis. ASC 820-10 defines fair value, establishes a framework for measuring fair value in U.S. GAAP, and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements and are to be applied prospectively with limited exceptions. The adoption of ASC 820-10, as it relates to nonfinancial assets and nonfinancial liabilities had no impact on the financial statements. The provisions of ASC 820-10 will be applied at such time a fair value measurement of a nonfinancial asset or nonfinancial liability is required, which may result in a fair value that is materially different than would have been calculated prior to the adoption of ASC 820-10.

*ASU No. 2009-05 Measuring Liabilities at Fair Value*

In August 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-05, *Measuring Liabilities at Fair Value* (ASU 2009-05), which amends ASC 820-10. ASU 2009-05 provides clarification in circumstances when a quoted price in an active market for an identical liability is not available. ASU 2009-05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. Additionally, ASU 2009-05 clarifies that both a quoted price in an active market for an identical liability at the measurement date and the quoted price for an identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. We have evaluated the potential impact of ASU 2009-05 and determined that it did not have a material impact on our consolidated financial statements.

*ASC No. 855-10 Subsequent Events*

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In May 2009, the FASB issued ASC No. 855-10, Subsequent Events ( ASC 855-10 ), which sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855-10 became effective in the second quarter of 2009 and did not have a material impact on our consolidated financial statements. We have evaluated certain events and transactions occurring after September 26, 2009 and through October 29, 2009 and no event met the definition of a subsequent event for the period ended September 26, 2009.

### *ASC No. 105-10 Accounting Standards Codification*

In June 2009, the FASB issued ASC No. 105-10, General Accepted Accounting Principles ( ASC 105-10 ), which establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with generally accepted accounting principles. ASC 105-10 explicitly recognizes rules and interpretive releases of the Securities and Exchange Commission ( SEC ) under federal securities laws as authoritative GAAP for SEC registrants. ASC 105-10 became effective in the third quarter of 2009 and did not have a material impact on our consolidated financial statements.



**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements (Continued)****Unaudited***ASC No. 715-20-50 Pension Plan and Postretirement Benefit Plan Disclosure*

In December 2008, the FASB issued ASC No. 715-20-50, Compensation Retirement Benefits ( ASC 715-20-50 ). ASC 715-20-50 requires enhanced disclosures about our plan assets for the defined benefit pension and other postretirement plans. The enhanced disclosures required by this ASC are intended to provide users of financial statements with a greater understanding of: (1) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies; (2) the major categories of plan assets; (3) the inputs and valuation techniques used to measure the fair value of plan assets; (4) the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period; and (5) significant concentrations of risk within plan assets. This ASC will become effective for us for our fiscal year ending January 2, 2010. We are currently evaluating the impact of this standard on our consolidated financial statements.

*Variable Interest Entity (formerly SFAS No. 167)*

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) ( SFAS 167 ), which amends FASB Interpretation No. 46 (revised December 2003) to address the elimination of the concept of a qualifying special purpose entity. SFAS 167 also replaces the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity and the obligation to absorb losses of the entity or the right to receive benefits from the entity. Additionally, SFAS 167 provides more timely and useful information about an enterprise's involvement with a variable interest entity. SFAS 167 will become effective in the first quarter of 2010. We are currently evaluating the impact of this standard on our consolidated financial statements.

*ASC No. 825-10-50-2A Fair Value Disclosure Financial Instruments*

In April 2009, the FASB issued ASC No. 825-10-50-2A, Financial Instruments ( ASC 825-10-50-2A ), which requires quarterly disclosure of information about the fair value of financial instruments within the scope of ASC No. 825-10, Financial Instruments. ASC 825-10-50-2A was adopted in the second quarter of 2009 and is currently disclosed below.

*Fair value of financial instruments*

The carrying amounts reflected in the consolidated balance sheets for cash, 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 26, 2009 and December 27, 2008 are as follows:

| <i>(in millions of US dollars)</i>                    | September 26, 2009 |                 | December 27, 2008 |                 |
|---|--------------------|-----------------|-------------------|-----------------|
|   | Carrying Value     | Fair Value      | Carrying Value    | Fair Value      |
| 8% senior subordinated notes due in 2011 <sup>1</sup> | \$ 248.3           | \$ 246.4        | \$ 269.0          | \$ 164.1        |
| ABL facility  |                    |                 | 107.5             | 107.5           |
| <b>Total</b>  | <b>\$ 248.3</b>    | <b>\$ 246.4</b> | <b>\$ 376.5</b>   | <b>\$ 271.6</b> |

<sup>1</sup> The fair value of our 8% senior subordinated notes (the Notes) is based on the trading levels and bid/offer prices observed by a market participant.



**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements (Continued)****Unaudited****Note 2 Restructuring and Asset Impairments**

The following table summarizes restructuring charges for the three and nine months ended September 26, 2009:

| <i>(in millions of U.S. dollars)</i> | For The Three Months Ended<br>September 26, 2009 |       | For The Nine Months Ended<br>September 26, 2009 |        |
|--------------------------------------|--|-------|---|--------|
|                                      | North America                                    | Total | North America                                   | Total  |
| Restructuring                        | \$   | \$    | \$ 1.6  | \$ 1.6 |
| Asset impairments                    |  |       | 3.5   | 3.5    |
|                                      | \$   | \$    | \$ 5.1  | \$ 5.1 |

During the last three years we have undertaken three restructuring plans. In 2007, we implemented our first plan, which involved the realignment of the management of our Canadian and U.S. businesses to a North American basis, rationalization of our product offerings, elimination of underperforming assets, an increased focus on high potential accounts, and the closure of several plants and warehouses in North America that resulted in lease contract termination losses (the North American Plan). In 2008, we implemented a plan to refocus on retailer brands and reduce costs in the operation of our business (the Refocus Plan). The Refocus Plan has been completed and resulted in a partial reduction of our workforce in 2008. We also undertook a plan to improve efficiencies and reduce costs for fiscal year 2009 (the 2009 Restructuring Plan). The 2009 Restructuring Plan is ongoing and has resulted in a partial reduction of our workforce. We will continue to pay cash related to restructuring accruals for lease termination costs under the North American Plan over the next several years. We may incur additional charges related to the 2009 Restructuring Plan throughout fiscal year 2009, but do not anticipate incurring any additional charges related to the North American Plan or the Refocus Plan.

**Asset impairments** In 2009, we recorded a \$3.4 million asset impairment charge related to customer relationships upon the loss of a customer and a \$0.1 million charge for our Elizabethtown facility.

The following table is a summary of our restructuring charges through the nine months ended September 26, 2009:

**North American Plan:**

| <i>(in millions of U.S. dollars)</i> | Balance at<br>December 27,<br>2008 | Charge to costs<br>and<br>expenses | Cash payments made<br>during nine months ended<br>September 26,<br>2009 | Balance at<br>September 26,<br>2009 |
|--------------------------------------|------------------------------------|------------------------------------|---|-------------------------------------|
| Lease contract termination loss      | \$ 9.6                             | \$                                 | \$ (2.8)  | \$ 6.8                              |
|                                      | \$ 9.6                             | \$                                 | \$ (2.8)  | \$ 6.8                              |

**2009 Restructuring Plan:**

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| <i>(in millions of U.S. dollars)</i> | Balance<br>at<br>December 27,<br>2008 | Charge to costs<br>and<br>expenses | Cash payments made<br>during nine months ended<br>September 26,<br>2009 | Balance at<br>September 26,<br>2009 |
|--------------------------------------|---------------------------------------|------------------------------------|---|-------------------------------------|
| Severance and termination benefits   | \$                                    | \$ 1.6                             | \$ (1.4)  | \$ 0.2                              |
|                                      | \$                                    | \$ 1.6                             | \$ (1.4)  | \$ 0.2                              |

As of September 26, 2009, \$3.2 million (December 27, 2008 \$5.8 million) of the lease contract termination loss liability has been recorded as other long-term liabilities and \$3.8 million of lease contract termination loss liability and severance and termination benefits (December 27, 2008 \$3.8 million) has been classified as accounts payable and accrued liabilities.

**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements (Continued)****Unaudited****Note 3 Share-Based Compensation**

As of September 26, 2009, we had six share-based compensation plans, which are described below. The share-based compensation plans have been approved by our shareholders, except for our 1986 Common Share Option Plan, as amended (the Option Plan), which was adopted prior to our initial public offering, and our Chief Executive Officer (CEO) awards, which were inducement grants made in connection with attracting and retaining those executives. Subsequent amendments that required shareholder approval were so approved.

The table below summarizes the compensation expenses for the three and nine months ended September 26, 2009 and September 27, 2008. This compensation expense was recorded in selling, general and administrative expenses.

| <i>(in millions of U.S. dollars)</i> | For the Three Months Ended |                    | For the Nine Months Ended |                    |
|--------------------------------------|----------------------------|--------------------|---------------------------|--------------------|
|                                      | September 26, 2009         | September 27, 2008 | September 26, 2009        | September 27, 2008 |
| Stock options                        | \$ 0.1                     | \$ 0.3             | \$ 0.2                    | \$ 0.6             |
| Performance share units              | 0.2                        | 0.6                | 0.6                       | 1.7                |
| Share appreciation rights            | 0.2                        | 0.2                | 0.4                       | 0.5                |
| Restricted stock                     |                            |                    | 0.1                       | (0.1)              |
| Former CEO award <sup>1</sup>        |                            |                    |                           | 1.9                |
| Interim CEO award                    |                            | (0.8)              | (0.1)                     | 0.7                |
| Share purchase plan                  |                            |                    |                           | 0.1                |
| Total                                | \$ 0.5                     | \$ 0.3             | \$ 1.2                    | \$ 5.4             |

<sup>1</sup> Includes expense for restricted shares of \$0.4 million for the nine months ended September 27, 2008.

As of September 26, 2009, the unrecognized compensation expense and years we expect to recognize as future compensation expense were as follows:

|                           | Unrecognized compensation expense as of September 26, 2009<br>(in millions of U.S. dollars) | Weighted average years expected to recognize compensation |
|---------------------------|---|---|
| Performance share units   | \$ 0.4  | 0.7   |
| Stock options             | 0.1   | 0.3   |
| Share appreciation rights | 0.3   | 1.5   |
| Total                     | \$ 0.8  |   |

***Option Plan***

Under the Option Plan, we have reserved a total of 14.0 million common shares for future issuance. Options are granted at a price not less than the fair value of the shares on the date of grant. As of September 26, 2009, there were 7.4 million shares available for issuance under the Option Plan.

There were no common shares issued pursuant to option exercises during the nine months ended September 26, 2009. Options representing 250,000 shares were granted during the first quarter of 2009 at an exercise price of C\$1.10 per share. The fair value of this option grant was estimated to be C\$0.475 using the Black-Scholes option pricing model. This grant vests in four equal quarterly installments from the date of grant. In the second quarter and the third quarter of 2008, we granted new board members options to purchase 25,000 shares and 100,000 shares in the aggregate, respectively, that vested immediately upon issuance.

Options granted after September 1, 1998 expire after 10 years. Options granted after July 17, 2001 to the non-management members of the Board of Directors vest immediately. All options are non-transferable and when options are exercised we issue new shares. As a result, shares issued upon the exercise of these options are dilutive to our shareowners.

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The fair value of each option granted during the year is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

|                               | September 26,<br>2009 | September 27,<br>2008 |
|-------------------------------|-----------------------|-----------------------|
| Risk-free interest rate       | 2.3%                  | 3.3%                  |
| Average expected life (years) | 10.0                  | 5.0                   |
| Expected volatility           | 50.0%                 | 76.3%                 |
| Expected dividend yield       |                       |                       |

Option activity was as follows:

|                                   | Shares<br>(in thousands) | Weighted<br>average exercise price<br>(Canadian<br>\$) |
|-----------------------------------|--------------------------|--|
| Balance at December 27, 2008      | 892                      | \$ 27.52   |
| Awarded                           | 250                      | 1.10   |
| Forfeited or expired              | (271)                    | 31.41  |
| Outstanding at September 26, 2009 | 871                      | 18.70  |
| Exercisable at September 26, 2009 | 748                      | \$ 21.66   |

**Long-Term Incentive Plans**

Our shareowners have approved and adopted two long-term incentive plans, the Performance Share Unit Plan ( PSU Plan ) and the Share Appreciation Rights Plan ( SAR Plan ).

Under the Amended and Restated PSU Plan, performance share units ( PSUs ) may be awarded to employees of our Company and its subsidiaries. The value of an employee's award under our PSU Plan will depend on (i) our performance over a maximum three-year performance cycle; and (ii) the market price of our common shares at the time of vesting. Performance targets will be established annually by the Human Resources and Compensation Committee of the Board of Directors. PSUs granted will vest over a term not to exceed three fiscal years.

Under the Amended and Restated SAR Plan, share appreciation rights ( SARs ) may be awarded to employees and directors of our Company and its subsidiaries. SARs typically vest on the third anniversary of the grant date. On vesting, each SAR will represent the right to be paid the difference, if any, between the price of our common shares on the date of grant and their price on the vesting date of the SAR. Payments in respect of vested in-the-money SARs will be made in the form of our common shares purchased on the open market by an independent trust with cash contributed by us.

During the nine months ended September 26, 2009, PSU and SAR activity was as follows:

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|  | Number of PSUs<br>(in thousands) | Number of SARs<br>(in thousands) |
|--|----------------------------------|----------------------------------|
| Balance at December 27, 2008             | 1,492                            | 491                              |
| Awarded                                  | 25                               | 100                              |
| Vested                                   | (396)                            |                                  |
| Forfeited                                | (68)                             | (28)                             |
| <b>Outstanding at September 26, 2009</b> | <b>1,053</b>                     | <b>563</b>                       |

The number of units that actually vest under our PSU Plan can vary from 0 to 150% depending on the level of performance achieved relative to the performance target. Subject to the terms of the PSU Plan, the vesting date for the PSUs awarded in fiscal 2007 will be January 2, 2010. As of September 26, 2009, no compensation costs were recognized in connection with the PSUs awarded in fiscal 2007 because it is not probable that the performance targets will be met.



**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements (Continued)****Unaudited**

During the first quarter of 2008, we awarded 1.5 million PSUs (at a grant date fair value of \$4.2 million) to certain executives as a retention incentive. We met certain performance targets as of December 27, 2008 and, as a result, \$1.1 million of these awards (0.4 million shares) were paid with shares held in trusts in the first quarter of 2009, with an additional \$1.6 million (0.6 million shares) anticipated to be issued in early 2010 if certain performance targets are met as of January 2, 2010. This award is payable in shares and has been accounted for as an equity award. As of September 26, 2009, the trustee under the PSU Plan held 1.2 million of our common shares, which had been previously purchased on the open market to satisfy our anticipated future liability under the PSU Plan. We also awarded \$0.4 million of individual sign-on awards throughout 2008 that will vest if certain performance targets are met.

During the third quarter of 2009, we awarded a one-time SAR grant equivalent to 100,000 common shares to a senior executive that had a fair value of \$0.2 million. The SAR grant vests in equal installments on the first, second and third anniversaries of the senior executive's hire date, provided he is actively employed by us on each applicable vesting date.

The fair value of the SAR grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

|                               | September 26,<br>2009 |
|-------------------------------|-----------------------|
| Risk-free interest rate       | 1.2%                  |
| Average expected life (years) | 2.0                   |
| Expected volatility           | 50.0%                 |
| Expected dividend yield       |                       |

**CEO Share-Based Compensation**

On March 24, 2008, we granted to David Gibbons, who was serving as our Interim Chief Executive Officer, restricted stock units payable in cash in respect of 720,000 shares of our common stock, of which 360,000 units vested immediately. Of the remaining 360,000 restricted stock units, 300,000 units vested ratably on a monthly basis over a five-month period beginning October 24, 2008 through February 24, 2009. Upon the appointment of Jerry Fowden as the Company's Chief Executive Officer, Mr. Gibbons resigned his position and his employment arrangements came to an end on February 27, 2009, at which time 6,000 prorated restricted stock units vested and the remaining 54,000 units were forfeited.

Mr. Gibbons' award is recognized as compensation expense over the vesting period. For the nine months ended September 26, 2009, (\$0.1) million (September 27, 2008 - \$0.7 million) of this award was recorded as compensation (benefit) to reflect actual vesting. The fair value and compensation costs vary based on share price and this has been accounted for as a liability award in accordance with U.S. GAAP.

In 2006, Brent Willis, our Former Chief Executive Officer who was terminated in March 2008, received a net cash award of \$0.9 million at the commencement of his employment to purchase shares of the Company. The purchased shares were required to be held for a minimum of three years. As part of his termination agreement, we ceased to enforce the requirement that Mr. Willis use the cash award paid to him upon his hire date to purchase and hold Cott shares. In 2008, \$0.8 million was recorded as compensation expense. In addition, in 2006, 204,000 common shares with a fair value of \$3.2 million, which vest over three years, were granted to Mr. Willis. For 2008, compensation costs of \$1.4 million were expensed as compensation expense in the first nine months because the shares vested upon termination. As part of his termination agreement, the remaining 136,000 shares became payable and \$0.3 million of cash (which was reclassified as a liability award) was paid based on the fair value of such shares.

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**Notes to the Consolidated Financial Statements (Continued)**

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***Restated Executive Incentive Share Purchase Plan***

In the second quarter of 2007, our shareowners approved a restated executive incentive share purchase plan (the Restated EISPP), which allows officers and senior management executives, as designated by the Human Resources and Compensation Committee, to elect to receive their performance bonus (or a portion thereof) as common share units held on their behalf by an independent trust. If the employee elects to receive common share units, we will provide to the employee an equal number of shares, which vest in three years provided certain corporate performance goals are achieved ( Match Portion ).

The Match Portion of the performance bonus is estimated based on the employee's election and will be amortized over the service period of approximately four years. During 2007, employees elected to defer a total of \$1.1 million under the Restated EISPP of which only \$0.4 million remains as of September 26, 2009 after employee terminations. The Company recorded an expense of less than \$0.1 million and \$0.1 million for the nine months ended September 26, 2009 and September 27, 2008, respectively, related to the anticipated 2007 Match Portion. At September 26, 2009, the awards for the 2007 plan year have been accounted for as an equity award under ASC No. 718 because the number of shares has been fixed under the Restated EISPP. Effective as of December 27, 2008, our Human Resources and Compensation Committee approved an amendment to the Restated EISPP with the effect of freezing participation in the plan.

**Note 4 Income Taxes**

Income tax benefit was \$10.7 million on pretax income of \$60.3 million for the nine months ended September 26, 2009 as compared to a \$6.5 million provision on pretax loss of \$115.9 million for the nine months ended September 27, 2008. The 2009 recovery is due in part to a \$14.4 million income tax benefit due to a reversal of accruals related to uncertain tax positions in the first nine months of 2009 and a benefit of \$2.2 million on the reversal of interest and penalties. The estimated worldwide effective tax rate applied to income from operations differs from the statutory rate due primarily to the partial utilization of deferred tax assets with valuation allowances. The statutory rate declined from the prior year due to reduced Canadian federal and provincial rates. We anticipate that we may reverse specific uncertain tax positions over the next 12 months that could generate \$0.5 million to \$1.0 million of tax benefits.

We are currently under audit by the Canada Revenue Agency for tax years 2005 through 2008 and by the Internal Revenue Service for tax years 2004 through 2007. The amounts that may ultimately be payable by us as a result of these audits are uncertain. We believe that the amounts provided for the outcome of these audits in our tax liabilities are adequate; however, our estimates of tax liabilities for these audits may change materially in the near term as the audits progress.

**Note 5 Net Income (Loss) Per Common Share**

Basic net income (loss) per common share is computed by dividing net income (loss) attributed to Cott Corporation by the weighted average number of common shares outstanding during the period. Diluted net income (loss) attributed to Cott Corporation 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.

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A reconciliation of the numerators and denominators of the basic and diluted net income (loss) per common share computations follows:

|   | September 26, 2009                                   |   | Three Months Ended |  | September 27, 2008                                  |                  |
|---|--|---|--------------------|--|---|------------------|
|   | Net income (numerator) (in millions of U.S. dollars) | Weighted Average Shares (denominator) (in millions) | Per-share amount   | Net (loss) (numerator) (in millions of U.S. dollars) | Weighted Average Shares (denominator) (in millions) | Per-share amount |
| <b>Basic income (loss) available to common shareholders</b>   |  |   |                    |  |   |                  |
| Net income (loss)   | \$ 13.9  | 76.6  | \$ 0.18            | \$ (87.6)  | 70.3  | \$ (1.25)        |
| <b>Effect of dilutive securities</b>                          |  |   |                    |  |   |                  |
| Options   |  | 0.4   |                    |  |   |                  |
| <b>Diluted income (loss) available to common shareholders</b> |  |   |                    |  |   |                  |
| Net income (loss)   | \$ 13.9  | 77.0  | \$ 0.18            | \$ (87.6)  | 70.3  | \$ (1.25)        |
|   | September 26, 2009                                   |   | Nine Months Ended  |  | September 27, 2008                                  |                  |
|   | Net income (numerator) (in millions of U.S. dollars) | Weighted Average Shares (denominator) (in millions) | Per-share amount   | Net (loss) (numerator) (in millions of U.S. dollars) | Weighted Average Shares (denominator) (in millions) | Per-share amount |
| <b>Basic income (loss) available to common shareholders</b>   |  |   |                    |  |   |                  |
| Net income (loss)   | \$ 67.5  | 72.5  | \$ 0.93            | \$ (110.7)   | 71.1  | \$ (1.56)        |
| <b>Effect of dilutive securities</b>                          |  |   |                    |  |   |                  |
| Options   |  | 0.6   |                    |  |   |                  |
| <b>Diluted income (loss) available to common shareholders</b> |  |   |                    |  |   |                  |
| Net income (loss)   | \$ 67.5  | 73.1  | \$ 0.92            | \$ (110.7)   | 71.1  | \$ (1.56)        |

At September 26, 2009, options to purchase 0.9 million (September 27, 2008 – 1.0 million) shares of common stock at a weighted average exercise price of C\$18.70 (September 27, 2008 – C\$27.87) per share were outstanding, but 0.6 million options were not included in the computation of diluted net income (loss) per share because the options' exercise price was greater than the average market price of the common stock. Shares purchased on the open market and held by independent trusts are categorized as treasury shares. We excluded 1.2 million of treasury shares associated with the PSU Plan and held in various trusts under the PSU Plan in the calculation of basic and diluted earnings per share.

**Note 6 Operating Segment Reporting**

We produce, package and distribute retailer brand and branded bottled and canned CSDs, clear, still and sparkling flavored waters, juice-based products, bottled water, energy drinks and ready-to-drink teas. We operate in five operating segments – North America (which includes our U.S. reporting unit and our Canada reporting unit), U.K. (which includes our United Kingdom reporting unit and our Continental European reporting unit), Mexico, RCI and All Other (which includes our Asia reporting unit and our international corporate expenses). We closed our active Asian operations at the end of fiscal year 2008.

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| <i>(in millions of U.S. dollars)</i>                 | Operating Segments <sup>1</sup> |          |         |         |           | Total      |
|--|---------------------------------|----------|---------|---------|-----------|------------|
|  | North America                   | U.K.     | Mexico  | RCI     | All Other |            |
| <b>For the Three Months Ended September 26, 2009</b> |                                 |          |         |         |           |            |
| External revenue <sup>1</sup>                        | \$ 287.2                        | \$ 101.6 | \$ 10.3 | \$ 5.8  | \$        | \$ 404.9   |
| Depreciation and amortization                        | 12.4                            | 3.5      | 0.5     |         |           | 16.4       |
| Operating income (loss)                              | 16.1                            | 10.8     | (1.6)   | 1.6     |           | 26.9       |
| Additions to property, plant and equipment           | 3.7                             | 1.4      | 0.2     |         |           | 5.3        |
| <b>For the Nine Months Ended September 26, 2009</b>  |                                 |          |         |         |           |            |
| External revenue <sup>1</sup>                        | \$ 899.7                        | \$ 264.6 | \$ 30.7 | \$ 15.7 | \$        | \$ 1,210.7 |
| Depreciation and amortization                        | 38.6                            | 9.7      | 1.4     |         |           | 49.7       |
| Operating income (loss)                              | 69.0                            | 16.5     | (5.1)   | 3.2     | (0.1)     | 83.5       |
| Restructuring and asset impairments Note 2           | 5.1                             |          |         |         |           | 5.1        |
| Additions to property, plant and equipment           | 11.9                            | 6.7      | 0.3     |         |           | 18.9       |
| <b>As of September 26, 2009</b>                      |                                 |          |         |         |           |            |
| Property, plant and equipment                        | \$ 233.1                        | \$ 92.4  | \$ 12.8 | \$      | \$        | \$ 338.3   |
| Goodwill   | 25.2                            |          |         | 4.5     |           | 29.7       |
| Intangibles and other assets                         | 133.2                           | 18.2     | 0.8     |         |           | 152.2      |
| Total assets <sup>2</sup>                            | 634.3                           | 203.9    | 29.8    | 9.7     | 0.5       | 878.2      |

<sup>1</sup> Intersegment revenue between North America and the other segments is not material and has not been separately disclosed in the table above.

<sup>2</sup> Excludes intersegment receivables, investments and notes receivable.

| <i>(in millions of U.S. dollars)</i>                 | Operating Segments <sup>1</sup> |          |         |         |           | Total      |
|--|---------------------------------|----------|---------|---------|-----------|------------|
|  | North America                   | U.K.     | Mexico  | RCI     | All Other |            |
| <b>For the Three Months Ended September 27, 2008</b> |                                 |          |         |         |           |            |
| External revenue <sup>1</sup>                        | \$ 296.9                        | \$ 101.9 | \$ 16.0 | \$ 5.3  | \$ 0.4    | \$ 420.5   |
| Depreciation and amortization                        | 15.3                            | 4.0      | 0.8     |         |           | 20.1       |
| Operating (loss) income                              | (27.6)                          | (62.7)   | (1.0)   | 1.2     | (0.4)     | (90.5)     |
| Restructuring and asset impairments Note 2           | 26.4                            | 69.2     |         |         | 0.1       | 95.7       |
| Additions to property, plant and equipment           | 20.5                            | 1.2      | 0.8     |         |           | 22.5       |
| <b>For the Nine Months Ended September 27, 2008</b>  |                                 |          |         |         |           |            |
| External revenue <sup>1</sup>                        | \$ 899.6                        | \$ 309.9 | \$ 50.1 | \$ 16.3 | \$ 0.8    | \$ 1,276.7 |
| Depreciation and amortization                        | 46.8                            | 12.6     | 1.5     |         |           | 60.9       |
| Operating (loss) income                              | (43.1)                          | (53.8)   | (4.6)   | 5.9     | (1.8)     | (97.4)     |
| Restructuring, goodwill and asset impairments Note 2 | 33.5                            | 69.2     |         |         | 0.1       | 102.8      |
| Additions to property, plant and equipment           | 37.0                            | 5.8      | 3.9     |         |           | 46.7       |
| <b>As of December 27, 2008</b>                       |                                 |          |         |         |           |            |
| Property, plant and equipment                        | \$ 244.1                        | \$ 88.7  | \$ 14.0 | \$      | \$        | \$ 346.8   |
| Goodwill   | 22.5                            |          |         | 4.5     |           | 27.0       |
| Intangibles and other assets                         | 150.2                           | 18.3     | 0.9     |         | 0.2       | 169.6      |
| Total assets <sup>2</sup>                            | 642.3                           | 189.3    | 29.9    | 11.6    |           | 873.1      |

<sup>1</sup> Intersegment revenue between North America and the other segments is not material and has not been separately disclosed in the table above.

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<sup>2</sup> Excludes intersegment receivables, investments and notes receivable.

For the nine months ended September 26, 2009, sales to Wal-Mart accounted for 33.9% (September 27, 2008 35.9%) of our total revenues, 39.9% of our North America operating segment revenues (September 27, 2008 42.4%), 17.3% of our U.K. operating segment revenues (September 27, 2008 21.6%), and 18.6% of our Mexico operating segment revenues (September 27, 2008 20.9%).

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.

**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements (Continued)****Unaudited**

Revenues by geographic area are as follows:

| <i>(in millions of U.S. dollars)</i> | For the Three Months Ended |                    | For the Nine Months Ended |                    |
|--------------------------------------|----------------------------|--------------------|---------------------------|--------------------|
|                                      | September 26, 2009         | September 27, 2008 | September 26, 2009        | September 27, 2008 |
| United States                        | \$ 252.5                   | \$ 255.9           | \$ 795.1                  | \$ 763.8           |
| Canada                               | 48.0                       | 55.0               | 149.1                     | 180.8              |
| United Kingdom                       | 101.8                      | 101.9              | 265.5                     | 309.9              |
| Mexico                               | 10.3                       | 16.0               | 30.7                      | 50.1               |
| RCI <sup>1</sup>                     | 5.8                        | 5.3                | 15.7                      | 16.3               |
| All Other                            |                            | 0.4                |                           | 0.8                |
| Elimination <sup>2</sup>             | (13.5)                     | (14.0)             | (45.4)                    | (45.0)             |
|                                      | \$ 404.9                   | \$ 420.5           | \$ 1,210.7                | \$ 1,276.7         |

<sup>1</sup> RCI sells products to a number of different countries.

<sup>2</sup> Represents intersegment revenue among all countries of which \$3.0 million and \$9.9 million and \$3.0 million and \$9.3 million represent intersegment revenue between North America and our international segments for the three and nine months ended September 26, 2009 and September 27, 2008, respectively.

Revenues are attributed to operating segments based on the location of the plant.

Property, plant and equipment by geographic area are as follows:

| <i>(in millions of U.S. dollars)</i> | September 26, 2009 | December 27, 2008 |
|--------------------------------------|--------------------|-------------------|
| United States                        | \$ 188.1           | \$ 201.2          |
| Canada                               | 45.0               | 42.9              |
| United Kingdom                       | 92.4               | 88.7              |
| Mexico                               | 12.8               | 14.0              |
|                                      | \$ 338.3           | \$ 346.8          |

**Note 7 Inventories**

| <i>(in millions of U.S. dollars)</i> | September 26, 2009 | December 27, 2008 |
|--------------------------------------|--------------------|-------------------|
| Raw materials                        | \$ 41.4            | \$ 40.0           |
| Finished goods                       | 55.6               | 54.5              |

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|       |          |          |
|-------|----------|----------|
| Other | 15.5     | 16.6     |
|       | \$ 112.5 | \$ 111.1 |



**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements (Continued)****Unaudited****Note 8 Intangibles and Other Assets including Goodwill**

| <i>(in millions of U.S. dollars)</i>        | September 26, 2009 |                             |                 | December 27, 2008 |                             |                 |
|---|--------------------|-----------------------------|-----------------|-------------------|-----------------------------|-----------------|
|   | Cost               | Accumulated<br>Amortization | Net             | Cost              | Accumulated<br>Amortization | Net             |
| <b>Intangibles</b>                          |                    |                             |                 |                   |                             |                 |
| <i>Not subject to amortization</i>          |                    |                             |                 |                   |                             |                 |
| Rights                                      | \$ 45.0            | \$                          | \$ 45.0         | \$ 45.0           | \$                          | \$ 45.0         |
| <i>Subject to amortization</i>              |                    |                             |                 |                   |                             |                 |
| Customer relationships                      | 153.8              | 76.5                        | 77.3            | 157.5             | 69.9                        | 87.6            |
| Trademarks                                  | 24.6               | 14.7                        | 9.9             | 24.8              | 13.2                        | 11.6            |
| Information technology                      | 53.2               | 48.0                        | 5.2             | 51.0              | 42.4                        | 8.6             |
| Other                                       | 3.6                | 1.9                         | 1.7             | 3.6               | 1.7                         | 1.9             |
|   | 235.2              | 141.1                       | 94.1            | 236.9             | 127.2                       | 109.7           |
|   | 280.2              | 141.1                       | 139.1           | 281.9             | 127.2                       | 154.7           |
| <b>Other Assets</b>                         |                    |                             |                 |                   |                             |                 |
| Financing costs                             | 7.6                | 2.8                         | 4.8             | 6.7               | 1.7                         | 5.0             |
| Deposits                                    | 7.8                |                             | 7.8             | 7.6               |                             | 7.6             |
| Other                                       | 5.7                | 5.2                         | 0.5             | 7.8               | 5.5                         | 2.3             |
|   | 21.1               | 8.0                         | 13.1            | 22.1              | 7.2                         | 14.9            |
| <b>Total Intangibles &amp; Other Assets</b> | <b>\$ 301.3</b>    | <b>\$ 149.1</b>             | <b>\$ 152.2</b> | <b>\$ 304.0</b>   | <b>\$ 134.4</b>             | <b>\$ 169.6</b> |
| <b>Goodwill</b>                             | <b>\$ 29.7</b>     | <b>\$</b>                   | <b>\$ 29.7</b>  | <b>\$ 27.0</b>    | <b>\$</b>                   | <b>\$ 27.0</b>  |

Amortization expense of intangible assets was \$4.2 million and \$13.5 million for the three and nine months ended September 26, 2009 (\$6.9 million and \$21.9 million for the three and nine months ended September 27, 2008).

The estimated amortization expense for intangibles over the next five years and thereafter is as follows:

| <i>(in millions of U.S. dollars)</i> |        |
|--------------------------------------|--------|
| Remainder of 2009                    | \$ 4.0 |
| 2010                                 | 14.3   |
| 2011                                 | 13.5   |
| 2012                                 | 12.5   |
| 2013                                 | 12.4   |

Thereafter

37.4

**\$ 94.1**

**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements (Continued)****Unaudited****Note 9 Debt**

Our total debt is as follows:

| <i>(in millions of U.S. dollars)</i>                  | September 26, 2009 | December 27, 2008 |
|---|--------------------|-------------------|
| 8% senior subordinated notes due in 2011 <sup>1</sup> | \$ 248.3           | \$ 269.0          |
| Asset based lending facility                          |                    | 107.5             |
| GE obligation   | 23.7               | 28.7              |
| Other debt  | 2.7                | 3.4               |
| Other capital leases                                  | 3.0                | 3.2               |
| <br>  |                    |                   |
| Total debt  | 277.7              | 411.8             |
| Less: Short-term borrowings and current debt:         |                    |                   |
| Asset based lending facility                          |                    | 107.5             |
| <br>  |                    |                   |
| Total short-term borrowings                           |                    | 107.5             |
| GE obligation - current maturities                    | 6.2                | 6.7               |
| Other capital leases - current maturities             | 0.4                | 0.3               |
| Other debt - current maturities                       | 0.6                | 0.6               |
| <br>  |                    |                   |
| Total current debt                                    | 7.2                | 115.1             |
| <br>  |                    |                   |
| Long-term debt before discount                        | 270.5              | 296.7             |
| Less discount on 8% notes                             | (1.5)              | (2.3)             |
| <br>  |                    |                   |
| <b>Total long-term debt</b>                           | <b>\$ 269.0</b>    | <b>\$ 294.4</b>   |

<sup>1</sup> Our 8% senior subordinated notes were issued at a discount of 2.75% on December 21, 2001.

**Debt***8% Senior Subordinated Notes due in 2011*

During the third quarter of 2009, we completed open market repurchases of \$20.7 million in face value of our 8% senior subordinated notes due December 15, 2011 (the Notes) for total consideration of approximately \$20.4 million. Following these repurchases, we had Notes representing \$248.3 million aggregate principal amount outstanding with a carrying value of \$246.8 million as of September 26, 2009. The Notes acquired by the Company have been retired, and we have discontinued the payment of interest. We recorded a gain on extinguishment of debt of \$0.2 million in the consolidated statement of operations for the nine months ended September 27, 2009 related to the retirement of these Notes. The issuer of the Notes is Cott Beverages Inc., but we and most of our U.S., Canadian and United Kingdom subsidiaries guarantee the Notes. The interest on the Notes is payable semi-annually on June 15<sup>th</sup> and December 15<sup>th</sup>.

We may redeem all or a part of the remaining Notes upon not less than 30 or more than 60 days notice. In addition to the redemption price, accrued and unpaid interest and penalties, including liquidated damages (as defined in the indenture governing the Notes), are due upon any such

redemption.

*Asset Based Lending Facility*

On March 31, 2008, we entered into a credit agreement that created an asset-based lending ( ABL ) credit facility to provide financing for the U.S., Canada, the United Kingdom and Mexico. Cott Corporation, Cott Beverages Inc. and Cott Beverages Limited are borrowers under the ABL facility. The debt under the ABL facility is guaranteed by most of our U.S., United Kingdom, Canadian and Mexican subsidiaries. The ABL facility replaced our former senior secured credit facilities in the U.S., Canada, the United Kingdom and Mexico and our receivables securitization facility in the U.S., the latter of which was terminated on March 28, 2008. At that time, there were no amounts due under the receivables securitization facility. On March 31, 2008, we paid off the remaining balance and terminated the former senior secured credit facility.

The ABL facility is a five-year revolving facility of up to \$225.0 million that runs through March 2013 but is subject to the refinancing of the Notes; the ABL facility will mature early if the Notes have not been refinanced or retired six months prior to their maturity (i.e., June 15, 2011) on terms and conditions specified in the ABL facility.

The amount available under the ABL facility is dependent on a borrowing base calculated as a percentage of the value of eligible inventory, accounts receivable and property, plant and equipment. The ABL facility has subfacilities for letters of credit and swingline loans and geographical sublimits for Canada (\$40.0 million) and the United Kingdom (\$75.0 million).

**Table of Contents****Cott Corporation****Notes to the Consolidated Financial Statements (Continued)****Unaudited**

The effective interest rate as of September 26, 2009 on LIBOR and Prime loans is based on average aggregate availability as follows:

*Average Aggregate Availability*

| <i>(in millions of U.S. dollars)</i> | <b>ABR Spread</b> | <b>Canadian<br/>Prime Spread</b> | <b>Eurodollar<br/>Spread</b> | <b>CDOR Spread</b> | <b>LIBOR<br/>Spread</b> |
|--------------------------------------|-------------------|----------------------------------|------------------------------|--------------------|-------------------------|
| Over \$150                           | 2.25%             | 2.25%                            | 3.25%                        | 3.25%              | 3.25%                   |
| \$75 - 150                           | 2.50%             | 2.50%                            | 3.50%                        | 3.50%              | 3.50%                   |
| Under \$75                           | 2.75%             | 2.75%                            | 3.75%                        | 3.75%              | 3.75%                   |

As of September 26, 2009, we had no ABL borrowings outstanding and the commitment fee was 0.5% of the unused commitment per annum.

We incurred \$6.0 million of financing fees in connection with the ABL facility. The financing fees are being amortized over a five-year period, which represents the life of the ABL facility.

*GE Financing Agreement*

We funded \$32.5 million of water bottling equipment purchases through a finance lease arrangement in 2008. The quarterly payments under the lease obligation total approximately \$8.8 million per annum for the first two years, \$5.3 million per annum for the subsequent two years, then \$1.7 million per annum for the final four years.

*Covenant Compliance**ABL Facility*

We and our restricted subsidiaries are subject to a number of business and financial covenants and events of default. The debt under the ABL facility is guaranteed by most of our U.S., United Kingdom, Canadian and Mexican subsidiaries. The ABL facility contains customary limitations on indebtedness, liens, mergers, consolidations, liquidations and sales, payment of dividends, investments, loans and advances, optional payments and modifications of subordinated and other debt instruments, and transactions with affiliates. Events of default under the ABL facility include nonpayment, inaccuracy of representations and warranties (which would include the occurrence of an event having a material adverse effect), violation of covenants, cross-default to other indebtedness, bankruptcy, material judgments, and a change of control of the Company. Upon the occurrence of an event of default, the lenders may terminate the commitments and declare all loans due and payable. We have agreed to a mandatory prepayment provision (but without a reduction of the commitment), subject to certain exceptions, upon a sale or transfer of assets of a borrower or guarantor, upon the receipt of proceeds from the issuance of any indebtedness, upon the occurrence of an availability shortfall under the revolver, or upon receipt of insurance proceeds or condemnation awards.

As of September 26, 2009, our total availability under the ABL facility was \$191.5 million which was based on our borrowing base (accounts receivables, inventory, and fixed assets) as of August 22, 2009 (the August month-end under the terms of the credit agreement) and we had no ABL borrowings outstanding and \$9.9 million in outstanding letters of credit. As a result, our excess availability under the ABL facility was \$181.6 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. The ABL facility contains 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 \$30.0 million. Our fixed charge coverage ratio as calculated under this covenant as of September 26, 2009, was greater than 1.1 to 1.0. If availability is less than \$37.5 million, the lenders will take dominion over the cash and will apply excess cash to reduce amounts owing under the revolver. The credit agreement governing the ABL facility requires us to maintain excess availability of at least \$15.0 million. We believe we were in compliance with all of the applicable covenants under the ABL facility on September 26, 2009.



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**Cott Corporation**

**Notes to the Consolidated Financial Statements (Continued)**

**Unaudited**

*8% Senior Subordinated Notes due 2011*

The indenture governing the Notes contains a number of business and financial covenants and events of default that apply to the issuer and the guarantors. In addition to us, the guarantors are, in general, the subsidiaries organized in Canada, the U.S., and the United Kingdom. Events of default or triggers for prepayment provided for under the indenture include, among others: (i) a change of control of us in certain circumstances; (ii) unsatisfied judgments or cross-default or cross-acceleration to other indebtedness in excess of \$10.0 million, in the case of the indenture; (iii) our insolvency or that of the restricted subsidiaries; and (iv) covenant default under the credit facilities or indenture. Some of the more material financial covenants are discussed below.

The indenture has numerous covenants that are applicable to Cott Beverages Inc. and the guarantors. We can only make restricted payments, such as paying dividends, repurchasing our stock or making certain investments, if our fixed charge coverage ratio is at least 2.0 to 1.0. Even then, we can only make those restricted payments in an amount that is no greater than 50.0% of our consolidated net income subject to certain adjustments. Certain other investments, like those not exceeding \$60.0 million in the aggregate, may be made without satisfying the restricted payments test.

We may only incur additional debt or issue preferred stock, other than certain specified debt, if our fixed charge coverage ratio is greater than 2.0 to 1.0. As of September 26, 2009, our fixed charge coverage ratio under the indenture was greater than 2.0 to 1.0. Subject to some exceptions, asset sales may only be made where the sale price is equal to the fair market value of the asset sold and we receive at least 75.0% of the proceeds in cash. There are also limitations on what we may do with the sale proceeds such that we may be required to pay down debt or reinvest the proceeds in enumerated business uses within a specified period of time.

There are further restrictions in several of the covenants, such as a complete prohibition on paying any dividends if we are in default under the indenture. Many of the covenants may also limit transactions with our unrestricted subsidiaries or non-guarantor entities.

We believe we have been in compliance with all of the covenants under the Notes and there have been no amendments to any such covenants since they were issued.

The events of default in the Notes indenture related to other indebtedness arise only if there is a failure to pay principal, interest or premiums of such other indebtedness after the expiration of any applicable grace period, or if there has been acceleration in payment of such other indebtedness, in each case, in excess of a threshold amount. As at September 26, 2009, these conditions of default did not exist with respect to any other indebtedness.

**Note 10 Contingencies and Commitments**

In January 2005, we were named as one of many defendants in a class action suit alleging the unauthorized use by the defendants of container deposits and the imposition of recycling fees on consumers. On June 2, 2006, the British Columbia Supreme Court granted the summary trial application, which resulted in the dismissal of the plaintiffs' action against us and the other defendants. On June 26, 2006, the plaintiffs appealed the dismissal of the action to the British Columbia Court of Appeals which was denied, and an appeal to the Supreme Court of Canada was rejected on December 20, 2007. In February 2005, similar class action claims were filed in a number of other Canadian provinces. Claims filed in Quebec have since been discontinued, but it is unclear how the dismissal of the British Columbia case will impact the other cases.

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 or results from operations.

We had \$9.9 million in standby letters of credit outstanding as of September 26, 2009 (September 27, 2008 \$12.6 million).

**Note 11 Shares Held in Trust treated as Treasury Shares**

In May 2008, an independent trustee acting under certain of our benefit plans purchased 2.3 million of our common shares on the open market for \$6.4 million, of which 2.0 million shares, or \$5.4 million, are to be used to satisfy any future liability under the PSU Plan and the Restated EISPP and 0.3 million shares, or \$1.0 million, are held in trust for our employees as part of the deferred compensation arrangement under the Restated EISPP. As of September 26, 2009, we distributed 0.4 million shares from the trust to satisfy certain PSU obligations that had vested. See Note 3 for further details of these two plans. Treasury shares are reported at cost.



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**Cott Corporation**

**Notes to the Consolidated Financial Statements (Continued)**

**Unaudited**

**Note 12 Equity Offering**

On August 11, 2009, we completed a public offering of 9,435,000 common shares at a price of \$5.30 per share (the **Stock Offering** ). Net proceeds of the Stock Offering were \$47.4 million, after deducting expenses, underwriting discounts and commissions.

**Note 13 Guarantor Subsidiaries**

The Notes issued by our wholly owned subsidiary Cott Beverages Inc. are unconditionally guaranteed on a senior subordinated basis pursuant to guarantees by Cott Corporation and certain other wholly owned subsidiaries (the **Guarantor Subsidiaries** ). Such guarantees are full, unconditional and joint and several.

The following supplemental financial information sets forth on an unconsolidated basis, our balance sheets, statements of income 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.

**Table of Contents****Consolidating Statements of Operations**

(in millions of U.S. dollars, unaudited)

For the Three Months Ended September 26, 2009

|  | Cott<br>Corporation | Cott<br>Beverages Inc. | Guarantor<br>Subsidiaries | Non-<br>guarantor<br>Subsidiaries | Elimination<br>Entries | Consolidated |
|--|---------------------|------------------------|---------------------------|-----------------------------------|------------------------|--------------|
| <b>Revenue</b>   | \$ 47.9             | \$ 234.7               | \$ 101.8                  | \$ 31.3                           | \$ (10.8)              | \$ 404.9     |
| Cost of sales  | 39.5                | 199.8                  | 86.1                      | 26.5                              | (10.8)                 | 341.1        |
| <b>Gross profit</b>  | 8.4                 | 34.9                   | 15.7                      | 4.8                               |                        | 63.8         |
| Selling, general and administrative expenses                                 | 15.0                | 13.4                   | 4.9                       | 3.6                               |                        | 36.9         |
| (Gain) loss on disposal of property, plant and equipment                     |                     |                        |                           |                                   |                        |              |
| Restructuring and asset impairments:   |                     |                        |                           |                                   |                        |              |
| Restructuring  |                     |                        |                           |                                   |                        |              |
| Goodwill impairments   |                     |                        |                           |                                   |                        |              |
| Asset impairments  |                     |                        |                           |                                   |                        |              |
| <b>Operating income</b>  | (6.6)               | 21.5                   | 10.8                      | 1.2                               |                        | 26.9         |
| Other (income), net  | 2.9                 |                        |                           | 0.3                               |                        | 3.2          |
| Intercompany interest expense (income), net                                  | (1.5)               | 2.9                    | (1.4)                     |                                   |                        |              |
| Interest expense, net  |                     | 7.4                    | 0.1                       | 0.1                               |                        | 7.6          |
| <b>Income before income taxes (benefit) expense and equity (loss) income</b> | (8.0)               | 11.2                   | 12.1                      | 0.8                               |                        | 16.1         |
| Income taxes (benefit) expense   | (1.1)               | 1.2                    | 0.8                       |                                   |                        | 0.9          |
| Equity (loss) income   | 20.8                | 1.5                    | 10.1                      |                                   | (32.4)                 |              |
| <b>Net income (loss)</b>   | \$ 13.9             | \$ 11.5                | \$ 21.4                   | \$ 0.8                            | \$ (32.4)              | \$ 15.2      |
| Less: Net income attributable to non-controlling interests                   |                     |                        |                           | 1.3                               |                        | 1.3          |
| <b>Net income (loss) income attributed to Cott Corporation</b>               | \$ 13.9             | \$ 11.5                | \$ 21.4                   | \$ (0.5)                          | \$ (32.4)              | \$ 13.9      |

**Table of Contents****Consolidating Statements of Operations**

(in millions of U.S. dollars, unaudited)

For the Three Months Ended September 27, 2008

|   | Cott<br>Corporation | Cott<br>Beverages Inc. | Guarantor<br>Subsidiaries | Non-<br>guarantor<br>Subsidiaries | Elimination<br>Entries | Consolidated |
|---|---------------------|------------------------|---------------------------|-----------------------------------|------------------------|--------------|
| <b>Revenue</b>  | \$ 54.9             | \$ 238.7               | \$ 103.5                  | \$ 36.4                           | \$ (13.0)              | \$ 420.5     |
| Cost of sales   | 45.8                | 218.0                  | 89.4                      | 32.6                              | (13.0)                 | 372.8        |
| <b>Gross profit</b>   | 9.1                 | 20.7                   | 14.1                      | 3.8                               |                        | 47.7         |
| Selling, general and administrative expenses  | 9.3                 | 21.3                   | 7.9                       | 3.9                               |                        | 42.4         |
| Loss (gain) on disposal of property, plant and equipment                            |                     | 0.1                    |                           |                                   |                        | 0.1          |
| Restructuring and asset impairments:  |                     |                        |                           |                                   |                        |              |
| Restructuring   | 0.1                 | (0.2)                  |                           |                                   |                        | (0.1)        |
| Goodwill impairments  |                     |                        | 69.2                      |                                   |                        | 69.2         |
| Asset impairments   |                     | 26.6                   |                           |                                   |                        | 26.6         |
| <b>Operating (loss) income</b>  | (0.3)               | (27.1)                 | (63.0)                    | (0.1)                             |                        | (90.5)       |
| Other (income) expense, net   | (0.3)               | 1.2                    | (0.7)                     | 0.2                               |                        | 0.4          |
| Intercompany Interest expense (income), net   | (3.0)               | 3.2                    | (0.2)                     |                                   |                        | 0.0          |
| Interest expense (income), net  | 0.1                 | 8.7                    |                           | (0.2)                             |                        | 8.6          |
| <b>(Loss) Income before income taxes expense (benefit) and equity (loss) income</b> | 2.9                 | (40.2)                 | (62.1)                    | (0.1)                             |                        | (99.5)       |
| Income taxes expense (benefit)  | 1.2                 | (19.1)                 | 4.4                       | 1.3                               |                        | (12.2)       |
| Equity (loss) income  | (89.3)              | 1.2                    | (30.6)                    |                                   | 118.7                  |              |
| <b>Net (loss) income</b>  | \$ (87.6)           | \$ (19.9)              | \$ (97.1)                 | \$ (1.4)                          | \$ 118.7               | \$ (87.3)    |
| Less: Net income attributable to non-controlling interests                          |                     |                        |                           | 0.3                               |                        | 0.3          |
| <b>Net (loss) income attributed to Cott Corporation</b>                             | \$ (87.6)           | \$ (19.9)              | \$ (97.1)                 | \$ (1.7)                          | \$ 118.7               | \$ (87.6)    |

**Table of Contents****Consolidating Statements of Operations**

(in millions of U.S. dollars, unaudited)

For the Nine Months Ended September 26, 2009

|  | Non-                |                        |                           |                           |                        |              |
|--|---------------------|------------------------|---------------------------|---------------------------|------------------------|--------------|
|  | Cott<br>Corporation | Cott<br>Beverages Inc. | Guarantor<br>Subsidiaries | guarantor<br>Subsidiaries | Elimination<br>Entries | Consolidated |
| <b>Revenue</b>   | \$ 149.0            | \$ 739.0               | \$ 265.5                  | \$ 93.8                   | \$ (36.6)              | \$ 1,210.7   |
| Cost of sales  | 126.1               | 615.2                  | 230.6                     | 80.1                      | (36.6)                 | 1,015.4      |
| <b>Gross profit</b>  | 22.9                | 123.8                  | 34.9                      | 13.7                      |                        | 195.3        |
| Selling, general and administrative expenses                                 | 28.8                | 48.9                   | 18.4                      | 10.6                      |                        | 106.7        |
| Loss (gain) on disposal of property, plant and equipment                     | 0.1                 |                        | (0.1)                     |                           |                        |              |
| Restructuring and asset impairments:   |                     |                        |                           |                           |                        |              |
| Restructuring  | 0.2                 | 1.4                    |                           |                           |                        | 1.6          |
| Goodwill impairments   |                     |                        |                           |                           |                        |              |
| Asset impairments  |                     | 3.5                    |                           |                           |                        | 3.5          |
| <b>Operating income</b>  | (6.2)               | 70.0                   | 16.6                      | 3.1                       |                        | 83.5         |
| Other income, net  | 0.2                 |                        |                           | 0.3                       |                        | 0.5          |
| Intercompany Interest expense (income), net                                  | (6.2)               | 9.4                    | (3.2)                     |                           |                        |              |
| Interest expense, net  | 0.2                 | 22.0                   | 0.3                       | 0.2                       |                        | 22.7         |
| <b>Income before income taxes (benefit) expense and equity (loss) income</b> | (0.4)               | 38.6                   | 19.5                      | 2.6                       |                        | 60.3         |
| Income taxes (benefit) expense   | (16.8)              | 4.8                    | 1.2                       | 0.1                       |                        | (10.7)       |
| Equity (loss) income   | 51.1                | 4.3                    | 37.8                      |                           | (93.2)                 |              |
| <b>Net income (loss)</b>   | \$ 67.5             | \$ 38.1                | \$ 56.1                   | \$ 2.5                    | \$ (93.2)              | \$ 71.0      |
| Less: Net income attributable to non-controlling interests                   |                     |                        |                           | 3.5                       |                        | 3.5          |
| <b>Net income (loss) income attributed to Cott Corporation</b>               | \$ 67.5             | \$ 38.1                | \$ 56.1                   | \$ (1.0)                  | \$ (93.2)              | \$ 67.5      |

**Table of Contents****Consolidating Statements of Operations**

(in millions of U.S. dollars, unaudited)

For the Nine Months Ended September 27, 2008

|   | Cott<br>Corporation | Cott<br>Beverages Inc. | Guarantor<br>Subsidiaries | Non-<br>guarantor<br>Subsidiaries | Elimination<br>Entries | Consolidated |
|---|---------------------|------------------------|---------------------------|-----------------------------------|------------------------|--------------|
| <b>Revenue</b>  | \$ 180.7            | \$ 715.1               | \$ 314.5                  | \$ 108.0                          | \$ (41.6)              | \$ 1,276.7   |
| Cost of sales   | 149.0               | 651.4                  | 274.0                     | 98.4                              | (41.6)                 | 1,131.2      |
| <b>Gross profit</b>   | 31.7                | 63.7                   | 40.5                      | 9.6                               |                        | 145.5        |
| Selling, general and administrative expenses  | 27.7                | 74.2                   | 26.6                      | 11.2                              |                        | 139.7        |
| Loss (gain) on disposal of property, plant and equipment                            | 0.3                 | 0.6                    | (0.5)                     |                                   |                        | 0.4          |
| Restructuring and asset impairments:  |                     |                        |                           |                                   |                        |              |
| Restructuring   | 1.0                 | 5.6                    |                           |                                   |                        | 6.6          |
| Goodwill impairments  |                     |                        | 69.2                      |                                   |                        | 69.2         |
| Asset impairments   |                     | 27.0                   |                           |                                   |                        | 27.0         |
| <b>Operating income (loss)</b>  | 2.7                 | (43.7)                 | (54.8)                    | (1.6)                             |                        | (97.4)       |
| Other (income) expense, net   | (0.2)               | (0.2)                  | (5.6)                     | 0.2                               |                        | (5.8)        |
| Intercompany Interest expense (income), net   | (9.7)               | 9.7                    |                           |                                   |                        |              |
| Interest expense (income), net  | 0.3                 | 23.8                   |                           | 0.2                               |                        | 24.3         |
| <b>Income (Loss) before income taxes expense (benefit) and equity (loss) income</b> | 12.3                | (77.0)                 | (49.2)                    | (2.0)                             |                        | (115.9)      |
| Income taxes expense (benefit)  | 3.7                 | (16.3)                 | 5.6                       | 0.5                               |                        | (6.5)        |
| Equity (loss) income  | (119.3)             | 2.1                    | (67.5)                    |                                   | 184.7                  |              |
| <b>Net (loss) income</b>  | \$ (110.7)          | \$ (58.6)              | \$ (122.3)                | \$ (2.5)                          | \$ 184.7               | \$ (109.4)   |
| Less: Net income attributable to non-controlling interests                          |                     |                        |                           | 1.3                               |                        | 1.3          |
| <b>Net (loss) income attributed to Cott Corporation</b>                             | \$ (110.7)          | \$ (58.6)              | \$ (122.3)                | \$ (3.8)                          | \$ 184.7               | \$ (110.7)   |

**Table of Contents****Consolidating Balance Sheets**

As of September 26, 2009

(in millions of U.S. dollars, unaudited)

|  | <b>Cott<br/>Corporation</b> | <b>Cott<br/>Beverages Inc.</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-<br/>guarantor<br/>Subsidiaries</b> | <b>Elimination<br/>Entries</b> | <b>Consolidated</b> |
|--|-----------------------------|--------------------------------|-----------------------------------|--|--------------------------------|---------------------|
| <b>ASSETS</b>                                    |                             |                                |                                   |  |                                |                     |
| <b>Current assets</b>                            |                             |                                |                                   |  |                                |                     |
| Cash & cash equivalents                          | \$ 0.8                      | \$ 6.9                         | \$ 5.9                            | \$ 5.4                                     | \$                             | \$ 19.0             |
| Accounts receivable                              | 33.1                        | 83.5                           | 63.7                              | 16.0                                       | (26.9)                         | 169.4               |
| Income taxes recoverable                         |                             | 9.2                            | (0.1)                             | 0.1  |                                | 9.2                 |
| Inventories                                      | 19.0                        | 68.6                           | 18.7                              | 6.2  |                                | 112.5               |
| Prepaid expenses and other assets                | 3.3                         | 3.7                            | 3.9                               | 0.2  |                                | 11.1                |
| Deferred income taxes                            |                             | 12.7                           |                                   |  |                                | 12.7                |
| Other current assets                             |                             |                                | 2.1                               |  |                                | 2.1                 |
|  | 56.2                        | 184.6                          | 94.2                              | 27.9                                       | (26.9)                         | 336.0               |
| Property, plant and equipment                    | 45.0                        | 184.5                          | 95.6                              | 13.2                                       |                                | 338.3               |
| Goodwill   | 25.2                        | 4.5                            |                                   |  |                                | 29.7                |
| Intangibles and other assets                     | 1.3                         | 106.8                          | 18.2                              | 25.9                                       |                                | 152.2               |
| Deferred income taxes                            | 20.8                        |                                |                                   | 1.2  |                                | 22.0                |
| Tax receivable                                   |                             |                                |                                   |  |                                |                     |
| Due from affiliates                              | 251.0                       | 10.0                           | 206.4                             | 41.9                                       | (509.3)                        |                     |
| Investments in subsidiaries                      |                             | 14.9                           |                                   | 147.2                                      | (162.1)                        |                     |
|  | \$ 399.5                    | \$ 505.3                       | \$ 414.4                          | \$ 257.3                                   | \$ (698.3)                     | \$ 878.2            |
| <b>LIABILITIES</b>                               |                             |                                |                                   |  |                                |                     |
| <b>Current liabilities</b>                       |                             |                                |                                   |  |                                |                     |
| Short-term borrowings                            | \$                          | \$                             | \$                                | \$   | \$                             | \$                  |
| Current maturities of long-term debt             |                             | 6.8                            |                                   | 0.4  |                                | 7.2                 |
| Income taxes payable                             |                             |                                | 2.1                               |  |                                | 2.1                 |
| Accounts payable and accrued liabilities         | 32.2                        | 96.1                           | 53.6                              | 16.1                                       | (26.9)                         | 171.1               |
|  | 32.2                        | 102.9                          | 55.7                              | 16.5                                       | (26.9)                         | 180.4               |
| Long-term debt                                   |                             | 266.4                          |                                   | 2.6  |                                | 269.0               |
| Other long-term liabilities                      | 0.1                         | 7.0                            | 6.6                               |  |                                | 13.7                |
| Other tax liabilities                            | 11.9                        |                                |                                   | 0.4  |                                | 12.3                |
| Deferred income taxes                            |                             | 9.6                            | 10.3                              | 1.1  |                                | 21.0                |
| Losses and distributions in excess of investment | (53.9)                      |                                | 137.6                             |  | (83.7)                         |                     |
| Due to affiliates                                | 43.2                        | 205.1                          | 243.7                             | 17.3                                       | (509.3)                        |                     |
|  | 33.5                        | 591.0                          | 453.9                             | 37.9                                       | (619.9)                        | 496.4               |
| <b>Equity</b>                                    |                             |                                |                                   |  |                                |                     |
| Capital stock                                    |                             |                                |                                   |  |                                |                     |
| Common shares                                    | 322.4                       | 271.1                          | 368.4                             | 175.0                                      | (814.5)                        | 322.4               |
| Treasury shares                                  | (5.3)                       |                                |                                   |  |                                | (5.3)               |

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|   |          |          |          |          |            |          |
|---|----------|----------|----------|----------|------------|----------|
| Additional paid-in-capital                    | 38.1     |          |          |          |            | 38.1     |
| Retained earnings (deficit)                   | 37.8     | (355.1)  | (407.6)  | (26.6)   | 789.3      | 37.8     |
| Accumulated other comprehensive (loss) income | (27.0)   | (1.7)    | (0.3)    | 55.2     | (53.2)     | (27.0)   |
| Total Cott Corporation's equity               | 366.0    | (85.7)   | (39.5)   | 203.6    | (78.4)     | 366.0    |
| Non-controlling interests                     |          |          |          | 15.8     |            | 15.8     |
| Total equity                                  | 366.0    | (85.7)   | (39.5)   | 219.4    | (78.4)     | 381.8    |
|   | \$ 399.5 | \$ 505.3 | \$ 414.4 | \$ 257.3 | \$ (698.3) | \$ 878.2 |

**Table of Contents****Consolidating Balance Sheets**

As of December 27, 2008

(in millions of U.S. dollars)

|  | <b>Cott<br/>Corporation</b> | <b>Cott<br/>Beverages Inc.</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-<br/>guarantor<br/>Subsidiaries</b> | <b>Elimination<br/>Entries</b> | <b>Consolidated</b> |
|--|-----------------------------|--------------------------------|-----------------------------------|--|--------------------------------|---------------------|
| <b>ASSETS</b>                                    |                             |                                |                                   |  |                                |                     |
| <b>Current assets</b>                            |                             |                                |                                   |  |                                |                     |
| Cash & cash equivalents                          | \$ 2.1                      | \$ 3.1                         | \$ 7.4                            | \$ 2.1                                     | \$                             | \$ 14.7             |
| Accounts receivable                              | 37.1                        | 97.2                           | 57.7                              | 18.3                                       | (45.9)                         | 164.4               |
| Income taxes recoverable                         |                             | 7.7                            |                                   |  |                                | 7.7                 |
| Inventories                                      | 19.2                        | 68.7                           | 17.6                              | 5.6  |                                | 111.1               |
| Prepaid expenses and other assets                | 2.2                         | 3.9                            | 3.0                               | 0.2  |                                | 9.3                 |
| Deferred income taxes                            |                             | 3.0                            |                                   |  |                                | 3.0                 |
|  | 60.6                        | 183.6                          | 85.7                              | 26.2                                       | (45.9)                         | 310.2               |
| Property, plant and equipment                    | 42.9                        | 197.1                          | 93.9                              | 12.9                                       |                                | 346.8               |
| Goodwill   | 22.5                        | 4.5                            |                                   |  |                                | 27.0                |
| Intangibles and other assets                     | 3.3                         | 119.1                          | 18.3                              | 28.9                                       |                                | 169.6               |
| Deferred income taxes                            | 10.2                        |                                | 0.1                               |  |                                | 10.3                |
| Tax receivable                                   |                             | 9.2                            |                                   |  |                                | 9.2                 |
| Due from affiliates                              | 249.7                       | 10.0                           | 210.3                             | 41.9                                       | (511.9)                        |                     |
| Investments in subsidiaries                      |                             | 14.8                           |                                   | 131.8                                      | (146.6)                        |                     |
|  | \$ 389.2                    | \$ 538.3                       | \$ 408.3                          | \$ 241.7                                   | \$ (704.4)                     | \$ 873.1            |
| <b>LIABILITIES</b>                               |                             |                                |                                   |  |                                |                     |
| <b>Current liabilities</b>                       |                             |                                |                                   |  |                                |                     |
| Short-term borrowings                            | \$ 2.9                      | \$ 104.6                       | \$                                | \$   | \$                             | \$ 107.5            |
| Current maturities of long-term debt             |                             | 7.3                            |                                   | 0.3  |                                | 7.6                 |
| Income taxes payable                             |                             | 0.1                            |                                   |  |                                | 0.1                 |
| Accounts payable and accrued liabilities         | 38.2                        | 95.9                           | 64.3                              | 14.2                                       | (45.9)                         | 166.7               |
|  | 41.1                        | 207.9                          | 64.3                              | 14.5                                       | (45.9)                         | 281.9               |
| Long-term debt                                   |                             | 291.4                          |                                   | 3.0  |                                | 294.4               |
| Other long-term liabilities                      | 0.1                         | 9.6                            | 6.3                               |  |                                | 16.0                |
| Other tax liabilities                            | 18.0                        |                                |                                   | 0.3  |                                | 18.3                |
| Deferred income taxes                            |                             | 4.8                            | 11.2                              |  |                                | 16.0                |
| Losses and distributions in excess of investment | 57.8                        |                                | 272.7                             |  | (330.5)                        |                     |
| Due to affiliates                                | 43.0                        | 209.2                          | 247.0                             | 12.7                                       | (511.9)                        |                     |
|  | 160.0                       | 722.9                          | 601.5                             | 30.5                                       | (888.3)                        | 626.6               |
| <b>Equity</b>                                    |                             |                                |                                   |  |                                |                     |
| <b>Capital stock</b>                             |                             |                                |                                   |  |                                |                     |
| Common shares                                    | 275.0                       | 211.4                          | 294.5                             | 175.3                                      | (681.2)                        | 275.0               |
| Treasury shares                                  | (6.4)                       |                                |                                   |  |                                | (6.4)               |
| Additional paid-in-capital                       | 38.1                        | (1.0)                          |                                   | 1.0  |                                | 38.1                |



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|   |          |          |          |          |            |          |
|---|----------|----------|----------|----------|------------|----------|
| Retained earnings (deficit)                   | (29.7)   | (393.2)  | (502.9)  | (20.7)   | 916.8      | (29.7)   |
| Accumulated other comprehensive (loss) income | (47.8)   | (1.8)    | 15.2     | 38.3     | (51.7)     | (47.8)   |
| Total Cott Corporation's equity               | 229.2    | (184.6)  | (193.2)  | 193.9    | 183.9      | 229.2    |
| Non-controlling interests                     |          |          |          | 17.3     |            | 17.3     |
| Total equity                                  | 229.2    | (184.6)  | (193.2)  | 211.2    | 183.9      | 246.5    |
|   | \$ 389.2 | \$ 538.3 | \$ 408.3 | \$ 241.7 | \$ (704.4) | \$ 873.1 |

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

|   | <b>For the Three Months Ended September 26, 2009</b> |                                |                                   |                                       |                                |                     |
|---|--|--------------------------------|-----------------------------------|---------------------------------------|--------------------------------|---------------------|
|   | <b>Cott<br/>Corporation</b>                          | <b>Cott<br/>Beverages Inc.</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-guarantor<br/>Subsidiaries</b> | <b>Elimination<br/>Entries</b> | <b>Consolidated</b> |
| <b>Operating activities</b>                                   |  |                                |                                   |                                       |                                |                     |
| Net income (loss)   | \$ 13.9  | \$ 11.5                        | \$ 21.4                           | \$ 0.8                                | \$ (32.4)                      | \$ 15.2             |
| Depreciation and amortization                                 | 2.0  | 10.3                           | 2.8                               | 1.3                                   |                                | 16.4                |
| Amortization of financing fees                                |  | 0.4                            |                                   |                                       |                                | 0.4                 |
| Share-based compensation                                      | (0.7)  | 1.1                            |                                   |                                       |                                | 0.4                 |
| Increase (decrease) in deferred income taxes                  | 0.2  | (6.9)                          | (2.6)                             | 9.3                                   |                                |                     |
| Increase (decrease) in other income tax liabilities           | (0.2)  | (0.1)                          | 0.1                               | 0.1                                   |                                | (0.1)               |
| Equity (loss) income, net of distributions                    | (20.9)   | (1.5)                          | (10.0)                            |                                       | 32.4                           |                     |
| Intercompany transactions                                     | 2.6  | 2.7                            |                                   |                                       | (5.3)                          |                     |
| Gain on bonds   | 0.2  |                                |                                   |                                       |                                | 0.2                 |
| Lease contract termination payments                           |  | (0.9)                          |                                   |                                       |                                | (0.9)               |
| Other non-cash items  |  | 2.9                            |                                   |                                       |                                | 2.9                 |
| Net change in non-cash working capital                        | (42.8)   | 63.8                           | 6.7                               | (10.7)                                | 5.3                            | 22.3                |
| Net cash provided by (used in) operating activities           | (45.7)   | 83.3                           | 18.4                              | 0.8                                   |                                | 56.8                |
| <b>Investing activities</b>                                   |  |                                |                                   |                                       |                                |                     |
| Additions to property, plant and equipment                    | (0.5)  | (3.1)                          | (1.4)                             | (0.3)                                 |                                | (5.3)               |
| Proceeds from disposal of property, plant and equipment       |  | 0.1                            |                                   |                                       |                                | 0.1                 |
| Advances to affiliates  | (3.1)  |                                | (5.7)                             | (0.9)                                 | 9.7                            |                     |
| Net cash (used in) provided by investing activities           | (3.6)  | (3.0)                          | (7.1)                             | (1.2)                                 | 9.7                            | (5.2)               |
| <b>Financing activities</b>                                   |  |                                |                                   |                                       |                                |                     |
| Payments of long-term debt                                    |  | (22.5)                         |                                   | (0.2)                                 |                                | (22.7)              |
| Long-term borrowings, ABL                                     | 1.3  | 20.4                           | 27.2                              |                                       |                                | 48.9                |
| Long-term payments, ABL                                       | (1.3)  | (76.0)                         | (38.2)                            |                                       |                                | (115.5)             |
| Advances from affiliates                                      | 0.8  | 5.7                            | 3.2                               |                                       | (9.7)                          |                     |
| Distributions to non-controlling interests                    |  |                                |                                   | (2.6)                                 |                                | (2.6)               |
| Issue of common shares  | 47.4   |                                |                                   |                                       |                                | 47.4                |
| Deferred financing fees                                       |  | (1.1)                          |                                   |                                       |                                | (1.1)               |
| Other financing activities                                    | (0.1)  | (0.1)                          |                                   |                                       |                                | (0.2)               |
| Net cash (used in) provided by financing activities           | 48.1   | (73.6)                         | (7.8)                             | (2.8)                                 | (9.7)                          | (45.8)              |
| Effect of exchange rate on cash                               | 0.2  |                                | (0.2)                             |                                       |                                |                     |
| <b>Net (decrease) increase in cash &amp; cash equivalents</b> | <b>(1.0)</b>   | <b>6.7</b>                     | <b>3.3</b>                        | <b>(3.2)</b>                          |                                | <b>5.8</b>          |

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|  |        |        |        |        |         |
|--|--------|--------|--------|--------|---------|
| Cash & cash equivalents, beginning of period | 1.8    | 0.2    | 2.6    | 8.6    | 13.2    |
| Cash & cash equivalents, end of period       | \$ 0.8 | \$ 6.9 | \$ 5.9 | \$ 5.4 | \$ 19.0 |

**Table of Contents****Consolidating Statements of Condensed Cash Flows****(in millions of U.S. dollars, unaudited)****For the Three Months Ended September 27, 2008**

|  | <b>Cott<br/>Corporation</b> | <b>Cott<br/>Beverages Inc.</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-<br/>guarantor<br/>Subsidiaries</b> | <b>Elimination<br/>Entries</b> | <b>Consolidated</b> |
|--|-----------------------------|--------------------------------|-----------------------------------|--|--------------------------------|---------------------|
| <b>Operating activities</b>                                |                             |                                |                                   |  |                                |                     |
| Net (loss) income  | \$ (87.6)                   | \$ (19.9)                      | \$ (97.1)                         | \$ (1.4)                                   | \$ 118.7                       | \$ (87.3)           |
| Depreciation and amortization                              | 3.6                         | 10.5                           | 4.4                               | 1.6  |                                | 20.1                |
| Amortization of financing fees                             |                             | 0.2                            | 0.1                               | (0.1)                                      |                                | 0.2                 |
| Share-based compensation                                   |                             | 0.2                            | 0.1                               |  |                                | 0.3                 |
| Increase (decrease) in deferred income taxes               | 0.8                         | 2.2                            | (1.0)                             | (6.7)                                      |                                | (4.7)               |
| (Decrease) increase in other income tax liabilities        | 0.1                         | (10.1)                         | (0.1)                             |  |                                | (10.1)              |
| Loss (gain) on disposal of property, plant and equipment   |                             | 0.2                            | (0.1)                             |  |                                | 0.1                 |
| Equity (loss) income, net of distributions                 | 91.6                        | (0.1)                          | 30.5                              |  | (122.0)                        | (0.8)               |
| Asset impairments  |                             | (0.8)                          | (0.6)                             | 0.6  |                                | (0.8)               |
| Intangible impairments                                     |                             | 27.4                           |                                   |  |                                | 27.4                |
| Goodwill impairments                                       |                             |                                | 69.2                              |  |                                | 69.2                |
| Lease contract termination loss                            |                             |                                |                                   |  |                                |                     |
| Lease contract termination payments                        |                             | (2.7)                          |                                   |  |                                | (2.7)               |
| Other non-cash items                                       |                             | 4.2                            |                                   |  |                                | 4.2                 |
| Net change in non-cash working capital                     | (3.0)                       | 33.4                           | 9.5                               | (37.0)                                     | (0.7)                          | 2.2                 |
| <b>Net cash provided by (used in) operating activities</b> | <b>5.5</b>                  | <b>44.7</b>                    | <b>14.9</b>                       | <b>(43.0)</b>                              | <b>(4.0)</b>                   | <b>18.1</b>         |
| <b>Investing activities</b>                                |                             |                                |                                   |  |                                |                     |
| Additions to property, plant and equipment                 | (0.4)                       | (19.5)                         | (1.8)                             | (0.8)                                      |                                | (22.5)              |
| Proceeds from disposal of property, plant and equipment    | (0.1)                       |                                |                                   |  |                                | (0.1)               |
| Advances to affiliates                                     | 2.8                         |                                | (2.6)                             | 0.3  | (0.5)                          | (0.1)               |
| Additions to intangibles and other assets                  | (2.3)                       | 2.1                            | (0.1)                             | 0.2  |                                | (0.1)               |
| <b>Net cash (used in) provided by investing activities</b> |                             | <b>(17.4)</b>                  | <b>(4.5)</b>                      | <b>(0.3)</b>                               | <b>(0.5)</b>                   | <b>(22.7)</b>       |
| <b>Financing activities</b>                                |                             |                                |                                   |  |                                |                     |
| Payments of long-term debt                                 |                             | (7.3)                          |                                   | 4.3  |                                | (3.0)               |
| Payments on extinguishment of credit facility              | (1.1)                       | (32.1)                         |                                   | 33.2                                       |                                |                     |
| Issuance of long-term debt                                 |                             | 12.4                           |                                   | 4.6  |                                | 17.0                |
| Short-term borrowings                                      |                             | 0.2                            |                                   |  |                                | 0.2                 |
| Long-term borrowings, ABL                                  | 2.3                         | 416.7                          | 17.5                              |  |                                | 436.5               |
| Long-term payments, ABL                                    | (2.5)                       | (426.7)                        | (17.0)                            |  |                                | (446.2)             |
| Advances from affiliates                                   | (0.4)                       | 2.6                            | (2.8)                             |  | 0.6                            |                     |
| Distributions to subsidiary minority shareowner            |                             |                                |                                   | (1.1)                                      |                                | (1.1)               |
| Purchase of treasury shares                                |                             |                                |                                   |  |                                |                     |
| Deferred financing fees                                    | (0.1)                       | (0.4)                          | (0.2)                             |  |                                | (0.7)               |
| Dividends paid   |                             |                                | (2.7)                             | (1.2)                                      | 3.9                            |                     |
| Other financing activities                                 | (0.4)                       | (0.1)                          |                                   |  |                                | (0.5)               |
| <b>Net cash (used in) provided by financing activities</b> | <b>(2.2)</b>                | <b>(34.7)</b>                  | <b>(5.2)</b>                      | <b>39.8</b>                                | <b>4.5</b>                     | <b>2.2</b>          |
| Effect of exchange rate on cash                            | (0.1)                       |                                | (0.7)                             | (0.1)                                      |                                | (0.9)               |

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|   |               |               |               |               |               |                |
|---|---------------|---------------|---------------|---------------|---------------|----------------|
| <b>Net increase (decrease) in cash &amp; cash equivalents</b> | <b>3.2</b>    | <b>(7.4)</b>  | <b>4.5</b>    | <b>(3.6)</b>  | <b>0.0</b>    | <b>(3.3)</b>   |
| <b>Cash &amp; cash equivalents, beginning of period</b>       | <b>5.2</b>    | <b>8.6</b>    | <b>4.6</b>    | <b>5.5</b>    |               | <b>23.9</b>    |
| <b>Cash &amp; cash equivalents, end of period</b>             | <b>\$ 8.4</b> | <b>\$ 1.2</b> | <b>\$ 9.1</b> | <b>\$ 1.9</b> | <b>\$ 0.0</b> | <b>\$ 20.6</b> |

**Table of Contents****Consolidating Statements of Condensed Cash Flows****(in millions of U.S. dollars, unaudited)****For the Nine Months Ended September 26, 2009**

|   | <b>Cott<br/>Corporation</b> | <b>Cott<br/>Beverages Inc.</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-<br/>guarantor<br/>Subsidiaries</b> | <b>Elimination<br/>Entries</b> | <b>Consolidated</b> |
|---|-----------------------------|--------------------------------|-----------------------------------|--|--------------------------------|---------------------|
| <b>Operating activities</b>                                   |                             |                                |                                   |  |                                |                     |
| Net income (loss)   | \$ 67.5                     | \$ 38.1                        | \$ 56.1                           | \$ 2.5                                     | \$ (93.2)                      | \$ 71.0             |
| Depreciation and amortization                                 | 6.1                         | 30.0                           | 9.5                               | 4.1  |                                | 49.7                |
| Amortization of financing fees                                | 0.1                         | 0.8                            | 0.1                               |  |                                | 1.0                 |
| Share-based compensation                                      | 0.1                         | 1.1                            |                                   |  |                                | 1.2                 |
| Increase (decrease) in deferred income taxes                  | 16.8                        | (5.2)                          | (2.9)                             | (5.8)                                      |                                | 2.9                 |
| (Decrease) increase in other income tax liabilities           | (16.8)                      |                                | 0.1                               | 0.1  |                                | (16.6)              |
| (Gain) loss on disposal of property, plant and equipment      | 0.2                         | (0.1)                          | (0.1)                             |  |                                |                     |
| Equity (loss) income, net of distributions                    | (51.1)                      | (4.3)                          | (37.8)                            |  | 93.2                           |                     |
| Intercompany transactions                                     | 6.5                         | 5.1                            |                                   |  | (11.6)                         |                     |
| Gain on bond  | 0.2                         |                                |                                   |  |                                | 0.2                 |
| Asset impairments   |                             | 3.5                            |                                   |  |                                | 3.5                 |
| Lease contract termination payments                           |                             | (2.8)                          |                                   |  |                                | (2.8)               |
| Other non-cash items  |                             | 1.8                            |                                   |  |                                | 1.8                 |
| Net change in non-cash working capital                        | (81.6)                      | 68.5                           | (7.5)                             | 12.3                                       | 11.6                           | 3.3                 |
| Net cash provided by (used in) operating activities           | (52.0)                      | 136.5                          | 17.5                              | 13.2                                       |                                | 115.2               |
| <b>Investing activities</b>                                   |                             |                                |                                   |  |                                |                     |
| Additions to property, plant and equipment                    | (1.5)                       | (10.3)                         | (6.7)                             | (0.4)                                      |                                | (18.9)              |
| Proceeds from disposal of property, plant and equipment       |                             | 1.3                            | 0.1                               |  |                                | 1.4                 |
| Advances to affiliates  | 3.2                         |                                | (8.3)                             | (4.6)                                      | 9.7                            |                     |
| Net cash (used in) provided by investing activities           | 1.7                         | (9.0)                          | (14.9)                            | (5.0)                                      | 9.7                            | (17.5)              |
| <b>Financing activities</b>                                   |                             |                                |                                   |  |                                |                     |
| Payments of long-term debt                                    |                             | (26.1)                         |                                   | (0.3)                                      |                                | (26.4)              |
| Long-term borrowings, ABL                                     | 87.0                        | 507.9                          | 84.5                              |  |                                | 679.4               |
| Long-term payments, ABL                                       | (90.1)                      | (612.5)                        | (85.5)                            |  |                                | (788.1)             |
| Advances from affiliates                                      | 4.6                         | 8.3                            | (3.2)                             |  | (9.7)                          |                     |
| Distributions to non-controlling interests                    |                             |                                |                                   | (4.9)                                      |                                | (4.9)               |
| Issue of common shares  | 47.4                        |                                |                                   |  |                                | 47.4                |
| Deferred financing fees                                       |                             | (1.1)                          |                                   |  |                                | (1.1)               |
| Other financing activities                                    | (0.2)                       | (0.2)                          |                                   |  |                                | (0.4)               |
| Net cash (used in) provided by financing activities           | 48.7                        | (123.7)                        | (4.2)                             | (5.2)                                      | (9.7)                          | (94.1)              |
| Effect of exchange rate on cash                               | 0.3                         |                                | 0.1                               | 0.3  |                                | 0.7                 |
| <b>Net (decrease) increase in cash &amp; cash equivalents</b> | <b>(1.3)</b>                | <b>3.8</b>                     | <b>(1.5)</b>                      | <b>3.3</b>                                 |                                | <b>4.3</b>          |
| <b>Cash &amp; cash equivalents, beginning of period</b>       | <b>2.1</b>                  | <b>3.1</b>                     | <b>7.4</b>                        | <b>2.1</b>                                 |                                | <b>14.7</b>         |
| <b>Cash &amp; cash equivalents, end of period</b>             | <b>\$ 0.8</b>               | <b>\$ 6.9</b>                  | <b>\$ 5.9</b>                     | <b>\$ 5.4</b>                              | <b>\$</b>                      | <b>\$ 19.0</b>      |



**Table of Contents****Consolidating Statements of Condensed Cash Flows****(in millions of U.S. dollars, unaudited)****For the Nine Months Ended September 27, 2008**

|   | <b>Cott<br/>Corporation</b> | <b>Cott<br/>Beverages Inc.</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-<br/>guarantor<br/>Subsidiaries</b> | <b>Elimination<br/>Entries</b> | <b>Consolidated</b> |
|---|-----------------------------|--------------------------------|-----------------------------------|--|--------------------------------|---------------------|
| <b>Operating activities</b>                                   |                             |                                |                                   |  |                                |                     |
| Net (loss) income   | \$ (110.7)                  | \$ (58.6)                      | \$ (122.3)                        | \$ (2.5)                                   | \$ 184.7                       | \$ (109.4)          |
| Depreciation and amortization                                 | 10.6                        | 30.8                           | 15.3                              | 4.2  |                                | 60.9                |
| Amortization of financing fees                                | 0.1                         | 0.5                            | 0.2                               |  |                                | 0.8                 |
| Share-based compensation                                      | 1.4                         | 3.9                            | 0.1                               |  |                                | 5.4                 |
| Increase (decrease) in deferred income taxes                  | 3.9                         | 3.1                            | (2.1)                             | (8.1)                                      |                                | (3.2)               |
| (Decrease) increase in other income tax liabilities           | (0.5)                       | (9.3)                          | (1.3)                             |  |                                | (11.1)              |
| Loss (gain) on disposal of property, plant and equipment      | 0.3                         | 0.6                            | (0.5)                             |  |                                | 0.4                 |
| Equity (loss) income, net of distributions                    | 127.0                       | 0.4                            | 70.4                              |  | (197.8)                        |                     |
| Asset impairments   |                             | (0.4)                          | (0.6)                             | 0.6  |                                | (0.4)               |
| Intangible impairments  |                             | 27.4                           |                                   |  |                                | 27.4                |
| Goodwill impairments  |                             |                                | 69.2                              |  |                                | 69.2                |
| Lease contract termination loss                               |                             | 0.3                            |                                   |  |                                | 0.3                 |
| Lease contract termination payments                           |                             | (3.1)                          |                                   |  |                                | (3.1)               |
| Other non-cash items  |                             | 4.8                            |                                   |  |                                | 4.8                 |
| Net change in non-cash working capital                        | (24.2)                      | 8.8                            | 1.4                               | 14.3                                       | (0.6)                          | (0.3)               |
| <b>Net cash provided by (used in) operating activities</b>    | <b>7.9</b>                  | <b>9.2</b>                     | <b>29.8</b>                       | <b>8.5</b>                                 | <b>(13.7)</b>                  | <b>41.7</b>         |
| <b>Investing activities</b>                                   |                             |                                |                                   |  |                                |                     |
| Additions to property, plant and equipment                    | (1.9)                       | (34.5)                         | (6.4)                             | (3.9)                                      |                                | (46.7)              |
| Proceeds from disposal of property, plant and equipment       | 2.4                         | 0.1                            |                                   |  |                                | 2.5                 |
| Advances to affiliates  | 8.8                         |                                | (7.7)                             | (9.0)                                      | 7.9                            |                     |
| Additions to intangibles and other assets                     | (2.3)                       | (1.0)                          | (0.1)                             |  |                                | (3.4)               |
| <b>Net cash (used in) provided by investing activities</b>    | <b>7.0</b>                  | <b>(35.4)</b>                  | <b>(14.2)</b>                     | <b>(12.9)</b>                              | <b>7.9</b>                     | <b>(47.6)</b>       |
| <b>Financing activities</b>                                   |                             |                                |                                   |  |                                |                     |
| Payments of long-term debt                                    |                             | (8.8)                          |                                   | 4.3  |                                | (4.5)               |
| Payments on extinguishment of credit facility                 | (20.4)                      | (105.8)                        |                                   | (1.3)                                      |                                | (127.5)             |
| Issuance of long-term debt                                    |                             | 29.0                           |                                   | 4.6  |                                | 33.6                |
| Short-term borrowings   |                             | (8.2)                          |                                   |  |                                | (8.2)               |
| Long-term borrowings, ABL                                     | 37.8                        | 931.6                          | 62.5                              |  |                                | 1,031.9             |
| Long-term payments, ABL                                       | (38.0)                      | (811.6)                        | (60.8)                            |  |                                | (910.4)             |
| Advances from affiliates                                      | 8.9                         | 7.7                            | (8.8)                             |  | (7.8)                          |                     |
| Distributions to subsidiary minority shareowner               |                             |                                |                                   | (2.7)                                      |                                | (2.7)               |
| Purchase of treasury shares                                   | (6.4)                       |                                |                                   |  |                                | (6.4)               |
| Deferred financing fees                                       | (0.8)                       | (3.4)                          | (0.8)                             |  |                                | (5.0)               |
| Dividends paid  |                             | (3.0)                          | (8.0)                             | (2.6)                                      | 13.6                           |                     |
| Other financing activities                                    | (0.3)                       | (0.1)                          |                                   |  |                                | (0.4)               |
| <b>Net cash provided by (used in) financing activities</b>    | <b>(19.2)</b>               | <b>27.4</b>                    | <b>(15.9)</b>                     | <b>2.3</b>                                 | <b>5.8</b>                     | <b>0.4</b>          |
| Effect of exchange rate on cash                               | (0.5)                       |                                | (0.9)                             | 0.1  |                                | (1.3)               |
| <b>Net (decrease) increase in cash &amp; cash equivalents</b> | <b>(4.8)</b>                | <b>1.2</b>                     | <b>(1.2)</b>                      | <b>(2.0)</b>                               | <b>(0.0)</b>                   | <b>(6.8)</b>        |



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|  |        |        |        |        |          |    |      |
|--|--------|--------|--------|--------|----------|----|------|
| Cash & cash equivalents, beginning of period | 13.2   |        | 10.3   | 3.9    |          |    | 27.4 |
| Cash & cash equivalents, end of period       | \$ 8.4 | \$ 1.2 | \$ 9.1 | \$ 1.9 | \$ (0.0) | \$ | 20.6 |

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

This discussion 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 and the Form 8-K (filed on May 29, 2009) for the year ended December 27, 2008 (together, the 2008 Annual Report). These historical financial statements may not be indicative of our future performance. This Management's Discussion and Analysis of Financial Condition and Results of Operations 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 described in Part I, Item 1A. Risk Factors in our 2008 Annual Report.

#### ***Overview***

We are one of the world's largest non-alcoholic beverage companies and the world's largest retailer brand soft drink company. Our objective of creating sustainable long-term growth in profitability is predicated on working closely with our retailer partners to provide proven profitable products. As a fast follower of innovative products, our goal is to identify which new products are succeeding in the marketplace and develop similar private label products to provide our retail partners and their consumers with high quality products at a better value. This objective is increasingly relevant in more difficult economic times.

Sales of our products tend to be seasonal, with the second and third quarters accounting for higher unit sales of our products than the first and fourth quarters. The seasonality of our sales volume, combined with the accounting for fixed costs such as depreciation, amortization, rent and interest expense, impacts our results on a quarterly basis. Accordingly, our results for the nine months ended September 26, 2009 may not necessarily be indicative of the results that may be expected for the full year.

Retailer brand suppliers, such as us, typically operate at low margins and therefore relatively small changes in cost structures can materially impact results. In 2008 and during the first nine months of 2009, industry-wide carbonated soft drink (CSD) sales continued to decline, and ingredient and packaging costs remained volatile.

Margins were increased through a combination of price increases and decreased costs while maintaining service levels to all major customers. During the nine months ended September 26, 2009, consumers sought better value in private label products during difficult economic times. Market trends have historically shown that demand for private label goods continues after recovery from economic downturns. However, there is no assurance that this consumer shift to private label products will continue after the economy improves. Our focus on margins enabled us to increase gross profit margin from 11.4% for the nine months ended September 27, 2008 to 16.1% for the nine months ended September 26, 2009.

Our financial liquidity as of September 26, 2009, improved due to increased cash generated by operational activities, the receipt of \$47.4 million of net proceeds from the issuance of 9.4 million common shares in a public offering, the paydown of borrowings under our asset based lending (ABL) facility and the repurchase of \$20.7 million in principal amount of our 8% senior subordinated notes due 2011 (the Notes).

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 three largest commodities are aluminum, PET resin, and corn (which is used to produce high fructose corn syrup (HFCS)). We attempt to manage our exposure to fluctuations in ingredient and packaging costs of our products by implementing price increases as needed and entering into fixed price commitments for a portion of our ingredient and packaging requirements. In 2008 and 2009, we entered into fixed price commitments for a majority of our 2009 HFCS and aluminum requirements, with the remaining requirements to be purchased at the prevailing 2009 market prices. We have entered into fixed price commitments for a majority of our HFCS requirements for 2010. We have also entered into fixed price commitments for a majority of our estimated aluminum requirements for 2010 as well as a base percentage of our requirements for 2011.

In the U.S., we have been supplying Wal-Mart with private label CSDs under an exclusive supply agreement dated December 21, 1998, between Cott Beverages Inc., a wholly-owned subsidiary of the Company, and Wal-Mart Stores, Inc. (the Exclusive U.S. Supply Contract). We also supply Wal-Mart and its affiliated companies with a variety of products on a non-exclusive basis in the U.S., Canada, United Kingdom and Mexico, including CSDs, clear, still and sparkling flavored waters, juice-based products, bottled water, energy drinks and ready-to-drink teas. On January 27, 2009, we received written notice from Wal-Mart stating that Wal-Mart was exercising its right to terminate, without cause, the Exclusive U.S. Supply Contract. The termination is effective on January 28, 2012. This has the effect of returning our relationship to more typical market terms over time, and allows Wal-Mart to introduce other suppliers in the future, if they so desire. The termination provision of the Exclusive U.S. Supply Contract provides for our exclusive right to supply CSDs to Wal-Mart in the U.S. to



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be phased out over a period of three years following notice of termination (the Notice Period). Accordingly, we have the exclusive right to supply at least two-thirds of Wal-Mart's total CSD volumes in the U.S., on an exclusive basis, during the first 12 months of the Notice Period, and we have the exclusive right to supply at least one-third of Wal-Mart's total CSD volumes in the U.S. during the second 12 months of the Notice Period. Notwithstanding the notice of termination of the Exclusive U.S. Supply Contract, we continue to supply Wal-Mart with all of its private label CSDs in the U.S. However, should Wal-Mart choose to introduce an additional supplier to fulfill a portion of its requirements for its private label CSDs, our operating results could be materially adversely affected.

*Summary financial results*

Our net income for the three months ended September 26, 2009 (the third quarter) and the nine months ended September 26, 2009 (year-to-date) was \$13.9 million or \$0.18 per diluted share and \$67.5 million or \$0.92 per diluted share, respectively, compared with a net loss of \$87.6 million or \$1.25 per diluted share and a net loss of \$110.7 million or \$1.56 per diluted share for the three and nine months ended September 27, 2008, respectively.

*The following items of significance impacted our financial results for the first nine months of 2009:*

improved gross margins to 16.1% from 11.4% for the nine months ended September 27, 2008, reflecting the benefit of local currency price increases announced in the third quarter of 2008, product mix, lower ingredient and packaging costs and increased efficiencies from the utilization of plants;

revenue decreased 3.7% and 5.2% in the third quarter and year-to-date, respectively, compared to the same periods in 2008. Absent foreign exchange impact, net revenue increased 1.1% and 2.5% in the third quarter and year-to-date, respectively.

the consumer shift toward retailer brand products as a result of weak economic conditions;

overall 1.5% year-to-date decrease in beverage case volume reflecting slight decreases in our North America and our U.K. operating segments;

selling, general and administrative (SG&A) cost saving initiatives that resulted in an SG&A decrease of \$33.0 million;

the decrease in the foreign exchange rate for the Canadian dollar, pound sterling and Mexican peso as compared to the U.S. dollar resulted in a \$95.2 million adverse impact on revenues, a \$13.0 million adverse impact on gross profit and a \$11.0 million positive impact on SG&A;

restructuring, severance and lease termination costs of \$1.6 million in connection with the 2009 Restructuring Plan and asset impairment costs of \$3.5 million relating primarily to the loss of a customer; and

a tax benefit resulting primarily from the reversal of \$16.6 million in accruals related to uncertain tax positions plus related interest and penalties.

*The following items of significance impacted our financial results for the first nine months of 2008:*

goodwill impairment of \$69.2 million arising from lower anticipated operating income related to our U.K. operating segment;

asset impairment of intellectual property rights ( Rights ) of \$27.4 million arising from the downward trend of estimated CSD production primarily in North America;

the highly competitive environment and continued decline in the North America CSD industry, particularly in the U.S.;

accelerated decline in volume and revenues from Wal-Mart;

executive transition costs of \$6.8 million (including \$1.9 million of non-cash stock compensation expense);

restructuring severance costs of \$6.6 million related to the Refocus Plan;

increased SG&A costs associated with increased expenses for expiring trademarks, amortization of software costs, the expense of \$4.5 million of previously capitalized software costs and bad debt expense;

accelerated depreciation of \$1.6 million resulting from Wal-Mart's decision to remove certain of our vending machines from Wal-Mart stores; and

a lower effective income tax rate resulting from a valuation allowance on U.S. and Mexican deferred income tax assets and a write down of U.K. operating segment goodwill with no tax relief, offset in part by a settlement of certain tax matters under audit.

***Non-GAAP Measures***

In this report, we present certain information regarding changes in our revenue excluding the impact of foreign exchange on page 35. We believe that these are useful financial measures for investors in evaluating our operating performance for the

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periods presented, as when read in conjunction with our changes in revenue on a U.S. GAAP basis, it presents a useful tool to evaluate our ongoing operations. In addition, these adjusted amounts are one of the factors we use in internal evaluations of the overall performance of our business. This information, however, is not a measure of financial performance under U.S. GAAP and should not be considered a substitute for changes in revenue as determined in accordance with U.S. GAAP.

**Results of Operations**

|   | For the Three Months Ended               |  | For the Nine Months Ended                |  |
|---|--|--|--|--|
|   | September 26, 2009<br>Percent of Revenue | September 27, 2008<br>Percent of Revenue | September 26, 2009<br>Percent of Revenue | September 27, 2008<br>Percent of Revenue |
| Revenue   | 100.0%                                   | 100.0%                                   | 100.0%                                   | 100.0%                                   |
| Cost of sales                                     | 84.2%                                    | 88.7%                                    | 83.9%                                    | 88.6%                                    |
| Gross profit                                      | 15.8%                                    | 11.3%                                    | 16.1%                                    | 11.4%                                    |
| Selling, general, and administrative expenses     | 9.2%                                     | 10.1%                                    | 8.8%                                     | 10.9%                                    |
| Loss on disposal of property, plant and equipment | 0.0%                                     | 0.0%                                     | 0.0%                                     | 0.0%                                     |
| Restructuring                                     | 0.0%                                     | 22.8%                                    | 0.1%                                     | 8.1%                                     |
| Asset impairment                                  | 0.0%                                     | 0.0%                                     | 0.3%                                     | 0.0%                                     |
| Operating income (loss)                           | 6.6%                                     | -21.6%                                   | 6.9%                                     | -7.6%                                    |
| Other income, net                                 | 0.8%                                     | 0.1%                                     | 0.0%                                     | -0.5%                                    |
| Interest expense, net                             | 1.8%                                     | 2.0%                                     | 1.9%                                     | 1.9%                                     |
| Income (loss) before income taxes                 | 4.0%                                     | -23.7%                                   | 5.0%                                     | -9.0%                                    |
| Income tax (benefit) expense                      | 0.3%                                     | -2.9%                                    | -0.9%                                    | -0.5%                                    |
| Net income (loss)                                 | 3.7%                                     | -20.8%                                   | 5.9%                                     | -8.5%                                    |
| Less: Non-controlling interests                   | 0.3%                                     | 0.1%                                     | 0.3%                                     | 0.1%                                     |
| Net income (loss) attributed to Cott Corporation  | 3.4%                                     | -20.9%                                   | 5.6%                                     | -8.6%                                    |
| Depreciation & amortization                       | 4.1%                                     | 4.8%                                     | 4.1%                                     | 4.8%                                     |

*Analysis of Revenue, Operating (Loss) Income and Case Volume by Geographic Region:*

| <i>(in millions of U.S. Dollars)</i> | For the Three Months Ended |                    | For the Nine Months Ended |                    |
|--------------------------------------|----------------------------|--------------------|---------------------------|--------------------|
|                                      | September 26, 2009         | September 27, 2008 | September 26, 2009        | September 27, 2008 |
| <u>Revenue</u>                       |                            |                    |                           |                    |
| North America                        | \$ 287.2                   | \$ 296.9           | \$ 899.7                  | \$ 899.6           |

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|                |                 |          |                   |            |
|----------------|-----------------|----------|-------------------|------------|
| United Kingdom | <b>101.6</b>    | 101.9    | <b>264.6</b>      | 309.9      |
| Mexico         | <b>10.3</b>     | 16.0     | <b>30.7</b>       | 50.1       |
| RCI            | <b>5.8</b>      | 5.3      | <b>15.7</b>       | 16.3       |
| All Other      |                 | 0.4      |                   | 0.8        |
| <b>Total</b>   | <b>\$ 404.9</b> | \$ 420.5 | <b>\$ 1,210.7</b> | \$ 1,276.7 |

*Operating (loss) income*

|                |                |           |                |           |
|----------------|----------------|-----------|----------------|-----------|
| North America  | <b>\$ 16.1</b> | \$ (27.6) | <b>\$ 69.0</b> | \$ (43.1) |
| United Kingdom | <b>10.8</b>    | (62.7)    | <b>16.5</b>    | (53.8)    |
| Mexico         | <b>(1.6)</b>   | (1.0)     | <b>(5.1)</b>   | (4.6)     |
| RCI            | <b>1.6</b>     | 1.2       | <b>3.2</b>     | 5.9       |
| All Other      |                | (0.4)     | <b>(0.1)</b>   | (1.8)     |
| <b>Total</b>   | <b>\$ 26.9</b> | \$ (90.5) | <b>\$ 83.5</b> | \$ (97.4) |

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| <i>(in millions of cases)</i>   | For the Three Months Ended |                    | For the Nine Months Ended |                    |
|---|----------------------------|--------------------|---------------------------|--------------------|
|   | September 26, 2009         | September 27, 2008 | September 26, 2009        | September 27, 2008 |
| <b><u>Volume 8oz. equivalent cases - Total Beverage (including concentrate)</u></b> |                            |                    |                           |                    |
| North America   | <b>158.9</b>               | 166.3              | <b>495.4</b>              | 507.0              |
| United Kingdom  | <b>51.8</b>                | 50.2               | <b>144.1</b>              | 148.4              |
| Mexico  | <b>5.8</b>                 | 7.1                | <b>17.0</b>               | 23.0               |
| RCI   | <b>54.7</b>                | 54.1               | <b>161.1</b>              | 173.3              |
| All Other   |                            | 0.4                |                           | 0.6                |
| <b>Total</b>  | <b>271.2</b>               | 278.1              | <b>817.6</b>              | 852.3              |

**Volume 8oz. equivalent cases - Filled Beverage**

|                |              |       |              |       |
|----------------|--------------|-------|--------------|-------|
| North America  | <b>140.8</b> | 146.8 | <b>439.8</b> | 441.0 |
| United Kingdom | <b>48.3</b>  | 44.3  | <b>131.1</b> | 132.2 |
| Mexico         | <b>5.8</b>   | 7.1   | <b>17.0</b>  | 23.0  |
| RCI            | <b>0.1</b>   |       | <b>0.2</b>   |       |
| All Other      |              | 0.3   |              | 0.6   |
| <b>Total</b>   | <b>195.0</b> | 198.5 | <b>588.1</b> | 596.8 |

*Analysis of Revenue by Geographic Region:*

| <i>(in millions of U.S. dollars)</i>                    | Three Months Ended September 26, 2009 |                 |                |                 |               |                 |
|---|---------------------------------------|-----------------|----------------|-----------------|---------------|-----------------|
|   | Cott <sup>1</sup>                     | North America   | United Kingdom | Mexico          | RCI           | All Other       |
| Change in revenue                                       | \$ (15.6)                             | \$ (9.7)        | \$ (0.3)       | \$ (5.7)        | \$ 0.5        | \$ (0.4)        |
| Impact of foreign exchange                              | 20.0                                  | 2.6             | 13.8           | 3.6             |               |                 |
| <b>Change excluding foreign exchange</b>                | <b>\$ 4.4</b>                         | <b>\$ (7.1)</b> | <b>\$ 13.5</b> | <b>\$ (2.1)</b> | <b>\$ 0.5</b> | <b>\$ (0.4)</b> |
| Percentage change in revenue                            | -3.7%                                 | -3.3%           | -0.3%          | -35.6%          | 9.4%          | -100.0%         |
| Percentage change in revenue excluding foreign exchange | 1.1%                                  | -2.4%           | 15.3%          | -16.9%          | 9.4%          | -100.0%         |

<sup>1</sup> Cott includes the following operating segments: North America, U.K., Mexico, RCI and All Other.

| <i>(in millions of U.S. dollars)</i>                    | Nine Months Ended September 26, 2009 |                |                |                 |                 |                 |
|---|--------------------------------------|----------------|----------------|-----------------|-----------------|-----------------|
|   | Cott <sup>1</sup>                    | North America  | United Kingdom | Mexico          | RCI             | All Other       |
| Change in revenue                                       | \$ (66.0)                            | \$ 0.1         | \$ (45.3)      | \$ (19.4)       | \$ (0.6)        | \$ (0.8)        |
| Impact of foreign exchange                              | 95.2                                 | 19.7           | 64.2           | 11.4            |                 | (0.1)           |
| <b>Change excluding foreign exchange</b>                | <b>\$ 29.2</b>                       | <b>\$ 19.8</b> | <b>\$ 18.9</b> | <b>\$ (8.0)</b> | <b>\$ (0.6)</b> | <b>\$ (0.9)</b> |
| Percentage change in revenue                            | -5.2%                                | 0.0%           | -14.6%         | -38.7%          | -3.7%           | -100.0%         |
| Percentage change in revenue excluding foreign exchange | 2.5%                                 | 2.3%           | 7.7%           | -20.7%          | -3.7%           | -100.0%         |



<sup>1</sup> Cott includes the following operating segments: North America, U.K., Mexico, RCI and All Other.

**Table of Contents***Analysis of Revenue by Product:*

| <i>(in millions of U.S. dollars)</i> | For the Three Months Ended September 26, 2009 |                 |                |               |           | Total           |
|--------------------------------------|---|-----------------|----------------|---------------|-----------|-----------------|
|                                      | United<br>North America                       | Kingdom         | Mexico         | RCI           | All Other |                 |
| <u>Revenue</u>                       |   |                 |                |               |           |                 |
| Carbonated soft drinks               | \$ 181.6                                      | \$ 47.1         | \$ 9.0         | \$            | \$        | \$ 237.7        |
| Concentrate                          | 1.7   | 0.9             |                | 5.3           |           | 7.9             |
| All other products                   | 103.9   | 53.6            | 1.3            | 0.5           |           | 159.3           |
| <b>Total</b>                         | <b>\$ 287.2</b>                               | <b>\$ 101.6</b> | <b>\$ 10.3</b> | <b>\$ 5.8</b> | <b>\$</b> | <b>\$ 404.9</b> |

| <i>(in millions of physical cases)</i> | For the Three Months Ended September 26, 2009 |             |            |             |              | Total        |
|--|---|-------------|------------|-------------|--------------|--------------|
|  | United<br>North America                       | Kingdom     | Mexico     | RCI         | All<br>Other |              |
| <u>8oz. volume</u>                     |   |             |            |             |              |              |
| Carbonated soft drinks                 | 86.1  | 24.0        | 5.0        |             |              | 115.1        |
| Concentrate                            | 18.2  | 3.6         |            | 54.6        |              | 76.4         |
| All other products                     | 54.6  | 24.2        | 0.8        | 0.1         |              | 79.7         |
| <b>Total</b>                           | <b>158.9</b>                                  | <b>51.8</b> | <b>5.8</b> | <b>54.7</b> |              | <b>271.2</b> |

| <i>(in millions of U.S. dollars)</i> | For the Nine Months Ended September 26, 2009 |                 |                |                |              | Total             |
|--------------------------------------|--|-----------------|----------------|----------------|--------------|-------------------|
|                                      | United<br>North America                      | Kingdom         | Mexico         | RCI            | All<br>Other |                   |
| <u>Revenue</u>                       |  |                 |                |                |              |                   |
| Carbonated soft drinks               | \$ 582.5                                     | \$ 121.3        | \$ 27.9        | \$             | \$           | \$ 731.7          |
| Concentrate                          | 4.8  | 3.3             |                | 14.6           |              | 22.7              |
| All other products                   | 312.4  | 140.0           | 2.8            | 1.1            |              | 456.3             |
| <b>Total</b>                         | <b>\$ 899.7</b>                              | <b>\$ 264.6</b> | <b>\$ 30.7</b> | <b>\$ 15.7</b> | <b>\$</b>    | <b>\$ 1,210.7</b> |

| <i>(in millions of physical cases)</i> | For the Nine Months Ended September 26, 2009 |              |             |              |              | Total        |
|--|--|--------------|-------------|--------------|--------------|--------------|
|  | United<br>North America                      | Kingdom      | Mexico      | RCI          | All<br>Other |              |
| <u>8oz. volume</u>                     |  |              |             |              |              |              |
| Carbonated soft drinks                 | 276.5  | 65.1         | 15.5        |              |              | 357.1        |
| Concentrate                            | 55.7   | 13.1         |             | 160.9        |              | 229.7        |
| All other products                     | 163.2  | 65.9         | 1.5         | 0.2          |              | 230.8        |
| <b>Total</b>                           | <b>495.4</b>                                 | <b>144.1</b> | <b>17.0</b> | <b>161.1</b> |              | <b>817.6</b> |

| <i>(in millions of U.S. dollars)</i> | For the Three Months Ended September 27, 2008 |                 |                |               |               | Total           |
|--------------------------------------|---|-----------------|----------------|---------------|---------------|-----------------|
|                                      | United<br>North America                       | Kingdom         | Mexico         | RCI           | All<br>Other  |                 |
| <u>Revenue</u>                       |   |                 |                |               |               |                 |
| Carbonated soft drinks               | \$ 185.9                                      | \$ 43.1         | \$ 15.0        | \$            | \$ 0.4        | \$ 244.4        |
| Concentrate                          | 1.3   | 2.0             |                | 5.3           |               | 8.6             |
| All other products                   | 109.7   | 56.8            | 1.0            |               |               | 167.5           |
| <b>Total</b>                         | <b>\$ 296.9</b>                               | <b>\$ 101.9</b> | <b>\$ 16.0</b> | <b>\$ 5.3</b> | <b>\$ 0.4</b> | <b>\$ 420.5</b> |

| <i>(in millions of physical cases)</i><br><i>8oz. volume</i> | For the Three Months Ended September 27, 2008 |                |            |             |            | Total        |
|--|---|----------------|------------|-------------|------------|--------------|
|  | North America                                 | United Kingdom | Mexico     | RCI         | All Other  |              |
| Carbonated soft drinks                                       | 91.6  | 22.3           | 6.8        |             | 0.4        | 121.1        |
| Concentrate  | 19.7  | 5.8            |            | 54.1        |            | 79.6         |
| All other products   | 55.0  | 22.1           | 0.3        |             |            | 77.4         |
| <b>Total</b>   | <b>166.3</b>                                  | <b>50.2</b>    | <b>7.1</b> | <b>54.1</b> | <b>0.4</b> | <b>278.1</b> |

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| <i>(in millions of U.S. dollars)</i> | For the Nine Months Ended September 27, 2008 |                 |                |                |               |                   |
|--------------------------------------|--|-----------------|----------------|----------------|---------------|-------------------|
|                                      | North America                                | United Kingdom  | Mexico         | RCI            | All Other     | Total             |
| <b>Revenue</b>                       |  |                 |                |                |               |                   |
| Carbonated soft drinks               | \$ 556.4                                     | \$ 133.9        | \$ 47.2        | \$             | \$ 0.8        | \$ 738.3          |
| Concentrate                          | 4.3  | 5.6             |                | 16.3           |               | 26.2              |
| All other products                   | 338.9  | 170.4           | 2.9            |                |               | 512.2             |
| <b>Total</b>                         | <b>\$ 899.6</b>                              | <b>\$ 309.9</b> | <b>\$ 50.1</b> | <b>\$ 16.3</b> | <b>\$ 0.8</b> | <b>\$ 1,276.7</b> |

| <i>(in millions of physical cases)</i> | For the Nine Months Ended September 27, 2008 |                |             |              |            |              |
|--|--|----------------|-------------|--------------|------------|--------------|
|  | North America                                | United Kingdom | Mexico      | RCI          | All Other  | Total        |
| <b>8oz. volume</b>                     |  |                |             |              |            |              |
| Carbonated soft drinks                 | 266.8  | 66.3           | 21.8        |              | 0.6        | 355.5        |
| Concentrate                            | 66.0   | 16.9           |             | 173.3        |            | 256.2        |
| All other products                     | 174.2  | 65.2           | 1.2         |              |            | 240.6        |
| <b>Total</b>                           | <b>507.0</b>                                 | <b>148.4</b>   | <b>23.0</b> | <b>173.3</b> | <b>0.6</b> | <b>852.3</b> |

**Revenue** Revenue decreased 3.7% and 5.2% in the third quarter and year-to-date, respectively, from the comparable prior year periods. Absent foreign exchange impact ( FX neutral ), revenue increased 1.1% and 2.5% in the third quarter and year-to-date, respectively. Revenue in the third quarter and year-to-date was impacted by decreases in filled beverage 8-ounce equivalent volume ( beverage case volume ) and adverse changes in foreign exchange rates offset in part by local currency price increases in all operating segments.

Our North America operating segment revenue decreased 3.3% in the third quarter and was flat year-to-date from the comparable prior year periods. FX neutral revenue decreased 2.4% in the third quarter and increased 2.3% year-to-date. North America beverage case volume decreased 4.1% and 0.3% in the third quarter and year-to-date, respectively, from the comparable prior year periods. The beverage case volume decline in the third quarter and year-to-date was primarily due to a decline in sales of water, flavored water, fruit drinks and energy drink products offset in part by the change in consumer trends toward private label CSDs and sparkling waters/mixers.

Our U.K. operating segment revenue decreased 0.3% and 14.6% in the third quarter and year-to-date, respectively, from the comparable prior year periods. FX neutral U.K. revenue increased 15.3% and 7.7% in the third quarter and year-to-date, respectively. U.K. beverage case volume increased 9.0% in the third quarter and decreased 0.8% year-to-date. The beverage case volume year-to-date decrease is primarily due to declines in the CSD, water, sparkling water and fruit drink categories offset in part by increases in the energy drink and sports/fitness category. Beverage case volume in the third quarter increased primarily due to an increase in energy-related products.

Our Mexico operating segment revenue decreased 35.6% and 38.7% in the third quarter and year-to-date, respectively, from the comparable prior year periods. FX neutral revenue decreased 16.9% and 20.7% for the third quarter and year-to-date, respectively, as compared to the prior year periods. Mexico beverage case volume decreased 18.3% and 26.1% in the third quarter and year-to-date, respectively, primarily due to an overall weak economy, which was further exacerbated by the impact of the H1N1 virus, softness with modern trade customers, and the continuing impact of our credit policies.

Our RCI operating segment revenue increased 9.4% in the third quarter and decreased 3.7% year-to-date from the comparable prior year periods, primarily due to price increases and a 1.1% increase and 7.0% decrease, respectively, in total case volume due to the global recession.

**Cost of Sales** Cost of sales as a percentage of revenue decreased to 84.2% and 83.9% in the third quarter and year-to-date, respectively, from 88.7% and 88.6%, respectively, in the comparable prior year periods primarily due to a reduction in variable costs. Variable costs represented 75.3% and 74.8% in the third quarter and year-to-date, respectively, of total sales in the third quarter of 2009, down from 78.6% and 78.4%, respectively, in the comparable prior year periods. Major elements of these variable costs included ingredient and packaging costs, distribution costs and fees paid to third-party manufacturers. Our cost of sales as a percentage of revenue in the third quarter and year-to-date decreased from the comparable prior year periods mainly due to higher average sale prices, improved pricing of ingredients and packaging and higher efficiencies from plant utilization in our North American plant facilities.

**Gross Profit** Gross profit as a percentage of revenue increased to 15.8% and 16.1% in the third quarter and year-to-date, respectively, from 11.3% and 11.4% in the comparable prior year periods. The third quarter and year-to-date increases were primarily due to improved net selling

prices and product mix in North America, lower operating costs, and higher efficiencies from plant utilization in our North American plant facilities.

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**Selling, General and Administrative Expenses ( SG&A )** SG&A decreased \$5.5 million or 13.0% and \$33.0 million or 23.6% in the third quarter and year-to-date, respectively, from the comparable prior year periods. As a percentage of revenue, SG&A decreased to 9.2% and 8.8% in the third quarter and year-to-date, respectively, from 10.1% and 10.9%, in the comparable prior year periods. SG&A comparison results include a \$2.1 million and \$11.0 million favorable foreign exchange impact in the third quarter and year-to-date, respectively.

Both the overall decrease and the percentage of revenue decrease in SG&A for the third quarter of 2009 were primarily due to a \$1.6 million reduction in marketing costs as we continue to refocus away from branded products and related promotional activity, the non-recurrence of \$4.5 million of previously capitalized software expensed in the third quarter of 2008, a \$2.2 million reduction in amortization expense primarily related to a reduction in amortizable software costs and the non-recurrence of a \$1.5 million legal settlement in the third quarter of 2008. These decreases were offset in part by \$6.4 million of increased compensation costs resulting primarily from \$2.8 million of severance costs for several executives and \$5.8 million of higher incentive expenses as our operating results are expected to exceed targets less \$2.2 million of savings associated with reductions in personnel.

Both the overall decrease and the percentage of revenue decrease in SG&A year-to-date for 2009 were primarily due to a \$4.9 million reduction in compensation costs (after \$6.8 million of additional executive transition costs, including non-cash stock compensation of \$1.9 million), the non-recurrence of \$4.5 million of previously capitalized software expensed in the third quarter of 2008, the non-recurrence of a \$1.5 million legal settlement in the third quarter of 2008, a \$4.3 million reduction in marketing costs as we refocus away from branded products and related promotional activity, a \$2.7 million decrease in professional fees, a \$2.1 million reduction in depreciation expense primarily related to our vending assets, a \$6.4 million reduction in amortization expense primarily related to a reduction in amortizable software costs and \$1.4 million of reduced travel costs offset in part by \$1.6 million of additional costs related to our vending operations.

**Operating Income (Loss)** Operating income was \$26.9 million and \$83.5 million in the third quarter and year-to-date, respectively, as compared to operating losses of \$90.5 million and \$97.4 million, respectively, in the comparable prior year periods. The third quarter and year-to-date increases in 2009 were primarily due to higher gross profit margins, lower SG&A costs, and lower impairment charges.

**Other Loss (Income)** Other loss was \$3.2 million and \$0.5 million in the third quarter and year-to-date, respectively, as compared to other losses of \$0.4 million and other income of \$5.8 million, respectively, in the comparable prior year periods. The third quarter loss in 2009 was primarily due to the foreign exchange impact that negatively affected a non-permanently invested inter-company loan between two subsidiaries. The year-to-date income in 2008 was primarily due to \$4.5 million of business interruption recovery of some of the costs related to our voluntary product recall in the United Kingdom through claims under our insurance coverage.

**Interest Expense** Net interest expense decreased 11.6% and 6.6% in the third quarter and year-to-date, respectively, from the comparable prior year periods, primarily due to lower overall average interest rates and lower average short-term and long-term debt amounts.

**Income Taxes** We recorded an income tax provision of \$0.9 million and a benefit of \$10.7 million in the third quarter and year-to-date, respectively, as compared with an income tax benefit of \$12.2 million and \$6.5 million, respectively, in the comparable prior year periods. The year-to-date benefit reflects the reversal of accruals relating to uncertain tax positions that generated a year-to-date \$14.4 million tax benefit and a benefit of \$2.2 million on the reversal of interest and penalties, a lower effective income tax rate resulting from the utilization of deferred tax assets with valuation allowances in the U.S. and reduced tax rates in Canada.

**Net Loss Per Share** Net income was \$13.9 million or \$0.18 per diluted common share and \$67.5 million or \$0.92 per diluted common share in the third quarter and year-to-date, respectively, as compared to a net loss of \$87.6 million or \$1.25 per diluted common share and \$110.7 million or \$1.56 per diluted common share for the respective prior year periods. The 2009 income per share reflects the issuance of 9.4 million shares on August 11, 2009.

**Table of Contents*****Liquidity and Financial Condition***

The following table summarizes our cash flows for the nine months ended September 26, 2009 and September 27, 2008 as reported in our Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements:

| <i>(in millions of U.S. dollars)</i>                          | <b>For the Nine Months Ended</b> |                               |
|---|----------------------------------|-------------------------------|
|   | <b>September 26,<br/>2009</b>    | <b>September 27,<br/>2008</b> |
| Net cash provided by operating activities                     | <b>\$ 115.2</b>                  | \$ 41.7                       |
| Net cash used in investing activities                         | <b>(17.5)</b>                    | (47.6)                        |
| Net cash (used in) provided by financing activities           | <b>(94.1)</b>                    | 0.4                           |
| Effect of exchange rate changes on cash                       | <b>0.7</b>                       | (1.3)                         |
| <b>Net increase (decrease) in cash &amp; cash equivalents</b> | <b>4.3</b>                       | (6.8)                         |
| Cash & cash equivalents, beginning of period                  | <b>14.7</b>                      | 27.4                          |
| <b>Cash &amp; cash equivalents, end of period</b>             | <b>\$ 19.0</b>                   | \$ 20.6                       |

***Operating activities***

Cash provided by operating activities year-to-date increased by \$73.5 million compared to the first nine months of 2008, primarily driven by improved operating results and decreased working capital requirements as we improved our receivable collection efforts and reduced our inventory through increased focus on these areas.

***Investing activities***

Cash used in investing activities year-to-date decreased by \$30.1 million compared to the first nine months of 2008, primarily due to reduced capital expenditures year-over-year. During the third quarter of 2008, we made significant expenditures for our water bottling equipment project.

***Financing activities***

Cash used in financing activities year-to-date increased by \$94.5 million compared to the first nine months of 2008, primarily as the result of payments related to our ABL facility, the repurchase of our Notes with a face value of \$20.7 million, offset by the receipt of \$47.4 million in net proceeds from the Stock Offering.

***Financial, Capital Resources and Liquidity***

As of September 26, 2009, we had total indebtedness of \$276.2 million as compared to \$409.5 million as of December 27, 2008.

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 meet our expenses 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 the 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 Notes, refinancing all or part of our existing debt, selling assets, incurring additional indebtedness or raising equity.

For periods extending beyond twelve months, we believe that our ability to generate cash to meet our expenses and debt service obligations and to otherwise reduce our debt as anticipated will primarily depend on our ability to reduce the rate of revenue decline, retain a substantial amount of volume from our key customers and improve the profitability of our business. If we do not generate sufficient cash from operations or have excess debt availability to meet our expenses and debt service obligations or if the ABL facility or the 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

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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.



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As of September 26, 2009, our total availability under the ABL facility was \$191.5 million, which was based on our borrowing base (accounts receivables, inventory, and fixed assets) as of August 22, 2009 (the August month-end under the terms of the credit agreement), and we had no ABL borrowings outstanding and \$9.9 million in outstanding letters of credit. As a result, our excess availability under the ABL facility was \$181.6 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.

During the second quarter of 2009, we filed a universal shelf registration statement on Form S-3 (the Registration Statement) that was declared effective by the Securities and Exchange Commission on June 19, 2009, and a short form base shelf prospectus with the securities regulatory authorities in Canada (the Prospectus) for which a receipt was obtained on June 17, 2009. The Registration Statement and the Prospectus permits us to issue from time to time in one or more offerings up to \$300.0 million of securities, some or all of which may consist of additional common shares or securities convertible into our common shares or debt securities. We may use the proceeds from offerings of these securities (using the Registration Statement or an exemption from registration under the Securities Act of 1933, or the Prospectus or an exemption from the prospectus requirements under applicable Canadian securities laws) for various purposes, including the repurchase of our Notes or retirement of our other debt.

We may, from time to time, depending on market conditions, including without limitation whether the Notes are then trading at discounts to their respective face amounts, repurchase some or all of the Notes for cash, including from the proceeds of any equity offerings, refinancing, or drawings under our ABL facility, if permitted, and/or exchange such Notes for common shares, warrants, preferred stock, debt or other consideration.

The amount of Notes that we may repurchase and the type of consideration we may use is limited by the covenants in the ABL facility. We may repurchase: (i) up to \$15.0 million of the Notes if we have at least \$75.0 million of availability after any such repurchase and a fixed charge coverage ratio of at least 1.0 to 1.0; and (ii) up to \$45.0 million of the Notes if we have availability minus certain unpaid trade payables of at least \$100.0 million after any such repurchase and a fixed charge coverage ratio of at least 1.25 to 1.0. We may also use the cash proceeds from certain equity offerings to repurchase the Notes if we have availability minus certain unpaid trade payables of at least \$75.0 million after any such repurchase and a fixed charge coverage ratio of at least 1.25 to 1.0.

On August 11, 2009, we completed a public offering of 9,435,000 shares, at a price of \$5.30 per share (the Stock Offering). We used a portion of the proceeds of the Stock Offering to repurchase Notes with a fair value of \$20.7 million at a cost to us of \$20.4 million.

### *Off-Balance Sheet Arrangements*

We had no off-balance sheet arrangements as defined under Item 303(a)(4) of Regulation S-K as of September 26, 2009.

### *Contractual Obligations*

The following chart shows the schedule of future payments under certain contracts, including debt agreements and guarantees, as of September 26, 2009:

| <i>(in millions of US dollars)</i>       | Total    | Payments due by period |      |          |      |      | Thereafter |
|--|----------|------------------------|------|----------|------|------|------------|
|  |          | Remainder of 2009      | 2010 | 2011     | 2012 | 2013 |            |
| 8% Senior subordinated notes due in 2011 | \$ 248.3 | \$                     | \$   | \$ 248.3 | \$   | \$   | \$         |
| GE Obligation <sup>1</sup>               | 17.7     | 2.3                    | 5.2  | 4.1      | 2.4  | 1.0  | 2.7        |
| Capital leases                           | 3.0      | 0.1                    | 0.4  | 0.4      | 0.4  | 0.5  | 1.2        |
| Other current debt                       | 2.7      | 0.2                    | 0.7  | 0.4      | 0.2  | 0.2  | 1.0        |
| Other current liability                  | 0.2      | 0.2                    |      |          |      |      |            |
| Other long-term liabilities              | 6.7      | 1.0                    | 2.7  | 0.4      | 0.4  | 0.4  | 1.8        |
| Interest expense <sup>2</sup>            | 53.8     | 5.8                    | 22.0 | 21.6     | 1.3  | 1.1  | 2.0        |
| Operating leases                         | 86.8     | 4.5                    | 16.7 | 14.5     | 11.7 | 9.2  | 30.2       |
| Guarantee purchase equipment             | 13.0     | 13.0                   |      |          |      |      |            |
| Purchase obligations <sup>3</sup>        | 330.7    | 73.6                   | 87.5 | 45.2     | 20.7 | 20.7 | 83.0       |
| Other <sup>4</sup>                       | 1.0      | 1.0                    |      |          |      |      |            |

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|              |                 |                 |                 |                 |                |                |                 |
|--------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|-----------------|
| <b>Total</b> | <b>\$ 763.9</b> | <b>\$ 101.7</b> | <b>\$ 135.2</b> | <b>\$ 334.9</b> | <b>\$ 37.1</b> | <b>\$ 33.1</b> | <b>\$ 121.9</b> |
|--------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|-----------------|

- <sup>1</sup> We funded new water bottling equipment through an interim financing agreement signed in January 2008 (the GE Obligation ). At the end of the GE Obligation, we will return \$6.0 million of assets in exchange for the extinguishment of \$6.0 million in debt.
- <sup>2</sup> Interest expense includes fixed interest on the Notes, the GE Obligation, the ABL facility, capital leases and other long-term liabilities. Actual amounts will differ from estimates provided.
- <sup>3</sup> Purchase obligations consist of commitments for the purchase of inventory, energy transactions and an information technology outsourcing contract. These obligations represent the minimum contractual obligations expected under the normal course of business.
- <sup>4</sup> Represents our FIN 48 liability including interest.

**Table of Contents****Debt***8% Senior Subordinated Notes due in 2011*

Our Notes are due on December 15, 2011. After the repurchase of \$20.7 million in principal amount of Notes during the third quarter of 2009, the principal amount of the Notes outstanding was \$248.3 million as of September 26, 2009. The issuer of the Notes is Cott Beverages Inc., but we and most of our U.S., Canadian and United Kingdom subsidiaries guarantee the Notes. The interest on the Notes is payable semi-annually on June 15<sup>th</sup> and December 15<sup>th</sup>.

We may redeem all or a part of the Notes upon not less than 30 or more than 60 days notice. In addition to the redemption price, accrued and unpaid interest and penalties, including liquidated damages (as defined in the indenture governing the Notes), are due.

*Asset Based Lending Facility*

On March 31, 2008, we entered into a credit agreement that created an ABL facility to provide financing for the U.S., Canada, the United Kingdom and Mexico. Cott Corporation, Cott Beverages Inc. and Cott Beverages Limited are borrowers under the ABL facility. The debt under the ABL facility is guaranteed by most of our U.S., United Kingdom, Canadian and Mexican subsidiaries. The ABL facility replaced our former senior secured credit facilities in the U.S., Canada, the United Kingdom, and Mexico and our receivables securitization facility in the U.S., the latter of which was terminated on March 28, 2008. At that time, there were no amounts due under the receivables securitization facility. On March 31, 2008, we paid off the remaining balance and terminated the former senior secured credit facility.

The ABL facility is a five-year revolving facility of up to \$225.0 million that runs through March 2013 but is subject to the refinancing of the Notes; the ABL facility will mature early if the Notes have not been refinanced or retired six months prior to their maturity (i.e. June 2011) on terms and conditions specified in the ABL facility. As a result, we continue to consider various options for repurchase or otherwise refinancing the Notes.

The amount available under the ABL facility is dependent on a borrowing base calculated as a percentage of the value of eligible inventory, accounts receivable and property, plant and equipment. The ABL facility has subfacilities for letters of credit and swingline loans and geographical sublimits for Canada (\$40.0 million) and the United Kingdom (\$75.0 million).

The effective interest rate as of September 26, 2009 on LIBOR and Prime loans is based on average aggregate availability as follows:

**Average Aggregate Availability**

| <i>(in millions of U.S. dollars)</i> | <b>ABR Spread</b> | <b>Canadian Prime Spread</b> | <b>Eurodollar Spread</b> | <b>CDOR Spread</b> | <b>LIBOR Spread</b> |
|--------------------------------------|-------------------|------------------------------|--------------------------|--------------------|---------------------|
| Over \$150                           | 2.25%             | 2.25%                        | 3.25%                    | 3.25%              | 3.25%               |
| \$75 - 150                           | 2.50%             | 2.50%                        | 3.50%                    | 3.50%              | 3.50%               |
| Under \$75                           | 2.75%             | 2.75%                        | 3.75%                    | 3.75%              | 3.75%               |

As of September 26, 2009, we had no ABL borrowings outstanding and the commitment fee was 0.5% per annum of the unused commitment.

We incurred \$6.0 million of financing fees in connection with the ABL facility. The financing fees are being amortized over a five-year period, which represents the duration of the ABL facility.

*GE Financing Agreement*

We funded \$32.5 million of water bottling equipment purchases through a finance lease arrangement in 2008. The quarterly payments under the lease obligation total approximately \$8.8 million per annum for the first two years, \$5.3 million per annum for the subsequent two years, then \$1.7 million per annum for the final four years.

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### ***Credit Ratings and Covenant Compliance***

#### ***Credit Ratings***

On July 28, 2009, Standard & Poor's Ratings Services raised our debt rating on the Notes to CCC from CCC-. Our corporate family rating was upgraded to B- from CCC+. On September 3, 2009, Moody's upgraded our corporate family rating to B3 from Caa1 and the rating on the Notes to Caa1 from Caa2. The speculative grade liquidity rating was affirmed at SGL-3.

#### ***Covenant Compliance***

##### ***ABL Facility***

We and our restricted subsidiaries are subject to a number of business and financial covenants and events of default. The debt under the ABL facility is guaranteed by most of our U.S., United Kingdom, Canadian and Mexican subsidiaries. The ABL facility contains customary limitations on indebtedness, liens, mergers, consolidations, liquidations and sales, payment of dividends, investments, loans and advances, optional payments and modifications of subordinated and other debt instruments, and transactions with affiliates. Events of default under the ABL facility include nonpayment, inaccuracy of representations and warranties (which would include the occurrence of an event having a material adverse effect), violation of covenants, cross-default to other indebtedness, bankruptcy, material judgments, and a change of control of the Company. Upon the occurrence of an event of default, the lenders may terminate the commitments and declare all loans due and payable. We have agreed to a mandatory prepayment provision (but without a reduction of the commitment), subject to certain exceptions, upon a sale or transfer of assets of a borrower or guarantor, upon the receipt of proceeds from the issuance of any indebtedness, upon the occurrence of an availability shortfall under the revolver, or upon receipt of insurance proceeds or condemnation awards.

The ABL facility contains 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 \$30.0 million. Our fixed charge coverage ratio as calculated under this covenant as of September 26, 2009, was greater than 1.1 to 1.0. If availability is less than \$37.5 million, the lenders will take dominion over the cash and will apply excess cash to reduce amounts owing under the revolver. The credit agreement governing the ABL facility requires us to maintain excess availability of at least \$15.0 million. We believe we were in compliance with all of the applicable covenants under the ABL facility on September 26, 2009.

##### ***8% Senior Subordinated Notes due 2011***

The indenture governing the Notes contains a number of business and financial covenants and events of default that apply to the issuer and the guarantors. In addition to us, the guarantors are, in general, the subsidiaries organized in Canada, the U.S., and the United Kingdom. Events of default or triggers for prepayment provided for under the indenture include, among others: (i) a change of control of us in certain circumstances; (ii) unsatisfied judgments or cross-default or cross-acceleration to other indebtedness in excess of \$10.0 million, in the case of the indenture; (iii) our insolvency or that of the restricted subsidiaries; and (iv) covenant default under the credit facilities or indenture. Some of the more material financial covenants are discussed below.

The indenture has numerous covenants that are applicable to Cott Beverages Inc. and the guarantors. We can only make restricted payments, such as paying dividends, repurchasing our stock or making certain investments, if our fixed charge coverage ratio is at least 2.0 to 1.0. Even then, we can only make those restricted payments in an amount that is no greater than 50.0% of our consolidated net income subject to certain adjustments. Certain other investments, like those not exceeding \$60.0 million in the aggregate, may be made without satisfying the restricted payments test.

We may only incur additional debt or issue preferred stock, other than certain specified debt, if our fixed charge coverage ratio is greater than 2.0 to 1.0. As of September 26, 2009, our fixed charge coverage ratio under the indenture was greater than 2.0 to 1.0. Subject to some exceptions, asset sales may only be made where the sale price is equal to the fair market value of the asset sold and we receive at least 75.0% of the proceeds in cash. There are also limitations on what we may do with the sale proceeds such that we may be required to pay down debt or reinvest the proceeds in enumerated business uses within a specified period of time.

There are further restrictions in several of the covenants, such as a complete prohibition on paying any dividends if we are in default under the indenture. Many of the covenants may also limit transactions with our unrestricted subsidiaries or non-guarantor entities.

We believe we have been in compliance with all of the covenants under the Notes and there have been no amendments to any such covenants since they were issued.



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The events of default in the Notes indenture related to other indebtedness arise only if there is a failure to pay principal, interest or premiums of such other indebtedness after the expiration of any applicable grace period, or if there has been acceleration in payment of such other indebtedness, in each case, in excess of a threshold amount. As at September 26, 2009, these conditions of default did not exist with respect to any other indebtedness.

### ***Equity***

Year-to-date, equity increased by \$135.3 million from 2008. The increase was primarily the result of net income of \$67.5 million, the issuance of \$47.4 million of common shares, a \$20.3 million foreign currency translation gain on the net assets of self-sustaining foreign operations and \$1.2 million of share-based compensation expense. The foreign currency translation adjustment resulted mainly from the increase in the pound sterling and the increase in the Canadian dollar relative to the U.S. dollar since December 2008.

### ***Dividend payments***

No dividends were paid in the first nine months of 2009 or in fiscal year 2008, and we do not expect to change this policy in the next 12 months as we intend to use cash for future growth and/or debt repayment.

There are certain restrictions on the payment of dividends under our ABL facility and the indenture governing the Notes. The most restrictive provision is the quarterly limitation of dividends based on the prior quarter's earnings.

### ***Critical Accounting Policies and Estimates***

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.

There have been no significant changes in our critical accounting policies and estimates since December 27, 2008.

### ***Forward-looking Statements***

In addition to historical information, this report and the reports and documents incorporated by reference in this report contain statements relating to future events and our 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 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, plan, predict, project, 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 are made as of the date of this report.

The forward-looking statements are based on assumptions made by and information currently available to us and relate to, among other things, anticipated financial performance, business prospects, strategies, regulatory developments, new products, currency exchange rates and economic conditions. While we believe 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 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.

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;

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

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;

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;

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loss of or a reduction in business with key customers, particularly Wal-Mart, and the commitment of our customers to their own Cott-supplied beverage programs;

our substantial debt levels and our ability to service and reduce our debt;

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

fluctuations in interest rates;

credit rating changes;

further deterioration of the capital markets;

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

our exposure to intangible asset risk;

our ability to manage our operations successfully;

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;

the impact of regulation and regulatory, investigative and legal actions;

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

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 and a new management structure;

volatility of our stock price;



disruptions in our information systems; or

interruption in transportation systems, labor strikes, work stoppages and other interruptions or difficulties in the employment of labor or transportation in our markets.

For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations sections contained elsewhere in this document, as well as our Annual Report on Form 10-K for the fiscal year ended December 27, 2008, any subsequent Reports on Form 10-Q and Form 8-K and other filings with the Securities and Exchange Commission and Canadian securities regulatory authorities. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements.

All forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this Quarterly Report on Form 10-Q and we do not undertake any obligation to publicly update or correct any forward-looking statements to reflect events or circumstances that subsequently occur, or of which we hereafter become aware.

You should read this document and the documents that we incorporate by reference into this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We may not update these forward-looking statements, even if our situation changes in the future. All forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

#### ***Foreign exchange***

We are exposed to changes in foreign currency exchange rates. The effect of a 10.0% change in foreign currency exchange rates among the U.S. dollar versus the Canadian dollar, pound sterling and Mexican peso as of September 26, 2009 at current levels of foreign debt and operations would result in our revenues changing by \$40.7 million and our gross profit changing by \$2.8 million. These changes would be material to our cash flows and results of operations. We do not currently utilize derivative financial instruments to manage exposure to interest rate risk and foreign currency exchange rate risk, but we may utilize such instruments from time to time in the future.

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### ***Debt obligations and interest rates***

We have exposure to interest rate risk from the outstanding principal amounts of our short-term and long-term debt. Our long-term debt is fixed and our short-term debt is variable. Our short-term credit facilities are vulnerable to fluctuations in the U.S. short-term base rate and the LIBOR rate. In the third quarter of 2009, we used a portion of the net proceeds of the Stock Offering to repay a portion of the indebtedness outstanding under our ABL facility. As of September 26, 2009, we had no outstanding borrowings under our ABL facility. The weighted average interest rate of our debt outstanding at September 26, 2009 was 8.0%.

### ***Commodity Price Risk***

We have no material changes to the disclosure on this matter made in our Annual Report on Form 10-K for the year ended December 27, 2008.

### **Item 4. Controls and Procedures**

Our management carried out an evaluation, as required by Rule 13a-15(b) of the Securities Exchange Act of 1934 (the Exchange Act), with the participation of our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as of the end of our third quarter of 2009. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q, such that the information relating to Cott and its consolidated subsidiaries required to be disclosed in our Exchange Act reports filed with the Securities and Exchange Commission (SEC) (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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 were no changes in our internal control over financial reporting that occurred during our last 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 Annual Report on Form 10-K for the fiscal year ended December 27, 2008.

### **Item 1A. Risk Factors**

Reference is made to the detailed description of risk factors in Item 1A: Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 27, 2008.

### ***Increases in the number of shares of our outstanding common stock could adversely affect our common stock price or dilute our earnings per share.***

Sales of a substantial number of our common shares into the public market, or the perception that these sales could occur, could adversely affect our stock price. We have filed a shelf registration statement and shelf prospectus that allows us to issue from time to time in one or more offerings up to \$300.0 million of securities, some or all of which may consist of additional common shares or securities convertible into our common shares. On August 11, 2009, we issued 9,435,000 common shares at a price of \$5.30 per share. In addition, approximately 0.9 million shares may be issued upon exercise of outstanding options granted under our 1986 Common Share Option Plan. The issuance of additional shares will have a dilutive effect on our earnings per share.

### ***Proposed taxes on CSDs and other drinks could have an adverse effect on our business.***

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Federal, state, local and foreign governments have considered taxes on soda and other sugary drinks. Any such taxes could negatively impact consumer demand for our products and have an adverse effect on our revenues.

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**Item 6. Exhibits**

| <b>Number</b> | <b>Description</b>  |
|---------------|---|
| 1.1           | Underwriting Agreement (incorporated by reference to Exhibit 1.1 to our Form 8-K filed August 5, 2009).   |
| 3.1           | Articles of Amalgamation of Cott Corporation (incorporated by reference to Exhibit 3.1 to our Form 10-K filed February 28, 2007).   |
| 3.2           | Amended and Restated By-laws of Cott Corporation (incorporated by reference to Exhibit 3.2 to our Form 10-Q filed May 10, 2007).  |
| 10.1          | Employment Offer Letter to Neal Cravens dated August 19, 2009 (filed herewith).   |
| 10.2          | First Amendment to Credit Agreement, U.S. Pledge and Security Agreement and Canadian Pledge and Security Agreement, dated as of July 22, 2009, among Cott Corporation, Cott Beverages Inc., Cott Beverages Limited, as borrowers, and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent and General Electric Capital Corporation as co-collateral agent, and the other financial institutions party thereto, as lenders (incorporated by reference to Exhibit 10.1 to our Form 8-K filed July 22, 2009) |
| 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 26, 2009 (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 26, 2009 (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 26, 2009 (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 26, 2009 (furnished herewith).  |

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**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: October 29, 2009

/s/ NEAL CRAVENS  
**Neal Cravens**  
**Chief Financial Officer**  
**(On behalf of the Company)**

Date: October 29, 2009

/s/ GREGORY LEITER  
**Gregory Leiter**  
**Senior Vice President, Corporate Controller**  
**(Principal accounting officer)**

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**Exhibit Index**

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