

COTT CORP /CN/
Form 10-Q
August 09, 2016
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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: July 2, 2016

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

Commission File Number: 001-31410

COTT CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

Large accelerated filer Accelerated filer

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

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

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

Class	Outstanding at August 2, 2016
Common Shares, no par value per share	137,860,725 shares

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

	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Revenue, net	\$ 765.0	\$ 779.8	\$ 1,463.4	\$ 1,489.6
Cost of sales	512.4	539.2	996.8	1,047.7
Gross profit	252.6	240.6	466.6	441.9
Selling, general and administrative expenses	202.1	190.2	399.1	378.7
Loss on disposal of property, plant & equipment, net	2.2	0.2	3.1	1.6
Acquisition and integration expenses	11.7	4.1	13.1	8.8
Operating income	36.6	46.1	51.3	52.8
Other expense (income), net	3.0	1.0	0.8	(9.4)
Interest expense, net	27.0	27.9	54.8	55.6
Income (loss) before income taxes	6.6	17.2	(4.3)	6.6
Income tax benefit	2.3	1.1	11.3	10.5
Net income	\$ 8.9	\$ 18.3	\$ 7.0	\$ 17.1
Less: Net income attributable to non-controlling interests	1.5	1.7	2.9	3.0
Less: Accumulated dividends on convertible preferred shares		1.8		4.5
Less: Accumulated dividends on non-convertible preferred shares		0.6		1.4
Less: Foreign exchange impact on redemption of preferred shares		12.0		12.0
Net income (loss) attributed to Cott Corporation	\$ 7.4	\$ 2.2	\$ 4.1	\$ (3.8)
Net income (loss) per common share attributed to Cott Corporation				
Basic	\$ 0.06	\$ 0.02	\$ 0.03	\$ (0.04)
Diluted	\$ 0.06	\$ 0.02	\$ 0.03	\$ (0.04)

Weighted average common shares outstanding (in thousands)

Basic	123,239	99,573	118,253	96,384
Diluted	124,180	100,165	119,038	96,384
Dividends declared per share	\$ 0.06	\$ 0.06	\$ 0.12	\$ 0.12

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

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

	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Net income	\$ 8.9	\$ 18.3	\$ 7.0	\$ 17.1
Other comprehensive (loss) income:				
Currency translation adjustment	(14.7)	24.6	(17.9)	(1.3)
Pension benefit plan, net of tax	1	0.1	0.4	0.2
Unrealized gain (loss) on derivative instruments, net of tax	2	2.6	(2.8)	3.1
Total other comprehensive (loss) income	(12.0)	22.2	(14.6)	(3.6)
Comprehensive (loss) income	\$ (3.1)	\$ 40.5	\$ (7.6)	\$ 13.5
Less: Comprehensive income attributable to non-controlling interests	1.5	1.7	2.9	3.0
Less: Accumulated dividends on convertible preferred shares		1.8		4.5
Less: Accumulated dividends on non-convertible preferred shares		0.6		1.4
Less: Foreign exchange impact on redemption of preferred shares		12.0		12.0
Comprehensive (loss) income attributed to Cott Corporation	\$ (4.6)	\$ 24.4	\$ (10.5)	\$ (7.4)

1. Net of the effect of \$0.1 million and \$0.2 million tax benefit for the three and six months ended July 2, 2016, respectively, and net of the effect of \$0.1 million and \$0.2 million tax expense for the three and six months ended July 4, 2015, respectively.
2. Net of the effect of \$1.2 million and \$1.4 million tax benefit for the three and six months ended July 2, 2016, respectively, and net of the effect of \$1.0 million tax benefit for the three and six months ended July 4, 2015.
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*

	July 2, 2016	January 2, 2016
ASSETS		
<i>Current assets</i>		
Cash & cash equivalents	\$ 249.5	\$ 77.1
Restricted cash	503.1	
Accounts receivable, net of allowance of \$7.9 (\$9.2 as of January 2, 2016)	339.5	293.3
Income taxes recoverable	0.9	1.6
Inventories	247.1	249.4
Prepaid expenses and other current assets	24.1	17.2
Total current assets	1,364.2	638.6
Property, plant & equipment, net	770.2	769.8
Goodwill	777.4	759.6
Intangibles and other assets, net	690.4	711.7
Deferred tax assets	12.8	7.6
Total assets	\$ 3,615.0	\$ 2,887.3
LIABILITIES AND EQUITY		
<i>Current liabilities</i>		
Short-term borrowings	\$	\$ 122.0
Current maturities of long-term debt	3.6	3.4
Accounts payable and accrued liabilities	468.0	437.6
Total current liabilities	471.6	563.0
Long-term debt	2,013.3	1,525.4
Deferred tax liabilities	63.7	76.5
Other long-term liabilities	72.5	76.5
Total liabilities	2,621.1	2,241.4
<i>Equity</i>		
Common shares, no par - 137,860,725 (January 2, 2016 - 109,695,435) shares issued	904.9	534.7
Additional paid-in-capital	54.6	51.2
Retained earnings	119.0	129.6
Accumulated other comprehensive loss	(90.8)	(76.2)
Total Cott Corporation equity	987.7	639.3

Non-controlling interests	6.2	6.6
Total equity	993.9	645.9
Total liabilities and equity	\$ 3,615.0	\$ 2,887.3

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 Six Months Ended****July 2, July 4, July 2, July 4,**
2016 2015 2016 2015**Operating Activities**

Net income	\$ 8.9	\$ 18.3	\$ 7.0	\$ 17.1
Depreciation & amortization	53.5	58.2	106.0	115.6
Amortization of financing fees	1.3	1.1	2.5	2.4
Amortization of senior notes premium	(1.5)	(1.4)	(2.9)	(2.9)
Share-based compensation expense	3.8	3.7	6.2	6.1
Benefit for deferred income taxes	(2.1)	(5.2)	(12.9)	(16.9)
Loss on disposal of property, plant & equipment, net	2.2	0.2	3.1	1.6
Other non-cash items	2.6	(6.3)	0.9	(16.5)
Change in operating assets and liabilities, net of acquisitions:				
Accounts receivable	(25.7)	(19.4)	(47.4)	(60.7)
Inventories	4.6	6.1	1.3	(4.9)
Prepaid expenses and other current assets	(3.4)	(4.5)	(7.8)	25.8
Other assets	(1.2)	(1.3)	1.2	(3.7)
Accounts payable and accrued liabilities, and other liabilities	44.6	25.2	14.6	10.0
Income taxes recoverable		1.0	(2.9)	1.6
Net cash provided by operating activities	87.6	75.7	68.9	74.6

Investing Activities

Acquisitions, net of cash received	(1.8)	(0.5)	(46.2)	(0.5)
Additions to property, plant & equipment	(33.2)	(29.9)	(62.7)	(57.2)
Additions to intangibles and other assets	(1.0)	(0.1)	(3.3)	(2.2)
Proceeds from sale of property, plant & equipment and sale-leaseback	0.2	40.1	2.9	40.5
Increase in restricted cash	(2.8)		(2.8)	
Net cash (used in) provided by investing activities	(38.6)	9.6	(112.1)	(19.4)

Financing Activities

Payments of long-term debt	(0.4)	(1.1)	(1.5)	(1.9)
Borrowings under ABL	123.9	654.1	621.1	748.9
Payments under ABL	(187.7)	(674.4)	(746.0)	(777.2)

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Distributions to non-controlling interests	(1.0)	(1.6)	(3.3)	(3.6)
Issuance of common shares	220.1	142.5	364.2	142.6
Financing fees		(0.2)		(0.2)
Preferred shares repurchased and cancelled		(148.8)		(148.8)
Common shares repurchased and cancelled			(1.1)	(0.7)
Dividends to common and preferred shareholders	(7.4)	(9.0)	(14.7)	(18.0)
Payment of deferred consideration for acquisitions		(2.5)		(2.5)
Net cash provided by (used in) financing activities	147.5	(41.0)	218.7	(61.4)
Effect of exchange rate changes on cash	(2.1)	0.2	(3.1)	(1.0)
Net increase (decrease) in cash & cash equivalents	194.4	44.5	172.4	(7.2)
Cash & cash equivalents, beginning of period	55.1	34.5	77.1	86.2
Cash & cash equivalents, end of period	\$ 249.5	\$ 79.0	\$ 249.5	\$ 79.0
Supplemental Non-cash Investing and Financing Activities:				
Long-term debt funded to escrow	\$ 498.7	\$	\$ 498.7	\$
Additions to property, plant & equipment through accounts payable and accrued liabilities	10.2	3.4	11.4	5.5
Acquisition related deferred consideration		2.5		11.4
Accrued deferred financing fees	9.8	0.2	9.8	0.2
Supplemental Disclosures of Cash Flow Information:				
Cash paid for interest	\$ 36.1	\$ 47.1	\$ 55.3	\$ 55.4
Cash (received) paid for income taxes, net	\$ (0.1)	\$ 1.6	\$ 4.1	\$ 2.1

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

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

	Number Common Shares <i>(In thousands)</i>	Common Shares	Additional Paid-in- Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Non- Controlling Interests	Total Equity
Balance at January 3, 2015	93,073	\$ 388.3	\$ 46.6	\$ 158.1	\$ (51.0)	\$ 6.9	\$ 548.9
Common shares repurchased and cancelled	(87)	(0.7)					(0.7)
Common shares issued - Equity Incentive Plan	384	1.9	(1.8)				0.1
Common shares issued - Equity issuance	16,215	142.6					142.6
Share-based compensation			6.1				6.1
Common shares dividend				(12.1)			(12.1)
Redemption of preferred shares				(12.0)			(12.0)
Distributions to non-controlling interests						(3.6)	(3.6)
Comprehensive (loss) income							
Currency translation adjustment					(1.3)	0.1	(1.2)
Pension benefit plan, net of tax					0.5		0.5
Unrealized loss on derivative instruments, net of tax					(2.8)		(2.8)
Preferred shares dividend				(5.9)			(5.9)
Net income				14.1		3.0	17.1
Balance at July 4, 2015	109,585	\$ 532.1	\$ 50.9	\$ 142.2	\$ (54.6)	\$ 6.4	\$ 677.0
Balance at January 2, 2016	109,695	\$ 534.7	\$ 51.2	\$ 129.6	\$ (76.2)	\$ 6.6	\$ 645.9
Common shares repurchased and cancelled	(101)	(1.1)					(1.1)
Common shares issued - Equity Incentive Plan	353	2.7	(2.7)				
Common shares issued - Equity issuance	27,853	368.0					368.0
Common shares issued - Dividend Reinvestment Plan	9	0.1					0.1

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Common shares issued -								
Employee Stock Purchase Plan	52	0.5	(0.1)					0.4
Share-based compensation			6.2					6.2
Common shares dividend				(14.7)				(14.7)
Distributions to non-controlling interests							(3.3)	(3.3)
Comprehensive (loss) income								
Currency translation adjustment					(17.9)			(17.9)
Pension benefit plan, net of tax					0.2			0.2
Unrealized gain on derivative instruments, net of tax					3.1			3.1
Net income				4.1		2.9		7.0
Balance at July 2, 2016	137,861	\$ 904.9	\$ 54.6	\$ 119.0	\$ (90.8)	\$ 6.2		\$ 993.9

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 Recent Accounting Pronouncements

Description of Business

As used herein, Cott, the Company, our Company, Cott Corporation, we, us, or our refers to Cott Corporation together with its consolidated subsidiaries. With the acquisitions of DS Services of America, Inc. (DSS) in December 2014 and the Eden Springs business (Eden) in August 2016, we combined leading providers in the direct-to-consumer beverage services industry with our traditional business, one of the world's largest producers of beverages on behalf of retailers, brand owners and distributors. We now have the largest volume-based national presence in the North American and European home and office delivery (HOD) industry for bottled water and one of the five largest national market share positions in the U.S. and European office coffee services (OCS) and filtration services industries. We reach over 2.3 million customers through routes located across North America and Europe supported by strategically located sales and distribution facilities and fleets. Our broad portfolio allows us to offer, on a direct-to-consumer basis, a variety of bottled water, coffee, brewed tea, water dispensers, coffee and tea brewers and filtration equipment. We believe we have the broadest distribution network in the direct-to-consumer beverage services industry in North America and Europe, which enables us to efficiently service residences and small and medium size businesses, as well as large corporations, universities and government agencies.

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. 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. The consolidated balance sheet as of January 2, 2016 included herein was derived from the audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended January 2, 2016 (2015 Annual Report). This Quarterly Report on Form 10-Q should be read in conjunction with the annual audited consolidated financial statements and accompanying notes in our 2015 Annual Report. 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 GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

Significant Accounting Policies

Included in Note 1 of the 2015 Annual Report is a summary of the Company's significant accounting policies. Provided below is a summary of additional accounting policies that are significant to the financial results of the Company.

Restricted Cash

Restricted cash includes cash that is restricted as to withdrawal or usage. The Company's restricted cash was \$503.1 million as of July 2, 2016 on our consolidated balance sheet and consists of the proceeds from the issuance of the 5.500% senior notes due 2024 that are held in escrow to fund a portion of the purchase price for the acquisition of Eden (see Note 16 to the consolidated financial statements).

Cost of sales

We record costs associated with the manufacturing of our products in costs of sales. Shipping and handling costs incurred to store, prepare and move products between production facilities or from production facilities to branch locations or storage facilities are recorded in cost of sales. Costs incurred in shipment of products from our production facilities to customer locations are also reflected in cost of sales, with the exception of shipping and handling costs incurred to deliver products from DSS branch locations to the end-user consumer of those products which are recorded in selling, general and administrative (SG&A) expenses and were \$78.8 million and \$156.6 million for the three and six months ended July 2, 2016 and \$69.7 million and \$134.7 million for the three and six months ended July 4, 2015, respectively. Finished goods inventory costs include the cost of direct labor and materials and the applicable share of overhead expense chargeable to production.

Table of Contents***Recently Issued Accounting Pronouncements***

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of Accounting Standards Updates (ASUs) or the issuance of new standards to the FASB's Accounting Standards Codification (ASC). The Company considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on these consolidated financial statements.

Update ASU 2014-09 Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB amended its guidance regarding revenue recognition and created a new Topic 606, Revenue from Contracts with Customers. The objectives for creating Topic 606 were to remove inconsistencies and weaknesses in revenue recognition, provide a more robust framework for addressing revenue issues, provide more useful information to users of the financial statements through improved disclosure requirements, simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer, and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve the core principle, an entity should apply the following steps: 1) identify the contract(s) with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations in the contract; and 5) recognize revenue when (or as) the entity satisfies a performance obligation. For public entities, the amendments are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The amendments may be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the amendment recognized at the date of initial application. We are currently assessing the impact of adoption of this standard on our consolidated financial statements.

Update ASU 2016-02 Leases (Topic 842)

In February 2016, the FASB issued an update to its guidance on lease accounting. This update revises accounting for operating leases by a lessee, among other changes, and requires a lessee to recognize a liability to make lease payments and an asset representing its right to use the underlying asset for the lease term in the balance sheet. The distinction between finance and operating leases has not changed and the update does not significantly change the effect of finance and operating leases on the consolidated statements of operations and the consolidated statements of cash flows. Additionally, this update requires both qualitative and specific quantitative disclosures. For public entities, the amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. At adoption, this update will be applied using a modified retrospective approach. We are currently assessing the impact of adoption of this standard on our consolidated financial statements.

Update ASU 2016-09 Compensation - Stock Compensation (Topic 718)

In March 2016, the FASB amended its guidance to simplify several areas of accounting for share-based compensation arrangements. The amendments in this update cover such areas as the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the consolidated statements of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification and the classification of those taxes paid on the consolidated statements of cash flows. The amendments in this update are effective for fiscal years beginning after December 15, 2016, including interim periods within those

fiscal years, with early adoption permitted. This guidance will be applied either prospectively, retrospectively or using a modified retrospective transition method, depending on the area covered in this update. We are currently assessing the impact of adoption of this standard on our consolidated financial statements.

Update ASU 2016-13 Financial Instruments Credit Losses (Topic 326)

In June 2016, the FASB amended its guidance to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Entities will now use forward-looking information to better form their credit loss estimates. The amended guidance also requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an entity's portfolio. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption will be permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. This guidance will be applied using a prospective or modified retrospective transition method, depending on the area covered in this update. We are currently assessing the impact of adoption of this standard on our consolidated financial statements.

Table of Contents**Note 2 Acquisitions*****Aquaterra Acquisition***

On January 4, 2016 (the Acquisition Date), the Company acquired 100% of the share capital of Aquaterra Corporation (Aquaterra) pursuant to a Share Purchase Agreement dated December 7, 2015 (the Aquaterra Acquisition). Aquaterra operates a Canadian direct-to-consumer HOD bottled water and OCS business. The aggregate purchase price paid by the Company in the Aquaterra Acquisition was approximately C\$61.2 million (approximately U.S. \$44.0 million). The purchase price was paid at closing in cash and was subject to a customary post-closing adjustment of actual working capital. The post-closing adjustment was completed in May 2016 and resulted in the payment of \$0.5 million by the former owners of Aquaterra to the Company.

This acquisition supports the Company's strategy to become a more diversified beverage provider across multiple channels and geographies, as well as the Company's continuing consolidation of the higher margin HOD bottled water and OCS categories. The Company has accounted for this transaction as a business combination in accordance with authoritative accounting guidance.

The adjusted purchase consideration of \$44.0 million was allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the Acquisition Date. A preliminary allocation of the purchase price has been made to major categories of assets and liabilities based on management's estimates. The table below presents the preliminary purchase price allocation of the estimated acquisition date fair values of the assets acquired and the liabilities assumed and shows the allocation after the post-closing adjustment:

(in millions of U.S. dollars)	Acquired Value	Adjustments	As reported at July 2, 2016
Cash	\$ 1.3	\$	\$ 1.3
Accounts receivable	6.2		6.2
Inventories	2.1		2.1
Prepaid expenses and other current assets	1.3		1.3
Property, plant & equipment	13.4		13.4
Goodwill	19.2	(0.5) ¹	18.7
Intangible and other assets	17.4		17.4
Accounts payable and accrued liabilities	(15.8)		(15.8)
Long-term debt	(0.3)		(0.3)
Other long-term liabilities	(0.3)		(0.3)
Total	\$ 44.5	\$ (0.5)	\$ 44.0

¹ The working capital adjustment was reflected in the preliminary allocation of the purchase price to the assets acquired and liabilities assumed as reported at April 2, 2016. When the post-closing adjustment was completed in May 2016, an adjustment to goodwill was made as reported at July 2, 2016.

The fair values of acquired property, plant & equipment, identifiable intangible assets and deferred taxes are provisional pending validation and receipt of the final valuations for those assets. In addition, consideration for

potential loss contingencies are still under review.

The amount of revenues and net income related to the Aquaterra Acquisition included in the Company's consolidated statement of operations for the period from the Acquisition Date through July 2, 2016 were \$31.0 million and \$1.3 million, respectively. During the six months ended July 2, 2016, the Company incurred \$0.4 million of acquisition related costs associated with the Aquaterra Acquisition, which are included in acquisition and integration expenses in the consolidated statements of operations.

Intangible Assets

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

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(in millions of U.S. dollars)	Estimated Fair Market Value	Estimated Useful Life
Customer relationships	\$ 10.0	12 years
Trademarks and trade names	6.7	Indefinite
Total	\$ 16.7	

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

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

Goodwill

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

Other HOD Water Business Acquisitions

During the six months ended July 2, 2016, the Company, through its DSS reporting segment, acquired five HOD water businesses for cash purchase prices aggregating to \$3.5 million. The Company has accounted for these transactions as business combinations in accordance with GAAP. These tuck-in acquisitions support the Company's ongoing objective of leveraging its assets and further strengthening its customer density. Net assets, including goodwill, acquired have been allocated to the DSS reporting segment. All of the goodwill recorded is expected to be tax deductible.

Note 3 Share-Based Compensation

During the six months ended July 2, 2016, the Company granted 383,670 Performance-based RSUs, 201,921 Time-based RSUs, and 1,163,868 Stock Options.

The Performance-based RSUs are restricted share units with performance-based vesting granted under the Amended and Restated Cott Corporation Equity Incentive Plan (the "Equity Incentive Plan"). These Performance-based RSUs vest at the end of the performance period, or the last day of our 2018 fiscal year. The shares ultimately awarded will be based upon the performance percentage, which can range from 0% to 200% of the awards granted. The Performance-based RSUs ultimately awarded upon vesting are based primarily on the Company's achievement of a specified level of cumulative pre-tax income for the performance period. The weighted-average grant date fair value of \$11.28 per share for the Performance-based RSUs was based on the closing market price of the Company's common shares on the date of grant on the New York Stock Exchange ("NYSE").

The Time-based RSUs are restricted share units with time-based vesting granted under the Equity Incentive Plan. The Time-based RSUs vest ratably in three equal annual installments on the first, second and third anniversaries of the

date of grant and are based upon a service condition. The weighted-average grant date fair value of \$11.29 per share for the Time-based RSUs was based on the closing market price of the Company's common shares on the date of grant on the NYSE.

The Stock Options are non-qualified stock options granted under the Equity Incentive Plan and will vest ratably in three equal installments on the first, second and third anniversaries of the date of grant, are based upon a service condition and have a ten year contractual term. The weighted-average fair value of \$2.94 per option for the Stock Options was based on the estimate of fair value on the date of grant using the Black-Scholes option pricing model and related assumptions.

During the three months ended July 2, 2016, the Company also granted 62,046 common shares to the non-management members of our board of directors under the Equity Incentive Plan with a grant date fair value of approximately \$0.9 million. The common shares were issued in consideration of the directors' annual board retainer fee and vested upon issuance.

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The Company's share-based compensation expense was \$6.2 million and \$6.1 million for the six months ended July 2, 2016 and July 4, 2015, respectively, and was recorded in SG&A expenses in our consolidated statements of operations.

Note 4 Income Taxes

Income tax benefit was \$11.3 million on pre-tax loss of \$4.3 million for the six months ended July 2, 2016, as compared to an income tax benefit of \$10.5 million on pre-tax income of \$6.6 million for the six months ended July 4, 2015. This is the result of recognizing income tax benefit of pre-tax losses in certain jurisdictions that is not offset by income tax expense in other jurisdictions with pre-tax income.

As we have significant global permanent book to tax differences that exceed our estimated income before taxes on an annual basis, small changes in our estimated income before taxes or changes in year to date income before taxes between jurisdictions can cause material fluctuations in our estimated effective tax rate on a quarterly basis. We have therefore calculated our quarterly income tax provision for the fiscal periods ended July 2, 2016 and July 4, 2015 on a discrete basis for the United States rather than using the estimated annual effective tax rate for the year, in accordance with ASC 740, *Income Taxes*.

The Company evaluates positive and negative evidence on a regular basis to determine if a valuation allowance should be established in our various tax jurisdictions. The interest expense generated by the issuance of our 5.500% senior notes due 2024 (see Note 10 to the consolidated financial statements) in connection with the acquisition of Eden, which closed on August 2, 2016 (see Note 16 to the consolidated financial statements), will lower future projections of Canadian taxable income. Due to the change in projections, the Company may establish a valuation allowance of approximately \$7.2 million in the third quarter of fiscal year 2016 against its Canadian tax assets.

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

On June 29, 2016, we completed a public offering, on a bought deal basis, of 15,088,000 common shares at a price of \$15.25 per share for total gross proceeds to us of \$230.1 million (the June 2016 Offering). We incurred and recorded \$9.2 million of underwriter commissions, \$1.1 million in professional fees and a \$2.7 million deferred tax benefit to common share capital in connection with the June 2016 Offering. The net proceeds of the 2016 June Offering were used to repay in full the borrowings under our asset based lending facility (ABL facility), to finance the acquisition of S&D Coffee, Inc. (S&D) (see Note 16 to the consolidated financial statements) and for general corporate purposes.

On March 9, 2016, we completed a public offering, on a bought deal basis, of 12,765,000 common shares at a price of \$11.80 per share for total gross proceeds to us of \$150.6 million (the March 2016 Offering). We incurred and recorded \$6.0 million of underwriter commissions, \$0.8 million in professional fees and a \$1.7 million deferred tax benefit to common share capital in connection with the March 2016 Offering. The net proceeds of the March 2016 Offering were used to repay a portion of the borrowings under our ABL facility, to finance the acquisition of Eden (see Note 16 to the consolidated financial statements) and for general corporate purposes.

Net Income (Loss) Per Common Share

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

weighted average number of common shares outstanding adjusted to include the effect, if dilutive, of the exercise of in-the-money Stock Options, Performance-based RSUs, Time-based RSUs and convertible preferred shares issued as part of the acquisition of DSS (Convertible Preferred Shares) during the periods presented. The dilutive effect of the Convertible Preferred Shares was calculated using the if-converted method. In applying the if-converted method, the Convertible Preferred Shares are assumed to have been converted at the beginning of the period (or at the time of issuance, if later). Set forth below is a reconciliation of the numerator and denominator for the diluted net income (loss) per common share computations for the periods indicated:

(in millions of U.S. dollars)	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Diluted net income (loss) attributed to Cott Corporation (numerator)	\$ 7.4	\$ 2.2	\$ 4.1	\$ (3.8)

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(in thousands)	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Weighted average number of shares outstanding - basic	123,239	99,573	118,253	96,384
Dilutive effect of Stock Options	548	176	424	
Dilutive effect of Time-based RSUs	393	416	361	
Adjusted weighted average number of shares outstanding - diluted (denominator)	124,180	100,165	119,038	96,384

The following table summarizes anti-dilutive securities excluded from the computation of diluted net income (loss) per common share for the periods indicated:

(in thousands)	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Stock Options		685	380	1,886
Performance-based RSUs ¹	1,995	1,739	1,995	1,739
Time-based RSUs				856
Convertible Preferred Shares		18,480		18,480

- ¹ Performance-based RSUs represent the number of shares expected to be issued based primarily on the estimated achievement of cumulative pre-tax income targets for these awards.

Note 6 Segment Reporting

Our broad portfolio of products include bottled water, coffee, brewed tea, water dispensers, coffee and tea brewers, filtration equipment, carbonated soft drinks (CSDs), 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, energy drinks and shots, sports products, new age beverages, ready-to-drink teas, liquid enhancers, freezables, ready-to-drink alcoholic beverages, hot chocolate, coffee, malt drinks, creamers/whiteners, cereals and beverage concentrates.

Our business operates through four reporting segments: DSS, Cott North America, Cott U.K. and All Other (which includes our Mexico operating segment, Royal Crown International operating segment and other miscellaneous expenses). We refer to our Cott North America, Cott U.K. and All Other reporting segments together as our traditional business . Our corporate oversight function (Corporate) is not treated as a segment; it includes certain general and administrative costs that are not allocated to any of the reporting segments.

(in millions of U.S. dollars)	DSS	Cott	Cott	All	Corporate	Eliminations	Total
		North America	U.K.	Other			
For the Three Months Ended July 2, 2016							

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Revenue, net ¹	\$ 275.7	\$ 349.2	\$ 132.3	\$ 14.8	\$	\$ (7.0)	\$ 765.0
Depreciation and amortization	29.3	18.6	5.4	0.2			53.5
Operating income (loss)	17.8	18.4	11.7	3.4	(14.7)		36.6
Additions to property, plant and equipment	22.7	6.6	3.8	0.1			33.2

Table of Contents**For the Six Months Ended July 2, 2016**

Revenue, net ¹	\$ 533.0	\$ 662.5	\$ 252.9	\$ 28.4	\$ (13.4)	\$ 1,463.4
Depreciation and amortization	57.7	36.9	10.9	0.5		106.0
Operating income (loss)	23.5	19.0	21.6	5.9	(18.7)	51.3
Additions to property, plant and equipment	40.5	16.0	5.8	0.4		62.7
As of July 2, 2016						
Total assets ²	1,606.2	1,610.0	369.0	29.8		3,615.0

1. Intersegment revenue between Cott North America and the other reporting segments was \$7.0 million and \$13.4 million for the three and six months ended July 2, 2016, respectively.
2. Excludes intersegment receivables, investments and notes receivable.

(in millions of U.S. dollars)	DSS	Cott North America	Cott U.K.	All Other Corporate	Eliminations	Total
For the Three Months Ended July 4, 2015						
Revenue, net ¹	\$ 257.0	\$ 359.0	\$ 153.8	\$ 16.4	\$ (6.4)	\$ 779.8
Depreciation and amortization	31.8	20.6	5.4	0.4		58.2
Operating income (loss)	13.2	18.3	14.6	3.7	(3.7)	46.1
Additions to property, plant and equipment	20.4	4.5	4.5	0.5		29.9
For the Six Months Ended July 4, 2015						
Revenue, net ¹	\$ 497.3	\$ 687.7	\$ 286.0	\$ 29.4	\$ (10.8)	\$ 1,489.6
Depreciation and amortization	62.0	41.9	10.9	0.8		115.6
Operating income (loss)	11.7	25.5	18.5	5.3	(8.2)	52.8
Additions to property, plant and equipment	38.8	11.7	6.2	0.5		57.2
As of January 2, 2016						
Total assets ²	1,513.1	943.1	402.5	28.6		2,887.3

1. Intersegment revenue between Cott North America and the other reporting segments was \$6.4 million and \$10.8 million for the three and six months ended July 4, 2015, respectively.
2. Excludes intersegment receivables, investments and notes receivable.

For the six months ended July 2, 2016, sales to Walmart accounted for 17.9% of our total revenue (July 4, 2015 18.3%), 2.4% of our DSS reporting segment revenue (July 4, 2015 2.2%), 33.7% of our Cott North America reporting segment revenue (July 4, 2015 32.7%), 10.4% of our Cott U.K. reporting segment revenue (July 4, 2015 12.0%), and 2.1% of our All Other reporting segment revenue (July 4, 2015 3.4%).

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.

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Revenues by channel by reporting segment were as follows:

(in millions of U.S. dollars)	For the Three Months Ended July 2, 2016					
	DSS	Cott North America	Cott U.K.	All Other	Eliminations	Total
<i>Revenue, net</i>						
Private label retail	\$ 20.7	\$ 280.9	\$ 55.0	\$ 1.1	\$ (0.3)	\$ 357.4
Branded retail	22.9	24.8	41.7	1.0	(0.4)	90.0
Contract packaging		35.7	31.0	5.0	(2.5)	69.2
Home and office bottled water delivery	177.2					177.2
Office coffee services	30.0					30.0
Concentrate and other	24.9	7.8	4.6	7.7	(3.8)	41.2
Total	\$ 275.7	\$ 349.2	\$ 132.3	\$ 14.8	\$ (7.0)	\$ 765.0

(in millions of U.S. dollars)	For the Six Months Ended July 2, 2016					
	DSS	Cott North America	Cott U.K.	All Other	Eliminations	Total
<i>Revenue, net</i>						
Private label retail	\$ 37.6	\$ 529.4	\$ 106.0	\$ 1.6	\$ (0.7)	\$ 673.9
Branded retail	47.2	51.6	78.3	1.8	(0.7)	178.2
Contract packaging		67.1	59.3	9.7	(4.6)	131.5
Home and office bottled water delivery	339.2					339.2
Office coffee services	61.5					61.5
Concentrate and other	47.5	14.4	9.3	15.3	(7.4)	79.1
Total	\$ 533.0	\$ 662.5	\$ 252.9	\$ 28.4	\$ (13.4)	\$ 1,463.4

(in millions of U.S. dollars)	For the Three Months Ended July 4, 2015					
	DSS	Cott North America	Cott U.K.	All Other	Eliminations	Total
<i>Revenue, net</i>						
Private label retail	\$ 17.2	\$ 289.7	\$ 71.8	\$ 1.7	\$ (0.7)	\$ 379.7
Branded retail	20.6	30.8	48.5	1.3	(0.5)	100.7
Contract packaging		31.3	30.9	6.8	(1.6)	67.4
Home and office bottled water delivery	164.8					164.8
Office coffee services	29.7					29.7
Concentrate and other	24.7	7.2	2.6	6.6	(3.6)	37.5

Total	\$ 257.0	\$ 359.0	\$ 153.8	\$ 16.4	\$ (6.4)	\$ 779.8
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For the Six Months Ended July 4, 2015

(in millions of U.S. dollars)	Cott					
	DSS	North America	Cott U.K.	All Other	Eliminations	Total
<u>Revenue, net</u>						
Private label retail	\$ 32.7	\$ 557.4	\$ 132.7	\$ 2.8	\$ (1.2)	\$ 724.4
Branded retail	40.3	57.9	89.3	2.4	(0.9)	189.0
Contract packaging		56.9	59.3	10.7	(1.6)	125.3
Home and office bottled water delivery	314.4					314.4
Office coffee services	61.7					61.7
Concentrate and other	48.2	15.5	4.7	13.5	(7.1)	74.8
Total	\$ 497.3	\$ 687.7	\$ 286.0	\$ 29.4	\$ (10.8)	\$ 1,489.6

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The following table summarizes inventories as of July 2, 2016 and January 2, 2016:

(in millions of U.S. dollars)	July 2, 2016	January 2, 2016
Raw materials	\$ 93.8	\$ 95.3
Finished goods	119.6	118.4
Resale items	13.1	15.8
Other	20.6	19.9
Total	\$ 247.1	\$ 249.4

Note 8 Intangibles and Other Assets

The following table summarizes intangibles and other assets as of July 2, 2016 and January 2, 2016:

(in millions of U.S. dollars)	July 2, 2016			January 2, 2016		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Intangibles						
<i>Not subject to amortization</i>						
Rights ¹	\$ 45.0	\$	\$ 45.0	\$ 45.0	\$	\$ 45.0
Trademarks	190.2		190.2	183.1		183.1
Total intangibles not subject to amortization	235.2		235.2	228.1		228.1
<i>Subject to amortization</i>						
Customer relationships	665.6	269.3	396.3	663.9	241.0	422.9
Trademarks	32.3	27.9	4.4	33.0	28.1	4.9
Information technology	58.1	33.5	24.6	54.0	29.1	24.9
Other	7.5	4.8	2.7	7.8	4.5	3.3
Total intangibles subject to amortization	763.5	335.5	428.0	758.7	302.7	456.0
Total Intangibles	998.7	335.5	663.2	986.8	302.7	684.1
Other Assets						
Financing costs	12.6	9.0	3.6	12.6	8.5	4.1
Deposits	11.5	0.4	11.1	10.3	0.4	9.9
Other	14.4	1.9	12.5	15.2	1.6	13.6
Total Other Assets	38.5	11.3	27.2	38.1	10.5	27.6

Total Intangibles & Other Assets	\$ 1,037.2	\$ 346.8	\$ 690.4	\$ 1,024.9	\$ 313.2	\$ 711.7
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1. Relates to the 2001 acquisition of intellectual property from Royal Crown Company, Inc., including the right to manufacture our concentrates, with all related inventions, processes, technologies, technical and manufacturing information, know-how and the use of the Royal Crown brand outside of North America and Mexico.

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Amortization expense of intangibles and other assets was \$19.1 million and \$38.3 million for the three and six months ended July 2, 2016, compared to \$19.6 million and \$38.8 million for the three and six months ended July 4, 2015, respectively.

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

(in millions of U.S. dollars)	
Remainder of 2016	\$ 35.5
2017	64.0
2018	56.9
2019	48.0
2020	41.7
Thereafter	181.9
Total	\$ 428.0

Note 9 Accounts Payable and Accrued Liabilities

The following table summarizes accounts payable and accrued liabilities as of July 2, 2016 and January 2, 2016:

(in millions of U.S. dollars)	July 2, 2016	January 2, 2016
Trade payables	\$ 271.5	\$ 227.2
Accrued compensation	37.3	49.8
Accrued sales incentives	25.7	25.2
Accrued interest	12.2	12.2
Payroll, salaries and other taxes	18.9	13.3
Accrued deposits	31.9	28.6
Other accrued liabilities	70.5	81.3
Total	\$ 468.0	\$ 437.6

Note 10 Debt

Our total debt as of July 2, 2016 and January 2, 2016 was as follows:

(in millions of U.S. dollars)	July 2, 2016			January 2, 2016		
	Principal	Unamortized Debt Issuance Costs	Net	Principal	Unamortized Debt Issuance Costs	Net
6.750% senior notes due in 2020	\$ 625.0	\$ 10.7	\$ 614.3	\$ 625.0	\$ 12.0	\$ 613.0
10.000% senior notes due in 2021 ¹	387.2		387.2	390.1		390.1

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5.375% senior notes due in 2022	525.0	7.7	517.3	525.0	8.2	516.8
5.500% senior notes due in 2024	500.2	9.8	490.4			
ABL facility				122.0		122.0
GE Term Loan	5.5	0.2	5.3	6.4	0.4	6.0
Capital leases and other debt financing	2.4		2.4	2.9		2.9
Total debt	2,045.3	28.4	2,016.9	1,671.4	20.6	1,650.8

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Less: Short-term borrowings and current debt:						
ABL facility				122.0		122.0
Total short-term borrowings				122.0		122.0
GE Term Loan - current maturities	2.6	2.6		2.2		2.2
Capital leases and other debt financing - current maturities	1.0	1.0		1.2		1.2
Total current debt	3.6	3.6		125.4		125.4
Total long-term debt	\$ 2,041.7	\$ 28.4	\$ 2,013.3	\$ 1,546.0	\$ 20.6	\$ 1,525.4

1. The outstanding aggregate principal amount of \$350.0 million of our 10.000% senior secured notes (DSS Notes) was assumed by Cott at a fair value of \$406.0 million in connection with Cott 's acquisition of DSS. The premium of \$56.0 million is being amortized as an adjustment to interest expense using the effective interest method over the remaining contractual term of the DSS Notes. The remaining unamortized premium is \$37.2 million and \$40.1 million at July 2, 2016 and January 2, 2016, respectively.

Asset-Based Lending Facility

On June 7, 2016, in connection with the acquisition of Eden (see Note 16 to the consolidated financial statements), we amended the ABL facility to permit, among other things, (1) the acquisition of Eden, (2) a new debt issuance to finance the acquisition of Eden, (3) the sale and leaseback of certain property located in the United Kingdom, and (4) certain other miscellaneous and technical changes.

Debt Issuance

On June 30, 2016, we issued 450.0 million (\$500.2 million at exchange rates in effect on July 2, 2016) of 5.500% senior notes due 2024 (2024 Notes) to qualified purchasers in a private placement offering under Rule 144A under the Securities Act of 1933, as amended (the Securities Act), and outside the United States to non-U.S. purchasers pursuant to Regulation S under the Securities Act and other applicable laws. The 2024 Notes were initially issued by our wholly-owned subsidiary Cott Finance Corporation. In connection with the closing of the acquisition of Eden, Cott Finance Corporation amalgamated with the Company and the combined company, Cott Corporation , assumed all of the obligations of Cott Finance Corporation under the 2024 Notes, and most of Cott 's U.S., Canadian, U.K. Luxembourg and Dutch subsidiaries that are currently obligors under the 2022 Notes and the 2020 Notes entered into a supplemental indenture to guarantee the 2024 Notes. The 2024 Notes will mature on July 1, 2024 and interest is payable semi-annually on January 1st and July 1st of each year commencing on January 1, 2017. The proceeds of the 2024 Notes were recorded to restricted cash as of July 2, 2016 and will be used to fund a portion of the purchase price of the acquisition of Eden (see Note 16 to the consolidated financial statements), to repay a portion of certain outstanding indebtedness of Eden, and to pay related fees and expenses.

We incurred approximately \$9.8 million of financing fees for the issuance of the 2024 Notes and \$10.0 million of bridge financing commitment fees and professional fees in connection with the acquisition of Eden. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of the 2024 Notes. The bridge financing commitment fees and professional fees were recorded in SG&A expenses in our consolidated statements of operations.

Note 11 Accumulated Other Comprehensive (Loss) Income

Changes in accumulated other comprehensive (loss) income (AOCI) by component for the six months ended July 2, 2016 were as follows:

(in millions of U.S. dollars) ¹	July 2, 2016			Total
	Gains and Losses Pension on Derivative Instruments	Benefit Plan Items	Currency Translation Adjustment Items	
Beginning balance January 2, 2016	\$ (4.7)	\$ (10.1)	\$ (61.4)	\$ (76.2)
OCI before reclassifications	5.8		(17.9)	(12.1)
Amounts reclassified from AOCI	(2.7)	0.2		(2.5)
Net current-period OCI	3.1	0.2	(17.9)	(14.6)
Ending balance July 2, 2016	\$ (1.6)	\$ (9.9)	\$ (79.3)	\$ (90.8)

1. All amounts are net of tax.

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The following table summarizes the amounts reclassified from AOCI for the three and six months ended July 2, 2016 and July 4, 2015, respectively.

(in millions of U.S. dollars) Details About AOCI Components ¹	For the Three Months Ended		For the Six Months Ended		Affected Line Item in the Statement Where Net Income Is Presented
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015	
Gains and losses on derivative instruments					
Foreign currency and commodity hedges	\$ 2.4	\$ (0.1)	\$ 4.0	\$ 0.2	Cost of sales
	(0.7)	0.1	(1.3)		Tax (expense) benefit
	\$ 1.7	\$	\$ 2.7	\$ 0.2	Net of tax
Amortization of pension benefit plan items					
Prior service costs ²	\$ (0.1)	\$ (0.4)	\$ (0.2)	\$ (0.5)	Cost of sales
	(0.1)	(0.4)	(0.2)	(0.5)	Total before taxes
					Tax (expense) benefit
	\$ (0.1)	\$ (0.4)	\$ (0.2)	\$ (0.5)	Net of tax
Total reclassifications for the period	\$ 1.6	\$ (0.4)	\$ 2.5	\$ (0.3)	Net of tax

1. Amounts in parentheses indicate debits.

2. These AOCI components are included in the computation of net periodic pension cost.

Note 12 Commitments and Contingencies

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

We had \$40.7 million in standby letters of credit outstanding as of July 2, 2016 (July 4, 2015 - \$41.4 million).

In May 2014, our Cott U.K. reporting segment acquired 100% of the share capital of Aimia Foods Holdings Limited (the Aimia Acquisition), which included its operating subsidiary company, Aimia Foods Limited (together referred to as Aimia) pursuant to a Share Purchase Agreement dated May 30, 2014. The terms of the transaction included aggregate contingent consideration of up to £16.0 million (\$21.3 million at exchange rates in effect on July 2, 2016), which is payable upon achievement of certain measures related to Aimia's performance during the twelve months ended July 1, 2016. The estimated liability as of July 2, 2016 is £12.0 million (\$15.9 million at exchange rates in effect on July 2, 2016) and is expected to be paid during the third quarter of 2016.

Note 13 Hedging Transactions and Derivative Financial Instruments

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

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

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All derivatives are carried at fair value in the consolidated balance sheets in the line item accounts receivable, net or accounts payable and accrued liabilities. The carrying values of the derivatives reflect the impact of legally enforceable agreements with the same counterparties. These allow us to net settle positive and negative positions (assets and liabilities) arising from different transactions with the same counterparty.

The accounting for gains and losses that result from changes in the fair values of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments and the types of hedging relationships. Derivatives can be designated as fair value hedges, cash flow hedges or hedges of net investments in foreign operations. The changes in the fair values of derivatives that have been designated and qualify for fair value hedge accounting are recorded in the same line item in our consolidated statements of operations as the changes in the fair value of the hedged items attributable to the risk being hedged. The changes in fair values of derivatives that have been designated and qualify as cash flow hedges are recorded in AOCI and are reclassified into the line item in the consolidated statements of operations in which the hedged items are recorded in the same period the hedged items affect earnings. Due to the high degree of effectiveness between the hedging instruments and the underlying exposures being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged. The changes in fair values of derivatives that were not designated and/or did not qualify as hedging instruments are immediately recognized into earnings. We classify cash inflows and outflows related to derivative and hedging instruments with the appropriate cash flows section associated with the item being hedged.

For derivatives that will be accounted for as hedging instruments, we formally designate and document, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. In addition, we formally assess both at the inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are effective at offsetting changes in either the fair values or cash flows of the related underlying exposures. Any ineffective portion of a financial instrument's change in fair value is immediately recognized into earnings.

We estimate the fair values of our derivatives based on quoted market prices or pricing models using current market rates (see Note 14 to the consolidated financial statements). The notional amounts of the derivative financial instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates or other financial indices. We do not view the fair values of our derivatives in isolation, but rather in relation to the fair values or cash flows of the underlying hedged transactions. All of our derivatives are over-the-counter instruments with liquid markets.

Credit Risk Associated with Derivatives

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

Cash Flow Hedging Strategy

We use cash flow hedges to minimize the variability in cash flows of assets or liabilities or forecasted transactions caused by fluctuations in foreign currency exchange rates and commodity prices. The changes in fair values of hedges

that are determined to be ineffective are immediately reclassified from AOCI into earnings. We did not discontinue any cash flow hedging relationships during the six months ended July 2, 2016 or July 4, 2015, respectively. Foreign exchange contracts typically have maturities of less than twelve months and commodity contracts typically have maturities of less than 27 months. All outstanding hedges as of July 2, 2016 are expected to settle in the next twelve months.

We maintain a foreign currency cash flow hedging program to reduce the risk that our procurement activities will be adversely affected by changes in foreign currency exchange rates. We enter into forward contracts to hedge certain portions of forecasted cash flows denominated in foreign currencies. The total notional values of derivatives that were designated and qualified for our foreign currency cash flow hedging program were \$17.9 million and \$4.5 million as of July 2, 2016 and January 2, 2016, respectively. Approximately \$0.9 million of unrealized losses net of tax and \$1.0 million of unrealized gains net of tax related to the foreign currency cash flow hedges were included in AOCI as of July 2, 2016 and July 4, 2015, respectively. The hedge ineffectiveness for these cash flow hedging instruments was not material during the periods presented.

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We have entered into commodity swaps on aluminum to mitigate the price risk associated with forecasted purchases of materials used in our manufacturing process. These derivative instruments have been designated and qualify as a part of our commodity cash flow hedging program. The objective of this hedging program is to reduce the variability of cash flows associated with future purchases of aluminum. The total notional values of derivatives that were designated and qualified for our commodity cash flow hedging program were \$23.9 million and \$49.3 million as of July 2, 2016 and January 2, 2016, respectively. Approximately \$1.0 million and \$3.8 million of unrealized losses net of tax related to the commodity swaps were included in AOCI as of July 2, 2016 and July 4, 2015, respectively. The cumulative hedge ineffectiveness for these hedging instruments was not material for the six months ended July 2, 2016 and July 4, 2015.

The fair value of the Company's derivative assets included within other receivables as a component of accounts receivable, net was \$0.1 million and \$0.6 million as of July 2, 2016 and January 2, 2016, respectively. The fair value of the Company's derivative liabilities included in accrued liabilities was \$2.9 million and \$8.0 million as of July 2, 2016 and January 2, 2016, respectively. Set forth below is a reconciliation of the Company's derivatives by contract type for the periods indicated:

(in millions of U.S. dollars) Derivative Contract	July 2, 2016		January 2, 2016	
	Assets	Liabilities	Assets	Liabilities
Foreign currency hedge	\$	\$ 1.3	\$ 0.6	\$
Aluminum swaps	0.1	1.6		8.0
	\$ 0.1	\$ 2.9	\$ 0.6	\$ 8.0

Aluminum swaps subject to enforceable master netting arrangements are presented net in the reconciliation above. The fair value of the aluminum swap assets and liabilities which are shown on a net basis are reconciled in the table below:

(in millions of U.S. dollars)	July 2, 2016	January 2, 2016
Aluminum swap assets	\$ 0.1	\$
Aluminum swap liabilities	(1.6)	(8.0)
Net asset (liability)	\$ (1.5)	\$ (8.0)

The settlement of our derivative instruments resulted in an increase to cost of sales of \$2.3 million and \$3.9 million for the three and six months ended July 2, 2016, respectively, compared with a reduction to cost of sales of nil and \$0.2 million for the comparable prior year periods.

Zero-Cost Collar

In June 2016, in order to fund a portion of the acquisition of Eden, the Company entered into a foreign currency option contract known as a zero-cost collar. This contract involves the Company's purchase of a Euro call option and a simultaneous sale of a Euro put option, with equivalent Euro notional amounts of 30.0 million for the options. The zero-cost collar contract matured and was settled in July 2016, resulting in a cash payment of \$33.3 million.

The fair value of the Euro call option was determined to be an asset of less than \$0.0 million and the Euro put option was determined to be a liability of \$0.2 million, resulting in an unrealized loss of \$0.2 million for the three and six months ended July 2, 2016. The unrealized loss was recorded in other expense (income), net on the consolidated statements of operations.

Note 14 Fair Value Measurements

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

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

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

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

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

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

Our derivative assets and liabilities represent Level 2 instruments. Level 2 instruments are valued based on observable inputs for quoted prices for similar assets and liabilities in active markets. The fair value for the derivative assets was \$0.1 million and \$0.6 million as of July 2, 2016 and January 2, 2016, respectively. The fair value for the derivative liabilities as of July 2, 2016 and January 2, 2016 was \$2.9 million and \$8.0 million, respectively.

Transfers into and out of the fair value hierarchy levels are assumed to be as of the end of the quarter in which the transfer occurred. Other than the transfer of the contingent consideration liability from Level 3 to Level 1 during the three months ended July 2, 2016, no transfers between levels occurred during the three and six months ended July 2, 2016 and July 4, 2015.

Fair Value of Financial Instruments

The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents, receivables, payables, short-term borrowings and long-term debt approximate their respective fair values, except as otherwise indicated. The carrying values and estimated fair values of our significant outstanding debt as of July 2, 2016 and January 2, 2016 were as follows:

(in millions of U.S. dollars)	July 2, 2016		January 2, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
6.750% senior notes due in 2020 ^{1, 3}	614.3	654.7	613.0	641.4
10.000% senior notes due in 2021 ^{1, 2}	387.2	392.9	390.1	397.3
5.375% senior notes due in 2022 ^{1, 3}	517.3	525.0	516.8	522.4
5.500% senior notes due in 2024 ^{1, 3}	490.4	513.4		
Total	\$ 2,009.2	\$ 2,086.0	\$ 1,519.9	\$ 1,561.1

1. The fair values were based on the trading levels and bid/offer prices observed by a market participant and are considered Level 1 financial instruments.
2. The outstanding aggregate principal amount of \$350.0 million of our DSS Notes was assumed by Cott at a fair value of \$406.0 million in connection with Cott's acquisition of DSS. The premium of \$56.0 million is being amortized as an adjustment to interest expense using the effective interest method over the remaining contractual term of the DSS Notes. The remaining unamortized premium is \$37.2 million and \$40.1 million at July 2, 2016

and January 2, 2016, respectively.

3. The carrying value of our significant outstanding debt is net of unamortized debt issuance costs of \$28.4 million and \$20.6 million as of July 2, 2016 and January 2, 2016, respectively.

Fair Value of Contingent Consideration

We estimated the fair value of the contingent consideration related to the Aimia Acquisition utilizing financial projections of the acquired business and estimated probabilities of achievement of certain EBITDA targets. The fair value was previously based on significant inputs not observable in the market and thus represented a Level 3 instrument. Level 3 instruments are valued based on unobservable inputs that are supported by little or no market activity and reflect our own assumptions in measuring fair value. The fair value of the contingent consideration at July 2, 2016 was calculated using actual results for the acquired business for the twelve months ended July 1, 2016. Therefore the liability was transferred out of Level 3 and was classified as Level 1 at July 2, 2016. The acquisition date fair value of the contingent consideration was determined to be £10.6 million using a present valued probability-weighted income approach. The fair value of the contingent consideration at July 2, 2016 was determined to be £12.0 million (\$15.9 million at exchange rates in effect on July 2, 2016) and is expected to be paid during the third quarter of 2016. Changes in the fair value of contingent consideration liabilities are recognized in other expense (income), net in our consolidated statements of operations. The following tables provide a reconciliation of the beginning and ending balances of this liability.

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(in millions of U.S. dollars)	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Fair value at beginning of period	\$ 15.9	\$ 15.8	\$ 16.4	\$ 16.5
Fair value adjustment	1.2	0.6	1.2	0.6
Foreign exchange (gain) loss	(1.2)	0.8	(1.7)	0.1
Transfers out	(15.9)		(15.9)	
Fair value at end of period	\$	\$ 17.2	\$	\$ 17.2

Note 15 Guarantor Subsidiaries**Guarantor Subsidiaries of DSS Notes**

The DSS Notes assumed as part of the acquisition of DSS are guaranteed on a senior secured basis by Cott Corporation and certain of its 100% owned direct and indirect subsidiaries (the DSS Guarantor Subsidiaries). DSS and each DSS Guarantor Subsidiary is 100% owned by Cott Corporation. The DSS Notes are fully and unconditionally, jointly and severally, guaranteed by Cott Corporation and the DSS Guarantor Subsidiaries. The Indenture governing the DSS Notes requires any 100% owned domestic restricted subsidiary (i) that guarantees or becomes a borrower under the ABL facility or (ii) that guarantees any other debt of Cott Corporation, DSS or any of the DSS Guarantor Subsidiaries (other than junior lien obligations) secured by collateral to guarantee the DSS Notes. The guarantees of Cott Corporation and the DSS Guarantor Subsidiaries may be released in certain limited circumstances set forth in the Indenture governing the DSS Notes.

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

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

At July 2, 2016, the issuer of the 2024 Notes was Cott Finance Corporation, which was not a DSS Guarantor Subsidiary. Cott Finance Corporation was declared an unrestricted subsidiary under the Indenture governing the DSS Notes. As a result, such entity is reflected as a DSS Non-Guarantor Subsidiary in the following summarized condensed consolidating financial information. Substantially simultaneously with the closing of the acquisition of Eden on August 2, 2016, Cott Finance Corporation combined with the Company by way of an amalgamation and the combined company, Cott Corporation, assumed all of the obligations of Cott Finance Corporation as issuer under the 2024 Notes, and Cott's U.S., Canadian, U.K., Luxembourg and Dutch subsidiaries that are currently obligors under the 2022 Notes and the 2020 Notes entered into a supplemental indenture to guarantee the 2024 Notes. Currently, the obligors under the 2024 Notes are different than the obligors under the DSS Notes, but identical to the obligors under the 2022 Notes and the 2020 Notes.

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

	For the Three Months Ended July 2, 2016					
	DSS		DSS			
	Cott	DS Services of	Guarantor	Non-Guarantor	Elimination	Consolidated
	Corporation	Inc. America,	Subsidiaries	Subsidiaries	Entries	Consolidated
Revenue, net	\$ 48.2	\$ 259.0	\$ 437.3	\$ 35.2	\$ (14.7)	\$ 765.0
Cost of sales	38.9	98.9	360.6	28.7	(14.7)	512.4
Gross profit	9.3	160.1	76.7	6.5		252.6
Selling, general and administrative expenses	16.8	141.2	41.1	3.0		202.1
Loss on disposal of property, plant & equipment, net		1.4	0.8			2.2
Acquisition and integration expenses		1.1	10.6			11.7
Operating (loss) income	(7.5)	16.4	24.2	3.5		36.6
Other expense (income), net	1.8	(0.3)	1.4	0.1		3.0
Intercompany interest expense (income), net		10.8	(10.8)			
Interest expense, net	0.2	7.2	19.6			27.0
(Loss) income before income tax benefit and equity income	(9.5)	(1.3)	14.0	3.4		6.6
Income tax benefit		0.4	1.9			2.3
Equity income	16.9		1.5		(18.4)	
Net income (loss)	\$ 7.4	\$ (0.9)	\$ 17.4	\$ 3.4	\$ (18.4)	\$ 8.9
Less: Net income attributable to non-controlling interests				1.5		1.5
Net income (loss) attributed to Cott Corporation	\$ 7.4	\$ (0.9)	\$ 17.4	\$ 1.9	\$ (18.4)	\$ 7.4
Comprehensive (loss) income attributed to Cott Corporation	\$ (4.6)	\$ (0.9)	\$ 75.4	\$ 4.0	\$ (78.5)	\$ (4.6)

Table of Contents**Condensed Consolidating Statements of Operations***(in millions of U.S. dollars)**Unaudited***For the Six Months Ended July 2, 2016**

	Cott	DS Services of	DSS	DSS	Elimination	Consolidated
	Corporation	Inc. America,	Subsidiaries	Subsidiaries	Entries	Consolidated
Revenue, net	\$ 82.0	\$ 502.1	\$ 844.1	\$ 63.7	\$ (28.5)	\$ 1,463.4
Cost of sales	68.6	196.3	708.8	51.6	(28.5)	996.8
Gross profit	13.4	305.8	135.3	12.1		466.6
Selling, general and administrative expenses	22.3	278.4	92.7	5.7		399.1
Loss (gain) on disposal of property, plant & equipment, net		3.2	(0.1)			3.1
Acquisition and integration expenses		2.0	11.1			13.1
Operating (loss) income	(8.9)	22.2	31.6	6.4		51.3
Other expense (income), net	0.2	(1.3)	1.8	0.1		0.8
Intercompany interest expense (income), net		21.6	(21.6)			
Interest expense, net	0.4	14.6	39.8			54.8
(Loss) income before income tax (benefit) expense and equity income	(9.5)	(12.7)	11.6	6.3		(4.3)
Income tax (benefit) expense		(4.6)	(6.8)	0.1		(11.3)
Equity income	13.6		3.3		(16.9)	
Net income (loss)	\$ 4.1	\$ (8.1)	\$ 21.7	\$ 6.2	\$ (16.9)	\$ 7.0
Less: Net income attributable to non-controlling interests				2.9		2.9
Net income (loss) attributed to Cott Corporation	\$ 4.1	\$ (8.1)	\$ 21.7	\$ 3.3	\$ (16.9)	\$ 4.1
Comprehensive (loss) income attributed to Cott	\$ (10.5)	\$ (8.1)	\$ 106.2	\$ 3.4	\$ (101.5)	\$ (10.5)

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

	For the Three Months Ended July 4, 2015					
	DSS		DSS		Elimination	
	Cott	DS Services of	Guarantor	Non-Guarantor	Entries	Consolidated
	Corporation	Inc. America,	Subsidiaries	Subsidiaries	Consolidated	Consolidated
Revenue, net	\$ 46.9	\$ 257.0	\$ 457.5	\$ 38.3	\$ (19.9)	\$ 779.8
Cost of sales	38.4	100.8	389.0	30.9	(19.9)	539.2
Gross profit	8.5	156.2	68.5	7.4		240.6
Selling, general and administrative expenses	4.9	139.1	43.2	3.0		190.2
Loss (gain) on disposal of property, plant & equipment		0.9	(0.7)			0.2
Acquisition and integration expenses		3.1	1.0			4.1
Operating income	3.6	13.1	25.0	4.4		46.1
Other expense (income), net	0.7	(0.2)	0.6	(0.1)		1.0
Intercompany interest (income) expense, net	(1.9)	11.0	(9.1)			
Interest expense, net		7.5	20.4			27.9
Income (loss) before income tax expense (benefit) and equity income	4.8	(5.2)	13.1	4.5		17.2
Income tax expense (benefit)	1.8	(1.8)	(1.2)	0.1		(1.1)
Equity income	13.6		1.6		(15.2)	
Net income (loss)	\$ 16.6	\$ (3.4)	\$ 15.9	\$ 4.4	\$ (15.2)	\$ 18.3
Less: Net income attributable to non-controlling interests				1.7		1.7
Less: Accumulated dividends on convertible preferred shares	1.8					1.8
Less: Accumulated dividends on non-convertible preferred shares	0.6					0.6
Less: Foreign exchange impact on redemption of preferred shares	12.0					12.0

Net income (loss) attributed to Cott Corporation	\$ 2.2	\$ (3.4)	\$ 15.9	\$ 2.7	\$ (15.2)	\$ 2.2
Comprehensive income (loss) attributed to Cott Corporation	\$ 24.4	\$ (3.4)	\$ 59.3	\$ 4.2	\$ (60.1)	\$ 24.4

Table of Contents**Condensed Consolidating Statements of Operations***(in millions of U.S. dollars)**Unaudited***For the Six Months Ended July 4, 2015**

	DSS		DSS			
	Cott	DS Services of	Guarantor	Non-Guarantor	Elimination	Consolidated
	Corporation	America,	Subsidiaries	Subsidiaries	Entries	Consolidated
	\$	\$	\$	\$	\$	\$
Revenue, net	\$ 76.9	\$ 497.3	\$ 875.8	\$ 69.7	\$ (30.1)	\$ 1,489.6
Cost of sales	65.4	201.2	754.4	56.8	(30.1)	1,047.7
Gross profit	11.5	296.1	121.4	12.9		441.9
Selling, general and administrative expenses	10.4	276.3	85.9	6.1		378.7
Loss (gain) on disposal of property, plant & equipment		2.0	(0.4)			1.6
Acquisition and integration expenses		6.1	2.7			8.8
Operating income	1.1	11.7	33.2	6.8		52.8
Other (income) expense, net	(9.8)	(0.4)	0.8			(9.4)
Intercompany interest (income) expense, net	(4.9)	21.9	(17.0)			
Interest expense, net	0.1	14.8	40.7			55.6
Income (loss) before income tax expense (benefit) and equity income	15.7	(24.6)	8.7	6.8		6.6
Income tax expense (benefit)	3.0	(9.0)	(4.7)	0.2		(10.5)
Equity income	1.4		3.0		(4.4)	
Net income (loss)	\$ 14.1	\$ (15.6)	\$ 16.4	\$ 6.6	\$ (4.4)	\$ 17.1
Less: Net income attributable to non-controlling interests				3.0		3.0
Less: Accumulated dividends on convertible preferred shares	4.5					4.5
Less: Accumulated dividends on non-convertible preferred shares	1.4					1.4
Less: Foreign exchange impact on redemption of preferred shares	12.0					12.0

Net (loss) income attributed to Cott Corporation	\$ (3.8)	\$ (15.6)	\$ 16.4	\$ 3.6	\$ (4.4)	\$ (3.8)
Comprehensive (loss) income attributed to Cott Corporation	\$ (7.4)	\$ (15.6)	\$ 43.5	\$ 4.8	\$ (32.7)	\$ (7.4)

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

	As of July 2, 2016					
	DSS		DSS			
	Cott	DS Services of	Guarantor	Non-Guarantor	Elimination	Consolidated
	Corporation	Inc.	Subsidiaries	Subsidiaries	Entries	Consolidated
	America,					
ASSETS						
<i>Current assets</i>						
Cash & cash equivalents	\$ 182.6	\$ 26.4	\$ 33.2	\$ 7.3	\$	\$ 249.5
Restricted cash				503.1		503.1
Accounts receivable, net of allowance	37.1	124.0	226.7	13.2	(61.5)	339.5
Income taxes recoverable	0.1	1.1		0.4	(0.7)	0.9
Inventories	15.1	29.1	196.5	6.4		247.1
Prepaid expenses and other assets	1.9	9.5	12.3	0.4		24.1
Total current assets	236.8	190.1	468.7	530.8	(62.2)	1,364.2
Property, plant & equipment, net	30.3	379.9	353.9	6.1		770.2
Goodwill	21.2	580.7	175.5			777.4
Intangibles and other assets, net	0.9	387.7	300.9	0.9		690.4
Deferred tax assets	12.6		44.7	0.2	(44.7)	12.8
Due from affiliates	366.4		544.4		(910.8)	
Investments in subsidiaries	392.0		400.1		(792.1)	
Total assets	\$ 1,060.2	\$ 1,538.4	\$ 2,288.2	\$ 538.0	\$ (1,809.8)	\$ 3,615.0
LIABILITIES AND EQUITY						
<i>Current liabilities</i>						
Current maturities of long-term debt	\$	\$	\$ 3.4	\$ 0.2	\$	\$ 3.6
Accounts payable and accrued liabilities	70.8	158.9	277.0	23.5	(62.2)	468.0
Total current liabilities	70.8	158.9	280.4	23.7	(62.2)	471.6
Long-term debt		387.2	1,135.7	490.4		2,013.3
Deferred tax liabilities		92.8	15.6		(44.7)	63.7
Other long-term liabilities	0.5	37.2	33.6	1.2		72.5
Due to affiliates	1.2	543.3	340.0	26.3	(910.8)	

Total liabilities	72.5	1,219.4	1,805.3	541.6	(1,017.7)	2,621.1
Equity						
Common shares, no par	904.9	355.5	802.3	39.8	(1,197.6)	904.9
Additional paid-in-capital	54.6					54.6
Retained earnings (deficit)	119.0	(36.3)	(418.2)	(58.7)	513.2	119.0
Accumulated other comprehensive (loss) income	(90.8)	(0.2)	98.8	9.1	(107.7)	(90.8)
Total Cott Corporation equity	987.7	319.0	482.9	(9.8)	(792.1)	987.7
Non-controlling interests				6.2		6.2
Total equity	987.7	319.0	482.9	(3.6)	(792.1)	993.9
Total liabilities and equity	\$ 1,060.2	\$ 1,538.4	\$ 2,288.2	\$ 538.0	\$ (1,809.8)	\$ 3,615.0

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

	As of January 2, 2016					
	Cott Corporation	DS Services of America, Inc.	DSS Guarantor Subsidiaries	DSS Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
ASSETS						
<i>Current assets</i>						
Cash & cash equivalents	\$ 20.8	\$ 12.8	\$ 38.4	\$ 5.1	\$	\$ 77.1
Accounts receivable, net of allowance	18.3	122.6	184.6	13.0	(45.2)	293.3
Income taxes recoverable		0.5	0.9	0.2		1.6
Inventories	13.0	31.4	199.4	5.6		249.4
Prepaid expenses and other assets	2.2	4.8	10.0	0.2		17.2
Total current assets	54.3	172.1	433.3	24.1	(45.2)	638.6
Property, plant & equipment, net	29.7	372.6	360.8	6.7		769.8
Goodwill	19.8	579.1	160.7			759.6
Intangibles and other assets, net	0.8	402.5	305.6	2.8		711.7
Deferred tax assets	7.4		38.2	0.2	(38.2)	7.6
Due from affiliates	400.1		544.3		(944.4)	
Investments in subsidiaries	176.3		400.0		(576.3)	
Total assets	\$ 688.4	\$ 1,526.3	\$ 2,242.9	\$ 33.8	\$ (1,604.1)	\$ 2,887.3
LIABILITIES AND EQUITY						
<i>Current liabilities</i>						
Short-term borrowings	\$	\$	\$ 122.0	\$	\$	\$ 122.0
Current maturities of long-term debt			3.0	0.4		3.4
Accounts payable and accrued liabilities	47.6	131.8	295.1	8.3	(45.2)	437.6
Total current liabilities	47.6	131.8	420.1	8.7	(45.2)	563.0
Long-term debt		390.1	1,135.3			1,525.4
Deferred tax liabilities		97.7	17.0		(38.2)	76.5
Other long-term liabilities	0.5	36.2	38.7	1.1		76.5
Due to affiliates	1.0	543.3	371.9	28.2	(944.4)	
Total liabilities	49.1	1,199.1	1,983.0	38.0	(1,027.8)	2,241.4

Equity						
Common shares, no par	534.7	355.5	683.1	38.6	(1,077.2)	534.7
Additional paid-in-capital	51.2					51.2
Retained earnings (deficit)	129.6	(28.1)	(437.5)	(58.4)	524.0	129.6
Accumulated other comprehensive (loss) income	(76.2)	(0.2)	14.3	9.0	(23.1)	(76.2)
Total Cott Corporation equity	639.3	327.2	259.9	(10.8)	(576.3)	639.3
Non-controlling interests				6.6		6.6
Total equity	639.3	327.2	259.9	(4.2)	(576.3)	645.9
Total liabilities and equity	\$ 688.4	\$ 1,526.3	\$ 2,242.9	\$ 33.8	\$ (1,604.1)	\$ 2,887.3

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

For the Three Months Ended July 2, 2016

	Cott Corporation	DS Services of America, Inc.	DSS Guarantor Subsidiaries	DSS Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Net cash (used in) provided by operating activities	\$ (0.3)	\$ 29.6	\$ 67.2	\$ 5.2	\$ (14.1)	\$ 87.6
Investing Activities						
Acquisitions, net of cash received	0.5	(2.3)				(1.8)
Additions to property, plant & equipment	(0.5)	(20.8)	(11.6)	(0.3)		(33.2)
Additions to intangibles and other assets		(0.6)	(0.4)			(1.0)
Proceeds from sale of property, plant & equipment			0.2			0.2
Increase in restricted cash	(2.8)					(2.8)
Net cash used in investing activities	(2.8)	(23.7)	(11.8)	(0.3)		(38.6)
Financing Activities						
Payments of long-term debt			(0.3)	(0.1)		(0.4)
Borrowings under ABL	57.2		66.7			123.9
Payments under ABL	(88.9)		(98.8)			(187.7)
Distributions to non-controlling interests				(1.0)		(1.0)
Issuance of common shares	220.1					220.1
Dividends paid to common shareowners	(7.4)					(7.4)
Intercompany dividends			(13.0)	(1.1)	14.1	
Net cash provided by (used in) financing activities	181.0		(45.4)	(2.2)	14.1	147.5
Effect of exchange rate changes on cash	(0.2)		(1.8)	(0.1)		(2.1)
	177.7	5.9	8.2	2.6		194.4

Net increase in cash & cash equivalents

Cash & cash equivalents, beginning of period	4.9	20.5	25.0
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