

# PRIMO WATER CORP /CN/

## FORM 10-Q (Quarterly Report)

Filed 11/14/00 for the Period Ending 09/30/00

Address	4221 W. BOY SCOUT BLVD. SUITE 400 TAMPA, FL, 33607
Telephone	813-313-1732
CIK	0000884713
Symbol	PRMW
SIC Code	2086 - Bottled and Canned Soft Drinks and Carbonated Waters
Industry	Non-Alcoholic Beverages
Sector	Consumer Non-Cyclicals
Fiscal Year	12/02

# COTT CORP /CN/

## FORM 10-Q (Quarterly Report)

Filed 11/14/2000 For Period Ending 9/30/2000

Address	207 QUEENS QUAY W SUITE 340 TORONTO ONTARIO CANA, 00000
Telephone	416-203-3898
CIK	0000884713
Industry	Beverages (Non-Alcoholic)
Sector	Consumer/Non-Cyclical
Fiscal Year	12/31

# 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 30, 2000

Commission File Number 000-19914

## **COTT CORPORATION**

(Exact name of registrant as specified in its charter)

CANADA	None
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
207 Queen's Quay W, Toronto, Ontario	M5J 1A7
-----	-----
(Address of principal executive offices)	(Postal Code)
(416) 203-3898	
-----	
(Registrant's telephone number, including area code)	

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 X No

There were 59,851,292 shares of common stock outstanding as of September 30, 2000.

### PART I - FINANCIAL INFORMATION

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**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**COTT CORPORATION**  
**Consolidated Statements of Income**

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

	For the three months ended		For the nine months ended	
	SEPTEMBER 30, 2000	OCTOBER 2, 1999	SEPTEMBER 30, 2000	OCTOBER 2, 1999
SALES	\$ 262.1	\$ 261.0	\$ 763.5	\$ 781.5
Cost of sales	220.0	221.7	639.6	668.0
GROSS PROFIT	42.1	39.3	123.9	113.5
Selling, general and administrative expenses	21.8	26.9	69.4	73.1
OPERATING INCOME	20.3	12.4	54.5	40.4
Other expenses (income), net	(0.7)	(5.7)	(0.7)	(5.5)
Interest expense, net	7.2	8.9	23.0	27.0
INCOME BEFORE INCOME TAXES AND EQUITY INCOME	13.8	9.2	32.2	18.9
Income taxes - note 2	(5.9)	(0.9)	(13.4)	(3.0)
Equity income	-	0.4	-	0.9
INCOME FROM CONTINUING OPERATIONS	7.9	8.7	18.8	16.8
Cumulative effect of change in accounting principle, net of tax	-	-	-	(2.1)
NET INCOME - note 3	\$ 7.9	\$ 8.7	\$ 18.8	\$ 14.7
PER SHARE DATA - note 4				
INCOME PER COMMON SHARE - BASIC				
Income from continuing operations	\$ 0.13	\$ 0.15	\$ 0.31	\$ 0.28
Cumulative effect of change in accounting principle	\$ -	\$ -	\$ -	\$ (0.03)
Net income	\$ 0.13	\$ 0.15	\$ 0.31	\$ 0.25
INCOME PER COMMON SHARE - DILUTED				
Income from continuing operations	\$ 0.12	\$ 0.13	\$ 0.28	\$ 0.26
Cumulative effect of change in accounting principle	\$ -	\$ -	\$ -	\$ (0.03)
Net income	\$ 0.12	\$ 0.13	\$ 0.28	\$ 0.23

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

**COTT CORPORATION**  
**Consolidated Balance Sheets**

(in millions of U.S. dollars)

	SEPTEMBER 30, 2000	JANUARY 1, 2000
	----- Unaudited	----- Audited
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 61.7	\$ 2.6
Accounts receivable	105.3	97.6
Inventories - note 5	64.4	67.3
Prepaid expenses	2.0	4.4
	-----	-----
	233.4	171.9
<b>PROPERTY, PLANT AND EQUIPMENT - note 6</b>	<b>238.6</b>	<b>266.4</b>
<b>GOODWILL</b>	<b>100.1</b>	<b>108.1</b>
<b>INVESTMENT AND OTHER ASSETS</b>	<b>36.8</b>	<b>43.2</b>
	-----	-----
	<b>\$ 608.9</b>	<b>\$ 589.6</b>
	=====	=====
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Short-term borrowings	\$ 0.9	\$ 1.8
Current maturities of long-term debt	9.7	1.6
Accounts payable and accrued liabilities	119.3	104.8
Discontinued operations	0.7	1.0
	-----	-----
	130.6	109.2
<b>LONG-TERM DEBT</b>	<b>305.1</b>	<b>322.0</b>
<b>OTHER LIABILITIES</b>	<b>23.2</b>	<b>16.1</b>
	-----	-----
	458.9	447.3
	-----	-----
<b>SHAREOWNERS' EQUITY</b>		
<b>CAPITAL STOCK</b>		
Common shares - 59,851,292 (1999 - 59,837,392) shares issued	189.1	189.0
Second preferred shares, Series 1 - 4,000,000 shares issued	40.0	40.0
<b>DEFICIT</b>	<b>(44.5)</b>	<b>(63.3)</b>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>	<b>(34.6)</b>	<b>(23.4)</b>
	-----	-----
	150.0	142.3
	-----	-----
	<b>\$ 608.9</b>	<b>\$ 589.6</b>
	=====	=====

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

**COTT CORPORATION**  
**Consolidated Statements of Shareowners' Equity**

(in millions of U.S. dollars)

**Unaudited**

	NUMBER OF COMMON SHARES (in thousands)	COMMON SHARES	PREFERRED SHARES	DEFICIT	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL EQUITY
Balance at January 2, 1999	59,837	\$ 189.0	\$ 40.0	\$ (81.8)	\$ (25.2)	\$ 122.0
Comprehensive income - note 3						
Currency translation adjustment	-	-	-	-	3.6	3.6
Net income	-	-	-	14.7	-	14.7
Balance at October 2, 1999	59,837	\$ 189.0	\$ 40.0	\$ (67.1)	\$ (21.6)	\$ 140.3
Balance at January 1, 2000	59,837	\$ 189.0	\$ 40.0	\$ (63.3)	\$ (23.4)	\$ 142.3
Options exercised	14	0.1	-	-	-	0.1
Comprehensive income - note 3						
Currency translation adjustment	-	-	-	-	(11.2)	(11.2)
Net income	-	-	-	18.8	-	18.8
Balance at September 30, 2000	59,851	\$ 189.1	\$ 40.0	\$ (44.5)	\$ (34.6)	\$ 150.0

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

**COTT CORPORATION**  
**Consolidated Statements of Cash Flows**

(in millions of U.S. dollars)

**Unaudited**

	For the nine months ended	
	SEPTEMBER 30, 2000	OCTOBER 2, 1999
	-----	-----
OPERATING ACTIVITIES		
Income from continuing operations	\$ 18.8	\$ 16.8
Depreciation and amortization	29.1	29.9
Deferred income taxes	12.9	-
Equity income	-	(0.9)
Gain on disposal of equity investment	-	(5.9)
Loss on disposal of property, plant and equipment	-	0.1
Other non-cash items	1.0	0.3
Net change in non-cash working capital from continuing operations - note 7	9.9	3.2
	-----	-----
Cash provided by operating activities	71.7	43.5
	-----	-----
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(17.4)	(14.9)
Proceeds from disposal of businesses	15.9	38.0
Proceeds from disposal of property, plant and equipment	0.8	1.1
Other	(3.0)	(2.9)
	-----	-----
Cash provided by (used in) investing activities	(3.7)	21.3
	-----	-----
FINANCING ACTIVITIES		
Payments of long-term debt	(5.6)	(33.2)
Short-term borrowings	(0.3)	(21.4)
Other	(2.0)	-
	-----	-----
Cash used in financing activities	(7.9)	(54.6)
	-----	-----
Net cash used in discontinued operations	(0.2)	(0.5)
Effect of exchange rate changes on cash and cash equivalents	(0.8)	0.6
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	59.1	10.3
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2.6	28.1
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 61.7	\$ 38.4
	=====	=====

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

# COTT CORPORATION

## Notes to the Consolidated Financial Statements

### Unaudited

#### NOTE 1 - BASIS OF PRESENTATION

The unaudited consolidated financial statements have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP") for interim financial information. 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, the statements reflect all adjustments that are necessary for a fair statement of the results for the interim periods presented. All such adjustments are of a normal recurring nature.

Certain comparative amounts have been restated to conform to the financial statement presentation adopted in the current year.

The results for the interim periods presented are not necessarily indicative of the results that may be expected for the full fiscal year.

Consolidated financial statements in accordance with Canadian GAAP, in U.S. dollars, are made available to all shareowners and filed with various regulatory authorities.

#### NOTE 2 - INCOME TAXES

The following table reconciles income taxes calculated at the basic Canadian corporate rates with the income tax provision:

(in millions of U.S. dollars)	For the three months ended		For the nine months ended	
	SEPTEMBER 30, 2000	OCTOBER 2, 1999	SEPTEMBER 30, 2000	OCTOBER 2, 1999
Income tax provision based on Canadian statutory rates	\$ (5.9)	\$ (4.0)	\$ (13.8)	\$ (8.2)
Foreign tax rate differential	0.6	5.6	1.7	13.4
Manufacturing and processing deduction	0.2	0.6	0.4	0.3
Tax benefit on losses recognized (not recognized)	-	(2.4)	-	(7.0)
Non-deductible items	(0.8)	(0.7)	(1.7)	(1.5)
	-----	-----	-----	-----
	\$ (5.9)	\$ (0.9)	\$ (13.4)	\$ (3.0)
	=====	=====	=====	=====



**COTT CORPORATION**  
**Notes to the Consolidated Financial Statements**

**Unaudited**

**NOTE 3 - COMPREHENSIVE INCOME**

(in millions of U.S. dollars)	For the three months ended		For the nine months ended	
	SEPTEMBER 30, 2000	OCTOBER 2, 1999	SEPTEMBER 30, 2000	OCTOBER 2, 1999
Net income	\$ 7.9	\$ 8.7	\$ 18.8	\$ 14.7
Foreign currency translation (net of \$0.5 million impact of 1999 divestitures)	(3.8)	2.0	(11.2)	3.6
	\$ 4.1	\$ 10.7	\$ 7.6	\$ 18.3

**NOTE 4 - INCOME PER SHARE**

Basic net income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share includes the effect of exercising stock options and converting the preferred shares, only if dilutive.

The following table reconciles the basic weighted average number of shares outstanding to the diluted weighted average number of shares outstanding:

(in thousands)	For the three months ended		For the nine months ended	
	SEPTEMBER 30, 2000	OCTOBER 2, 1999	SEPTEMBER 30, 2000	OCTOBER 2, 1999
Weighted average number of shares outstanding - basic	59,850	59,837	59,848	59,837
Dilutive effect of stock options	319	18	349	13
Dilutive effect of second preferred shares	6,286	6,286	6,286	6,286
Adjusted weighted average number of shares outstanding - diluted	66,455	66,141	66,483	66,136

As of September 30, 2000, the Company has the following equity instruments outstanding: 59,851,292 common shares, 5,463,010 common share stock options and 4,000,000 second preferred shares convertible into 5,698,064 common shares and entitled to 5,698,064 votes.

**COTT CORPORATION**  
**Notes to the Consolidated Financial Statements**

**Unaudited**

**NOTE 5 - INVENTORIES**

(in millions of U.S. dollars)

	SEPTEMBER 30, 2000	JANUARY 1, 2000
Raw materials	\$ 22.0	\$ 29.4
Finished goods	34.1	29.4
Other	8.3	8.5
	-----	-----
	\$ 64.4	\$ 67.3
	=====	=====

**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT**

(in millions of U.S. dollars)

	SEPTEMBER 30, 2000	JANUARY 1, 2000
Cost	\$ 438.6	\$ 464.3
Accumulated depreciation	(200.0)	(197.9)
	-----	-----
	\$ 238.6	\$ 266.4
	=====	=====

**NOTE 7 - NET CHANGE IN NON-CASH WORKING CAPITAL**

The changes in non-cash working capital components, net of effects of unrealized foreign exchange gains and losses, are as follows:

(in millions of U.S. dollars)

	SEPTEMBER 30, 2000	OCTOBER 2, 1999
Decrease (increase) in accounts receivable	\$ (8.4)	\$ 0.6
Decrease (increase) in inventories	(0.9)	-
Decrease (increase) in prepaid expenses	0.1	0.3
Decrease (increase) in income taxes recoverable	(2.1)	1.8
Increase (decrease) in accounts payable and accrued liabilities	21.2	0.5
	-----	-----
	\$ 9.9	\$ 3.2
	=====	=====

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

The Company is subject to various claims and legal proceedings with respect to matters such as governmental regulations, income taxes, 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 the Company's financial position or results from operations.

**COTT CORPORATION**  
**Notes to the Consolidated Financial Statements**

**Unaudited**

**NOTE 9 - SEGMENT REPORTING**

The Company produces, packages and distributes retailer brand and branded bottled and canned beverages primarily to regional and national grocery, mass-merchandise and wholesale chains in Canada, the United Kingdom and the United States. The Company manages its beverage business by geographic segments as described below:

**FOR THE THREE MONTHS ENDED:**

SEPTEMBER 30, 2000	CANADA	UNITED KINGDOM	UNITED STATES	CORPORATE & OTHER	TOTAL
	-----	-----	-----	-----	-----
(in millions of U.S. dollars)					
External sales	\$ 43.2	\$ 37.0	\$ 176.2	\$ 5.7	\$ 262.1
Intersegment sales	4.3	-	1.1	(5.4)	-
Depreciation and amortization	1.9	2.3	5.3	0.3	9.8
Operating income (loss)	4.6	1.2	16.8	(2.3)	20.3
Additions to property, plant and equipment	0.4	0.9	4.1	0.1	5.5
OCTOBER 2, 1999	CANADA	UNITED KINGDOM	UNITED STATES	CORPORATE & OTHER	TOTAL
	-----	-----	-----	-----	-----
(in millions of U.S. dollars)					
External sales	\$ 46.1	\$ 47.6	\$ 161.0	\$ 6.3	\$ 261.0
Intersegment sales	4.8	-	1.5	(6.3)	-
Depreciation and amortization	2.1	2.4	4.9	0.2	9.6
Operating income (loss)	3.9	(0.3)	11.1	(2.3)	12.4
Additions to property, plant and equipment	0.4	3.1	4.3	-	7.8

**COTT CORPORATION**  
**Notes to the Consolidated Financial Statements**

**Unaudited**

**NOTE 9 - SEGMENT REPORTING (continued)**

**FOR THE NINE MONTHS ENDED:**

SEPTEMBER 30, 2000	CANADA	UNITED KINGDOM	UNITED STATES	CORPORATE & OTHER	TOTAL
(in millions of U.S. dollars)					
External sales	\$ 128.3	\$ 108.7	\$ 510.5	\$ 16.0	\$ 763.5
Intersegment sales	11.4	-	3.4	(14.8)	-
Depreciation and amortization	6.0	6.9	15.0	1.2	29.1
Operating income (loss)	12.3	2.5	46.9	(7.2)	54.5
Total assets	140.7	159.0	319.1	(9.9)	608.9
Additions to property, plant and equipment	1.1	2.5	12.4	1.4	17.4
OCTOBER 2, 1999	CANADA	UNITED KINGDOM	UNITED STATES	CORPORATE & OTHER	TOTAL
(in millions of U.S. dollars)					
External sales	\$ 131.8	\$ 142.4	\$ 474.4	\$ 32.9	\$ 781.5
Intersegment sales	15.8	-	4.5	(20.3)	-
Depreciation and amortization	6.5	7.8	14.2	1.4	29.9
Operating income (loss)	10.6	1.9	32.1	(4.2)	40.4
Total assets (January 1, 2000)	137.0	173.4	332.1	(52.9)	589.6
Additions to property, plant and equipment	1.6	4.5	8.4	0.4	14.9

The comparative figures have been restated to include a corporate cost allocation to the business segments.

Intersegment sales and total assets under the Corporate & Other caption include the elimination of intersegment sales, receivables and investments.

For the nine months ended September 30, 2000, sales to two major customers accounted for 33% and 12%, respectively, of the Company's total sales (27% and 12% - October 2, 1999).

**Unaudited**

**NOTE 10 - SUBSEQUENT EVENT**

Effective October 18, 2000, the Company acquired substantially all the assets of Concord Beverage Company, a retailer brand and branded soft drink manufacturing operation in the northeast United States. The acquisition price was \$71.7 million, \$32.9 million of which was paid from cash-on-hand. The balance was financed through the Company's current credit facility and two promissory notes payable to the vendor totalling \$17.9 million, bearing interest at 7% per annum and due in one year. The estimated annual impact of the acquisition on the Company's net sales is \$80 million.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cott Corporation is the world's largest supplier of retailer brand soft drinks, with manufacturing, distribution, marketing, product development and customer service facilities in Canada, the United Kingdom and the United States. The Company is focused on growing sales and building volume with key customers, reducing costs and improving margins and continuing to drive innovation in the retailer brand beverage category.

### OVERVIEW

In its seventh consecutive profitable quarter, Cott Corporation's net income for the three months ended September 30, 2000 nearly tripled as compared with the results, before a one-time gain on sale of an investment, for the similar period in 1999. For the first nine months of 2000, net income was \$18.8 million. This was an increase of 72% over the prior year before the one-time gain and a change in accounting principle.

Effective October 18, 2000, the Company acquired the assets of the Concord Beverage Company from the Honickman Group for \$71.7 million, of which approximately half was paid in cash with the remainder being financed. Concord Beverage Company was the largest stand-alone retailer brand bottling operation in the United States. The acquisition provides the Company with a solid base of new customers in the Northeast U.S. market, increased market share and the highly regarded "Vintage" brand of seltzer products.

Net sales of \$262.1 million were up slightly versus last year, reflecting the strategic customer and product rationalization undertaken over the past two years and the weakness in the pound sterling compared with the U.S. dollar. For the quarter, sales volumes to the core top 15 customers worldwide, who account for approximately 75% of the business, grew 9% versus last year, significantly outpacing category growth in the markets served by the Company. Cott has recently added two important U.K. retailers to its customer portfolio, primarily as a result of new product innovations.

Gross margin for the quarter increased to 16.1% from 15.1% last year. The emphasis on reducing costs and improving efficiencies led all three core segments to improve their margins.

Operating cash flow, after capital expenditures, of \$54.3 million was \$25.7 million ahead of last year and resulted in reduced net interest expense due to lower net debt levels. Net debt at \$254.0 million as of September 30, 2000 was \$68.8 million lower than January 1, 2000 and \$55.8 million below net debt levels one year ago.

### RESULTS OF OPERATIONS

Net income for the quarter was \$7.9 million or \$0.12 per diluted share compared with the \$8.7 million or \$0.13 per diluted share reported in 1999. After excluding a one-time gain last year of \$5.9 million or \$0.09 per diluted share arising from the sale of an investment, net income per diluted share tripled versus the similar period in 1999. For the first nine months of 2000, the Company reported net income of \$18.8 million. As compared with last year, excluding the one-time gain of \$5.9 million or \$0.09 per diluted share and the cumulative effect of a change in accounting principle of \$2.1 million or \$0.03 per diluted share in 1999, this was an increase of 72%.

**SALES** - Net sales were \$262.1 million for the third quarter, in line with \$261.0 million in 1999. For the first nine months of 2000 net sales were \$763.5 million, flat with last year after removing the effect of divestitures. The Company's "Focus on Core" strategy resulted in improved customer service in core markets and contributed to the third quarter's 9% increase in sales volume to the top 15 customers. Year-to-date sales volume to the top 15 customers was up 8%.

Net sales in Canada of \$43.2 million for the quarter were down 6% from 1999, driven by the unseasonably cool summer weather and rationalization of low margin export and water business. Year-to-date net sales were down 3% and equivalent case volume declined 8%. However, sales volume to the top five Canadian customers, excluding the impact of the rationalized water sales, rose 2% compared with last year.

Net sales in the U.K. declined to \$37.0 million from \$47.6 million in 1999. Equivalent case volume was down 11%, primarily due to the weakness in the U.K. market and customer rationalization efforts. Continued downward pricing pressure and the weakness of the pound sterling compared to the U.S. dollar further decreased net sales. For the first nine months, net sales dropped to \$108.7 million from \$142.4 million. After removing the impact of the divested business, equivalent case volume was down 12%.

Net sales in the U.S. rose to \$176.2 million from \$161.0 million last year, an increase of 9% for the quarter. Equivalent case volume increased 7%. Sales volume to the division's top ten customers was up by 19%, more that offsetting the impact of the rationalization program. Net sales to date in 2000 were \$510.5 million, up 8% from last year, and equivalent case volume rose 5%.

**GROSS PROFIT** - Gross profit for the quarter was 16.1%, a 1.0 percentage point improvement from the third quarter last year, reflecting the Company's success in implementing its "Fix the Cost Structure" strategy and the continued focus on reducing cost and improving productivity. For the nine-month period, gross profit was 16.2%, up 1.7 percentage points from 1999. Margin improvements were realized across the three core segments and were driven by an improved customer and product mix, and by operating efficiency gains.

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A")** - SG&A for the quarter was \$21.8 million, compared with \$26.9 million last year. Reductions in SG&A were primarily due to lower employee costs, the change in the timing of management incentive accruals in 2000, improved cost controls and the impact of the weakened pound sterling compared with the U.S. dollar. For the first nine months, SG&A was \$69.4 million compared with \$73.1 million last year, down principally as a result of reorganization and improved cost control in the U.K.

**INTEREST EXPENSE** - Net interest expense was \$7.2 million in the quarter as compared with \$8.9 million for the third quarter of 1999. Year-to-date net interest expense totaled \$23.0 million, down \$4.0 million from last year. Interest on long-term debt decreased \$0.4 million for the quarter and \$1.7 million for the nine-month period as a result of lower average long-term debt balances compared with last year. Significant debt repayments were made throughout 1999. The remaining decrease results from lower short-term interest expense and increased interest income as cash flow improvements led to higher average net cash balances over the quarter and nine-month periods.

**INCOME TAXES** - The Company recorded an income tax provision of \$5.9 million for the quarter and \$13.4 million for the nine-month period as compared with \$0.9 million and \$3.0 million for the respective periods last year. For the first nine months the overall effective tax rate was 42% compared with 16% in 1999. This was primarily as a result of a change in mix of earnings by tax jurisdiction.

**FINANCIAL CONDITION** - Operating cash flow after capital expenditures for the nine-month period was \$54.3 million as compared with \$28.6 million in 1999. The operating cash flow, as well as \$15.9 million in proceeds relating to the sale of blow molding assets in the second quarter, was used to repay debt and resulted in a \$59.1 million increase in cash for the first nine months of 2000. Cash and cash equivalents totaled \$61.7 million as of September 30, 2000.

Under current credit facilities the Company is provided maximum credit of \$59.2 million depending on available collateral. At September 30, 2000, approximately \$55.8 million of credit was available.

**CAPITAL EXPENDITURES** - Capital expenditures for the first three quarters of 2000 were \$17.4 million compared with \$14.9 million in 1999. Significant capital expenditures included \$3.1 million to install a new filling line and \$1.8 million to upgrade an existing line in U.S. manufacturing facilities. In addition \$1.3 million was spent towards a project to update and standardize information and accounting systems throughout the company. Capital expenditures have been limited to those projects with an internal rate of return above 30%, in addition to those required for essential maintenance, safety and regulatory compliance.

**LONG-TERM DEBT** - As of September 30, 2000, the Company's long-term debt totaled \$314.8 million as compared with \$323.6 million at the end of 1999 and \$343.4 million one year ago. At quarter end, debt consisted of \$276.4 million in senior unsecured notes and \$38.4 million of other term debt. The Company is exposed to minimal interest rate risk as substantially all debt is at fixed rates.

Management believes the Company has the financial resources to meet its ongoing cash requirements for operations and capital expenditures as well as its other financial obligations.

**OUTLOOK** - The carbonated soft drink industry continues to experience positive growth. Expectations for market growth in Cott's three core geographic markets, Canada, the United Kingdom and the United States, extend through the next several years. With the U.K. reorganization in the first quarter, this unit is regaining momentum and has positioned itself to handle the competitive business environment. Facing intense price competition from heavily promoted global and regional brands, the Company's major opportunity for growth depends on management's execution of critical strategies and on retailers' continued commitment to their retailer brand soft drink programs. Risks and uncertainties include stability of procurement costs for such items as sweetener, packaging materials and other ingredients, national brand pricing and promotional strategies and fluctuations in currency versus the U.S. dollar. The Company's exposure to raw material price fluctuations is minimized by the existence of long-term contracts for certain key raw materials.

**RISKS AND UNCERTAINTIES** - Sales to the top two customers in the nine-month period in 2000 accounted for 45% of the Company's total sales volumes. The loss of any significant customer or any significant portion of the Company's sales could have a material adverse effect on the Company's operating results and cash flows.

**FORWARD LOOKING STATEMENTS** - This report may contain forward-looking statements reflecting management's current expectations regarding future results of operations, economic performance, financial condition and achievements of the Company. Forward-looking statements, specifically



those concerning future performance, are subject to certain risks and uncertainties, and actual results may differ materially. These risks and uncertainties are detailed from time to time in the Company's filings with the appropriate securities commissions, and include, without limitation, stability of procurement costs for raw and packaging materials, competitive activities by national, regional and retailer brand beverage manufacturers, fluctuations in currency versus the U.S. dollar, the uncertainties of litigation, and retailers' continued commitment to their retailer brand beverage programs. The foregoing list of factors is not exhaustive.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

Reference is made to the legal proceedings described in the Company's Form 10-K for the fiscal year ended January 1, 2000 and in the Company's Form 10-Qs for the quarterly periods ended April 1, 2000 and July 1, 2000. The legal proceedings (a) between the Company, Destination Products International, Inc. (now Interim BCB, LLC and wholly-owned by the Company) and Rositas, Inc., and (b) between the Company and Trinity Plastic Products Inc. have each been settled on a basis that was not material to the Company. In the action previously commenced by Channelmark Corporation, the trial has been postponed and is now scheduled to begin on February 5, 2001.

**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 26, 2000*

*/s/ Raymond P. Silcock*

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*Raymond P. Silcock*  
*Executive Vice President &*  
*Chief Financial Officer*  
*(On behalf of the Company)*

Date: *October 26, 2000*

*/s/ Tina Dell'Aquila*

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*Tina Dell'Aquila*  
*Vice President, Controller*  
*(Principal accounting officer)*

## ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 30 2000
PERIOD START	JAN 02 2000
PERIOD END	SEP 30 2000
CASH	61,700
SECURITIES	0
RECEIVABLES	96,400
ALLOWANCES	(9,700)
INVENTORY	64,400
CURRENT ASSETS	233,400
PP&E	438,600
DEPRECIATION	(200,000)
TOTAL ASSETS	608,900
CURRENT LIABILITIES	130,600
BONDS	305,100
PREFERRED MANDATORY	0
PREFERRED	40,000
COMMON	189,100
OTHER SE	(79,100)
TOTAL LIABILITY AND EQUITY	608,900
SALES	763,500
TOTAL REVENUES	763,500
CGS	639,600
TOTAL COSTS	709,000
OTHER EXPENSES	(700)
LOSS PROVISION	0
INTEREST EXPENSE	23,000
INCOME PRETAX	32,200
INCOME TAX	(13,400)
INCOME CONTINUING	18,800
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	18,800
EPS BASIC	0.31
EPS DILUTED	0.28

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