

COTT CORP /CN/  
Form 10-Q  
May 03, 2013  
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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: March 30, 2013

.. **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)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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.

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

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

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

| Class                                | Outstanding at May 1, 2013 |
|--------------------------------------|----------------------------|
| Common Stock, no par value per share | 95,371,484 shares          |

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**PART I FINANCIAL INFORMATION**

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

|   | For the Three Months Ended<br>March 30,<br>2013 | March 31,<br>2012 |
|---|---|-------------------|
| <b>Revenue, net</b>   | <b>\$ 505.4</b>                                 | <b>\$ 523.8</b>   |
| Cost of sales   | 449.0   | 460.4             |
| <b>Gross profit</b>   | <b>56.4</b>                                     | <b>63.4</b>       |
| Selling, general and administrative expenses  | 41.3  | 41.8              |
| Loss on disposal of property, plant & equipment                                       |   | 0.6               |
| <b>Operating income</b>   | <b>15.1</b>                                     | <b>21.0</b>       |
| Other expense (income), net   | 0.3   | (0.2)             |
| Interest expense, net   | 13.3  | 14.0              |
| <b>Income before income taxes</b>   | <b>1.5</b>                                      | <b>7.2</b>        |
| Income tax expense  | 0.5   | 0.4               |
| <b>Net income</b>   | <b>\$ 1.0</b>                                   | <b>\$ 6.8</b>     |
| Less: Net income attributable to non-controlling interests                            | 1.0   | 0.9               |
| <b>Net income attributed to Cott Corporation</b>                                      | <b>\$</b>                                       | <b>\$ 5.9</b>     |
| <b>Net income per common share attributed to Cott Corporation</b>                     |   |                   |
| Basic   | \$  | \$ 0.06           |
| Diluted   | \$  | \$ 0.06           |
| <b>Weighted average outstanding shares (thousands) attributed to Cott Corporation</b> |   |                   |
| Basic   | 95,371  | 94,427            |
| Diluted   | 95,801  | 95,702            |
| <b>Dividends declared per share</b>   | <b>\$ 0.06</b>                                  | <b>\$</b>         |

*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*

|   | <b>For the Three Months Ended<br/>March 30,<br/>2013</b> | <b>March 31,<br/>2012</b> |
|---|--|---------------------------|
| Net income  | \$ 1.0   | \$ 6.8                    |
| Other comprehensive (loss) income:  |  |                           |
| Currency translation adjustment   | (12.4)   | 8.2                       |
| Pension benefit plan, net of tax <sup>1</sup>                             | 0.2  | (0.5)                     |
| Unrealized gain (loss) on derivative instruments, net of tax <sup>2</sup> | 0.1  | (0.3)                     |
| <b>Total other comprehensive (loss) income</b>                            | <b>(12.1)</b>  | <b>7.4</b>                |
| <b>Comprehensive (loss) income</b>  | <b>\$ (11.1)</b>   | <b>\$ 14.2</b>            |
| Less: Comprehensive income attributable to non-controlling interests      | 0.9  | 0.8                       |
| <b>Comprehensive (loss) income attributed to Cott Corporation</b>         | <b>\$ (12.0)</b>   | <b>\$ 13.4</b>            |

<sup>1</sup> Net of the effect of \$0.1 million tax expense and no tax benefit for the three months ended March 30, 2013 and March 31, 2012, respectively.

<sup>2</sup> Net of the effect of \$0.1 million tax expense and \$0.1 million tax benefit for the three months ended March 30, 2013 and March 31, 2012, respectively.

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

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

|   | March 30,<br>2013 | December 29,<br>2012 |
|---|-------------------|----------------------|
| <b>ASSETS</b>   |                   |                      |
| <i>Current assets</i>   |                   |                      |
| Cash & cash equivalents   | \$ 93.0           | \$ 179.4             |
| Accounts receivable, net of allowance of \$6.1 (\$6.8 as of December 29, 2012)    | 223.3             | 199.4                |
| Income taxes recoverable  | 1.0               | 1.2                  |
| Inventories   | 235.7             | 224.8                |
| Prepaid expenses and other assets   | 20.8              | 20.3                 |
| <b>Total current assets</b>   | <b>573.8</b>      | <b>625.1</b>         |
| Property, plant & equipment, net  | 486.8             | 490.9                |
| Goodwill  | 129.7             | 130.3                |
| Intangibles and other assets, net   | 305.6             | 315.4                |
| Deferred income taxes   | 3.0               | 3.3                  |
| Other tax receivable  | 1.2               | 0.9                  |
| <b>Total assets</b>   | <b>\$ 1,500.1</b> | <b>\$ 1,565.9</b>    |
| <b>LIABILITIES AND EQUITY</b>   |                   |                      |
| <i>Current liabilities</i>  |                   |                      |
| Current maturities of long-term debt  | \$ 2.0            | \$ 1.9               |
| Accounts payable and accrued liabilities  | 238.4             | 287.7                |
| <b>Total current liabilities</b>  | <b>240.4</b>      | <b>289.6</b>         |
| Long-term debt  | 601.4             | 601.8                |
| Deferred income taxes   | 38.4              | 39.1                 |
| Other long-term liabilities   | 15.1              | 12.5                 |
| <b>Total liabilities</b>  | <b>895.3</b>      | <b>943.0</b>         |
| <i>Equity</i>   |                   |                      |
| Capital stock, no par - 95,371,484 (December 29, 2012 - 95,371,484) shares issued | 397.8             | 397.8                |
| Additional paid-in-capital  | 41.1              | 40.4                 |
| Retained earnings   | 180.4             | 186.0                |
| Accumulated other comprehensive loss  | (24.4)            | (12.4)               |
| <b>Total Cott Corporation equity</b>  | <b>594.9</b>      | <b>611.8</b>         |
| Non-controlling interests   | 9.9               | 11.1                 |
| <b>Total equity</b>   | <b>604.8</b>      | <b>622.9</b>         |

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| <b>Total liabilities and equity</b> | <b>\$ 1,500.1</b> | <b>\$ 1,565.9</b> |
|-------------------------------------|-------------------|-------------------|

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



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

|   | <b>For the Three Months Ended</b> |                  |
|---|-----------------------------------|------------------|
|   | <b>March 30,</b>                  | <b>March 31,</b> |
|   | <b>2013</b>                       | <b>2012</b>      |
| <b>Operating Activities</b>                                     |                                   |                  |
| Net income  | \$ 1.0                            | \$ 6.8           |
| Depreciation & amortization                                     | 24.7                              | 23.8             |
| Amortization of financing fees                                  | 0.7                               | 1.2              |
| Share-based compensation expense                                | 0.7                               | 0.8              |
| Loss on disposal of property, plant & equipment                 |                                   | 0.6              |
| Other non-cash items  | 0.3                               | (0.4)            |
| Change in operating assets and liabilities, net of acquisition: |                                   |                  |
| Accounts receivable   | (28.2)                            | (20.5)           |
| Inventories   | (13.2)                            | (16.5)           |
| Prepaid expenses and other assets                               | (0.6)                             | (1.8)            |
| Other assets  | (0.1)                             | 1.0              |
| Accounts payable and accrued liabilities                        | (44.1)                            | (38.4)           |
| Income taxes recoverable  | 0.2                               | 0.3              |
| Net cash used in operating activities                           | (58.6)                            | (43.1)           |
| <b>Investing Activities</b>                                     |                                   |                  |
| Acquisition   |                                   | (5.0)            |
| Additions to property, plant & equipment                        | (19.9)                            | (17.7)           |
| Additions to intangibles and other assets                       | (0.2)                             | (2.7)            |
| Proceeds from insurance recoveries                              | 0.4                               |                  |
| Net cash used in investing activities                           | (19.7)                            | (25.4)           |
| <b>Financing Activities</b>                                     |                                   |                  |
| Payments of long-term debt                                      | (0.5)                             | (1.2)            |
| Borrowings under ABL  |                                   | 7.0              |
| Payments under ABL  |                                   | (7.0)            |
| Distributions to non-controlling interests                      | (2.1)                             | (1.1)            |
| Common shares repurchased and cancelled                         | (2.9)                             |                  |
| Net cash used in financing activities                           | (5.5)                             | (2.3)            |
| Effect of exchange rate changes on cash                         | (2.6)                             | 1.5              |
| <b>Net decrease in cash &amp; cash equivalents</b>              | <b>(86.4)</b>                     | <b>(69.3)</b>    |
| <b>Cash &amp; cash equivalents, beginning of period</b>         | <b>179.4</b>                      | <b>100.9</b>     |

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|  |                |         |
|--|----------------|---------|
| <b>Cash &amp; cash equivalents, end of period</b>                        | <b>\$ 93.0</b> | \$ 31.6 |
| <b>Supplemental Non-cash Financing Activities:</b>                       |                |         |
| Dividend payable issued through accounts payable and accrued liabilities | <b>\$ 5.6</b>  | \$      |
| <b>Supplemental Disclosures of Cash Flow information:</b>                |                |         |
| Cash paid for interest   | <b>\$ 15.9</b> | \$ 16.0 |
| Cash paid for income taxes, net  | <b>\$ 0.5</b>  | \$ 0.2  |

*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<br>of<br>Common<br>Shares<br><i>(In thousands)</i> | Number<br>of<br>Treasury<br>Shares<br><i>(In thousands)</i> | Common<br>Shares | Treasury<br>Shares | Additional<br>Paid-in-Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Non-Controlling<br>Interests | Total<br>Equity |
|   |   |   |                  |                    |                               |                      |   |                              |                 |
| <b>Balance at December 31, 2011</b>                   | <b>95,101</b>   | <b>674</b>  | <b>\$ 395.9</b>  | <b>\$ (2.1)</b>    | <b>\$ 42.6</b>                | <b>\$ 144.1</b>      | <b>\$ (24.7)</b>                              | <b>\$ 12.4</b>               | <b>\$ 568.2</b> |
| Share-based compensation                              |   |   |                  |                    | 0.8                           |                      |   |                              | 0.8             |
| Distributions to non-controlling interests            |   |   |                  |                    |                               |                      |   | (1.1)                        | (1.1)           |
| Comprehensive income                                  |   |   |                  |                    |                               |                      |   |                              |                 |
| Currency translation adjustment                       |   |   |                  |                    |                               |                      | 8.3   | (0.1)                        | 8.2             |
| Pension benefit plan, net of tax                      |   |   |                  |                    |                               |                      | (0.5)   |                              | (0.5)           |
| Unrealized loss on derivative instruments, net of tax |   |   |                  |                    |                               |                      | (0.3)   |                              | (0.3)           |
| Net income  |   |   |                  |                    |                               | 5.9                  |   | 0.9                          | 6.8             |
| <b>Balance at March 31, 2012</b>                      | <b>95,101</b>   | <b>674</b>  | <b>\$ 395.9</b>  | <b>\$ (2.1)</b>    | <b>\$ 43.4</b>                | <b>\$ 150.0</b>      | <b>\$ (17.2)</b>                              | <b>\$ 12.1</b>               | <b>\$ 582.1</b> |
| <b>Balance at December 29, 2012</b>                   | <b>95,371</b>   |   | <b>\$ 397.8</b>  | <b>\$</b>          | <b>\$ 40.4</b>                | <b>\$ 186.0</b>      | <b>\$ (12.4)</b>                              | <b>\$ 11.1</b>               | <b>\$ 622.9</b> |
| Dividend  |   |   |                  |                    |                               | (5.6)                |   |                              | (5.6)           |
| Share-based compensation                              |   |   |                  |                    | 0.7                           |                      |   |                              | 0.7             |
| Distributions to non-controlling interests            |   |   |                  |                    |                               |                      |   | (2.1)                        | (2.1)           |
| Comprehensive income                                  |   |   |                  |                    |                               |                      |   |                              |                 |
| Currency translation adjustment                       |   |   |                  |                    |                               |                      | (12.3)  | (0.1)                        | (12.4)          |
| Pension benefit plan, net of tax                      |   |   |                  |                    |                               |                      | 0.2   |                              | 0.2             |
| Unrealized gain on derivative instruments, net of tax |   |   |                  |                    |                               |                      | 0.1   |                              | 0.1             |
| Net income  |   |   |                  |                    |                               |                      |   | 1.0                          | 1.0             |
| <b>Balance at March 30, 2013</b>                      | <b>95,371</b>   |   | <b>\$ 397.8</b>  | <b>\$</b>          | <b>\$ 41.1</b>                | <b>\$ 180.4</b>      | <b>\$ (24.4)</b>                              | <b>\$ 9.9</b>                | <b>\$ 604.8</b> |

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

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**Cott Corporation**

**Notes to the Consolidated Financial Statements**

**Unaudited**

**Note 1 Business and Recent Accounting Pronouncements**

***Description of Business***

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

***Basis of Presentation***

The accompanying interim unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and in accordance with U.S. generally accepted accounting principles ( GAAP ) for interim financial reporting. Accordingly, they do not include all information and notes presented in the annual consolidated financial statements in conformity with U.S. GAAP. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of our results of operations for the interim periods reported and of our financial condition as of the date of the interim balance sheet have been included. This Quarterly Report on Form 10-Q should be read in conjunction with the annual audited consolidated financial statements and accompanying notes in our Annual Report on Form 10-K for the year ended December 29, 2012. The accounting policies used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements.

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

**Recent Accounting Pronouncements**

***Update ASU 2013-02 Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income***

In February 2013, the Financial Accounting Standards Board ( FASB ) amended its guidance regarding the information provided in relation to the amounts reclassified out of accumulated other comprehensive income. The amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. However, the amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. Early adoption is permitted. We have adopted this guidance, and the required disclosure is set forth in Note 10.

**Table of Contents****Note 2 Acquisitions**

In March of 2012, our United Kingdom ( U.K. ) reporting segment acquired a beverage and wholesale business based in Scotland for approximately \$5.0 million. The business was purchased from a company in administration and is expected to provide a number of benefits to our U.K. reporting segment, including increased product offerings, logistical synergies and access to an additional production line. The acquisition has been accounted for using the purchase method of accounting for business combinations, and related operating results are included in the Consolidated Statements of Operations for the periods subsequent to the acquisition. The identified assets, which included inventory, property, plant and equipment, trade names and customer lists, were recorded at their estimated fair values, which exceeded the fair value of the purchase price of the business. Accordingly, the acquisition has been accounted for as a bargain purchase and, as a result, we recognized a gain of approximately \$0.9 million associated with the acquisition during the second quarter of 2012.

On August 17, 2010, we completed the acquisition of substantially all of the assets and liabilities of Cliffstar Corporation ( Cliffstar ) and its affiliated companies for approximately \$503.0 million in cash, \$14.0 million in deferred consideration payable in equal installments over three years and contingent consideration of up to \$55.0 million (the Cliffstar Acquisition ). The first \$15.0 million of the contingent consideration was paid upon the achievement of milestones in certain expansion projects in 2010. The remainder of the contingent consideration was to be calculated based on the achievement of certain performance measures during the fiscal year ending January 1, 2011.

In 2011, the seller of Cliffstar raised certain objections to the performance measures used to calculate the contingent consideration, and the parties commenced the dispute resolution mechanism provided for in the asset purchase agreement. During 2011, Cott made interim payments to the seller equal to \$29.6 million, which was net of a \$4.7 million refund due to Cott and included \$0.9 million in settlement of certain of the seller's objections to the calculation of the contingent consideration. The seller's claims for an additional \$12.1 million in contingent consideration were submitted to binding arbitration pursuant to the asset purchase agreement and favorably resolved by payment by Cott in February 2013 of approximately \$0.6 million.

**Note 3 Share-Based Compensation**

The table below summarizes the share-based compensation expense for the three months ended March 30, 2013 and March 31, 2012. This share-based compensation expense was recorded in selling, general, and administrative expenses in our Consolidated Statements of Operations. As used below: (i) Performance-based RSUs mean restricted share units with performance-based vesting granted under the Company's 2010 Equity Incentive Plan (the 2010 Equity Incentive Plan ), (ii) Time-based RSUs mean restricted share units with time-based vesting granted under the 2010 Equity Incentive Plan, and (iii) Stock options mean non-qualified stock options granted under the 2010 Equity Incentive Plan and the Restated 1986 Common Share Option Plan (the 1986 Option Plan ).

| <i>(in millions of U.S. dollars)</i> | <b>For the Three Months Ended</b> |                           |
|--------------------------------------|-----------------------------------|---------------------------|
|                                      | <b>March 30,<br/>2013</b>         | <b>March 31,<br/>2012</b> |
| Stock options                        | <b>\$ 0.1</b>                     | <b>\$ 0.1</b>             |
| Performance-based RSUs               | <b>0.2</b>                        |                           |
| Time-based RSUs                      | <b>0.4</b>                        | <b>0.7</b>                |
| Total                                | <b>\$ 0.7</b>                     | <b>\$ 0.8</b>             |

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As of March 30, 2013, the unrecognized share-based compensation expense and years we expect to recognize it as future compensation expense were as follows:

| <i>(in millions of U.S. dollars)</i> | <b>Unrecognized<br/>share-based<br/>compensation<br/>expense as<br/>of<br/>March 30,<br/>2013</b> | <b>Weighted<br/>average<br/>years<br/>expected to<br/>recognize<br/>compensation</b> |
|--------------------------------------|---|--|
| Stock options                        | \$ 0.8  | 1.8  |
| Performance-based RSUs               | 1.5   | 1.8  |
| Time-based RSUs                      | 2.0   | 1.6  |
| Total                                | \$ 4.3  |  |

Stock option activity for the three months ended March 30, 2013 was as follows:

|                               | <b>Shares<br/><i>(in thousands)</i></b> | <b>Weighted<br/>average<br/>exercise<br/>price<br/><i>(Canadian \$)</i></b> |
|-------------------------------|---|---|
| Balance at December 29, 2012  | 468                                     | \$ 7.28   |
| Awarded                       |   |   |
| Exercised                     |   |   |
| Forfeited or expired          |   |   |
| Outstanding at March 30, 2013 | 468                                     | \$ 7.28   |
| Exercisable at March 30, 2013 | 125                                     | \$ 9.49   |

During the three months ended March 30, 2013 Performance-based RSU and Time-based RSU activity was as follows:

| <i>(in thousands of shares)</i> | <b>Number of<br/>Performance-<br/>based RSUs</b> | <b>Number<br/>of<br/>Time-based<br/>RSUs</b> |
|---------------------------------|--|--|
| Balance at December 29, 2012    | 825  | 529  |
| Awarded                         |  |  |
| Issued                          |  |  |
| Forfeited                       | (5)  | (4)  |
| Outstanding at March 30, 2013   | 820  | 525  |

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There were no stock options awarded during the three months ended March 30, 2013. Stock options awarded in 2012 were granted under the 2010 Equity Incentive Plan, while stock options awarded prior to 2012 were granted under the 1986 Option Plan. Our board of directors terminated the 1986 Option Plan, as of February 23, 2011. In connection with the termination of the 1986 Option Plan, outstanding options will continue in accordance with the terms of the 1986 Option Plan until exercised, forfeited or terminated, as applicable. No further awards will be granted under the 1986 Option Plan.

On February 14, 2013, our board of directors adopted an amendment and restatement to the 2010 Equity Incentive Plan (the Amended and Restated Equity Plan ), pursuant to which the 2010 Equity Incentive Plan was amended and restated to, among other things, increase the number of shares that may be issued under the plan to 12,000,000 shares and to provide that the number of shares available for issuance will be reduced 2.0 shares for each share issued pursuant to a full-value award (i.e. an award other than an option or stock appreciation right). The Amended and Restated Equity Plan was approved by Cott s shareowners on April 30, 2013.

**Table of Contents****Average Canadian to U.S. Dollar Exchange Rate for the Three Months Ended March 30, 2013**

The weighted-average exercise prices for options in this Note 3 are disclosed in Canadian dollars. The table below represents the average Canadian dollar to U.S. dollar exchange rate for the three months ended March 30, 2013:

|                       | <b>For the<br/>Three<br/>Months<br/>Ended<br/>March 30,<br/>2013</b> |
|-----------------------|--|
| Average exchange rate | <b>\$ 0.994</b>  |

**Note 4 Income Taxes**

Income tax expense was \$0.5 million on pretax income of \$1.5 million for the three months ended March 30, 2013, as compared to an income tax expense of \$0.4 million on pretax income of \$7.2 million for the three months ended March 31, 2012. The first quarter's income tax rate was 33% in comparison to the prior year rate of 6%. This is the result of \$0.2 million in discrete items that increased the current quarter's rate relative to net income in comparison to prior year discrete items of \$(0.8) million which reduced that rate.

**Note 5 Net Income Per Common 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 common share is calculated using the weighted-average number of common shares outstanding adjusted to include the effect, if dilutive, of the exercise of in-the-money stock options, Performance-based RSUs and Time-based RSUs.

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

| <i>(in thousands of shares)</i>                                  | <b>For the Three Months Ended</b> |                           |
|--|-----------------------------------|---------------------------|
|  | <b>March 30,<br/>2013</b>         | <b>March 31,<br/>2012</b> |
| Weighted-average number of shares outstanding - basic            | <b>95,371</b>                     | <b>94,427</b>             |
| Dilutive effect of stock options                                 | <b>49</b>                         | <b>30</b>                 |
| Dilutive effect of Performance-based RSUs                        | <b>127</b>                        | <b>114</b>                |
| Dilutive effect of Time-based RSUs                               | <b>254</b>                        | <b>1,131</b>              |
| Adjusted weighted-average number of shares outstanding - diluted | <b>95,801</b>                     | <b>95,702</b>             |

We excluded 50,000 (March 31, 2012 - 183,500) stock options from the computation of diluted net income per share because the options' exercise price was greater than the average market price of the common shares. Shares purchased on the open market and held by independent trusts are categorized as treasury shares under applicable accounting rules. We excluded 674,397 treasury shares held in various trusts in the calculation of basic and diluted earnings per share for the three months ended March 31, 2012. We distributed the remaining shares from the trusts to satisfy certain 2010 Equity Incentive Plan obligations that vested during the fourth quarter of 2012.



**Table of Contents****Note 6 Segment Reporting**

Our product lines include CSDs, 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, energy products, sports products, new age beverages, and ready-to-drink teas, as well as alcoholic beverages for brand owners. Our business operates through five reporting segments – North America (which includes our U.S. operating segment and Canada operating segment), U.K. (which includes our United Kingdom reporting unit and our Continental European reporting unit), Mexico, Royal Crown International ( RCI ) and All Other. The primary measures used in evaluating our reporting segments are revenues, operating income (loss), and additions to property, plant and equipment, which have been included as part of our segment disclosures listed below.

| <i>(in millions of U.S. dollars)</i>             | North<br>America | United<br>Kingdom | Mexico  | RCI    | All<br>Other | Total    |
|--|------------------|-------------------|---------|--------|--------------|----------|
| <b>For the Three Months Ended March 30, 2013</b> |                  |                   |         |        |              |          |
| External revenue <sup>1</sup>                    | \$ 393.2         | \$ 97.4           | \$ 7.4  | \$ 7.4 | \$           | \$ 505.4 |
| Depreciation and amortization                    | 21.0             | 3.2               | 0.5     |        |              | 24.7     |
| Operating income (loss)                          | 13.8             |                   | (0.7)   | 2.0    |              | 15.1     |
| Additions to property, plant & equipment         | 14.5             | 4.6               | 0.8     |        |              | 19.9     |
| <b>As of March 30, 2013</b>                      |                  |                   |         |        |              |          |
| Property, plant & equipment                      | \$ 382.0         | \$ 94.8           | \$ 10.0 | \$     | \$           | \$ 486.8 |
| Goodwill   | 125.2            |                   |         | 4.5    |              | 129.7    |
| Intangibles and other assets                     | 292.6            | 12.6              | 0.4     |        |              | 305.6    |
| Total assets <sup>2</sup>                        | 1,223.5          | 235.2             | 26.8    | 13.8   | 0.8          | 1,500.1  |

<sup>1</sup> Intersegment revenue between North America and the other reporting segments was \$3.8 million for the three months ended March 30, 2013.

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

| <i>(in millions of U.S. dollars)</i>             | North<br>America | United<br>Kingdom | Mexico | RCI    | All<br>Other | Total    |
|--|------------------|-------------------|--------|--------|--------------|----------|
| <b>For the Three Months Ended March 31, 2012</b> |                  |                   |        |        |              |          |
| External revenue <sup>1</sup>                    | \$ 408.1         | \$ 99.2           | \$ 9.1 | \$ 7.4 | \$           | \$ 523.8 |
| Depreciation and amortization                    | 20.1             | 3.3               | 0.4    |        |              | 23.8     |
| Operating income (loss)                          | 17.3             | 3.2               | (1.3)  | 1.8    |              | 21.0     |
| Additions to property, plant & equipment         | 12.6             | 5.0               | 0.1    |        |              | 17.7     |
| <b>As of December 29, 2012</b>                   |                  |                   |        |        |              |          |
| Property, plant & equipment                      | \$ 382.1         | \$ 99.5           | \$ 9.3 | \$     | \$           | \$ 490.9 |
| Goodwill   | 125.8            |                   |        | 4.5    |              | 130.3    |
| Intangibles and other assets                     | 301.1            | 13.9              | 0.4    |        |              | 315.4    |
| Total assets <sup>2</sup>                        | 1,246.7          | 273.8             | 28.1   | 14.1   | 3.2          | 1,565.9  |

<sup>1</sup> Intersegment revenue between North America and the other reporting segments was \$4.1 million for the three months ended March 31, 2012.

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

For the three months ended March 30, 2013, sales to Walmart accounted for 32.8% (March 31, 2012 – 31.6%) of our total revenues, 37.8% of our North America reporting segment revenues (March 31, 2012 – 36.0%), 16.5% of our U.K. reporting segment revenues (March 31, 2012 – 16.8%), and 13.3% of our Mexico reporting segment revenues (March 31, 2012 – 24.4%).

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 are attributed to operating segments based on the location of the customer. Revenues by operating segment were as follows:

| <i>(in millions of U.S. dollars)</i> | For the Three Months Ended |                   |
|--------------------------------------|----------------------------|-------------------|
|                                      | March 30,<br>2013          | March 31,<br>2012 |
| United States                        | \$ 354.8                   | \$ 366.2          |
| Canada                               | 47.5                       | 53.8              |
| United Kingdom                       | 97.4                       | 99.2              |
| Mexico                               | 7.4                        | 9.1               |
| RCI                                  | 7.4                        | 7.4               |
| Elimination <sup>1</sup>             | (9.1)                      | (11.9)            |
| <b>Total</b>                         | <b>\$ 505.4</b>            | <b>\$ 523.8</b>   |

<sup>1</sup> Represents intersegment revenue among our operating segments, of which \$3.8 million represents intersegment revenue between the North America reporting segment and our other operating segments for the three months ended March 30, 2013, and \$4.1 million represents intersegment revenue between the North America reporting segment and our other operating segments for the three months ended March 31, 2012.

Revenues by product were as follows:

| <i>(in millions of U.S. dollars)</i> | For the Three Months Ended March 30, 2013 |                   |               |               |                 |
|--------------------------------------|---|-------------------|---------------|---------------|-----------------|
|                                      | North<br>America                          | United<br>Kingdom | Mexico        | RCI           | Total           |
| <u>Revenue</u>                       |   |                   |               |               |                 |
| Carbonated soft drinks               | \$ 151.4                                  | \$ 32.7           | \$ 3.5        | \$ 0.1        | \$ 187.7        |
| Juice                                | 135.0                                     | 3.1               |               | 0.5           | 138.6           |
| Concentrate                          | 3.1                                       | 0.6               |               | 6.8           | 10.5            |
| All other products                   | 103.7                                     | 61.0              | 3.9           |               | 168.6           |
| <b>Total</b>                         | <b>\$ 393.2</b>                           | <b>\$ 97.4</b>    | <b>\$ 7.4</b> | <b>\$ 7.4</b> | <b>\$ 505.4</b> |

| <i>(in millions of U.S. dollars)</i> | For the Three Months Ended March 31, 2012 |                   |               |               |                 |
|--------------------------------------|---|-------------------|---------------|---------------|-----------------|
|                                      | North<br>America                          | United<br>Kingdom | Mexico        | RCI           | Total           |
| <u>Revenue</u>                       |   |                   |               |               |                 |
| Carbonated soft drinks               | \$ 163.8                                  | \$ 33.7           | \$ 5.6        | \$            | \$ 203.1        |
| Juice                                | 133.9                                     | 3.1               | 0.1           | 0.4           | 137.5           |
| Concentrate                          | 2.9                                       | 0.8               |               | 7.0           | 10.7            |
| All other products                   | 107.5                                     | 61.6              | 3.4           |               | 172.5           |
| <b>Total</b>                         | <b>\$ 408.1</b>                           | <b>\$ 99.2</b>    | <b>\$ 9.1</b> | <b>\$ 7.4</b> | <b>\$ 523.8</b> |

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Property, plant and equipment by operating segment as of March 30, 2013 and December 29, 2012 was as follows:

| <i>(in millions of U.S. dollars)</i> | <b>March 30,<br/>2013</b> | <b>December 29,<br/>2012</b> |
|--------------------------------------|---------------------------|------------------------------|
| United States                        | \$ 335.1                  | \$ 333.7                     |
| Canada                               | 46.9                      | 48.4                         |
| United Kingdom                       | 94.8                      | 99.5                         |
| Mexico                               | 10.0                      | 9.3                          |
| <b>Total</b>                         | <b>\$ 486.8</b>           | <b>\$ 490.9</b>              |

**Note 7 Inventories**

The following table summarizes inventories as of March 30, 2013 and December 29, 2012:

| <i>(in millions of U.S. dollars)</i> | <b>March 30,<br/>2013</b> | <b>December 29,<br/>2012</b> |
|--------------------------------------|---------------------------|------------------------------|
| Raw materials                        | \$ 102.1                  | \$ 93.4                      |
| Finished goods                       | 113.5                     | 111.6                        |
| Other                                | 20.1                      | 19.8                         |
| <b>Total</b>                         | <b>\$ 235.7</b>           | <b>\$ 224.8</b>              |

**Table of Contents****Note 8 Intangibles and Other Assets**

The following table summarizes intangibles and other assets as of March 30, 2013:

| <i>(in millions of U.S. dollars)</i>        | Cost            | March 30, 2013<br>Accumulated<br>Amortization | Net             |
|---|-----------------|---|-----------------|
| <b>Intangibles</b>                          |                 |   |                 |
| <i>Not subject to amortization</i>          |                 |   |                 |
| Rights                                      | \$ 45.0         | \$  | \$ 45.0         |
| <i>Subject to amortization</i>              |                 |   |                 |
| Customer relationships                      | \$ 366.3        | \$ 148.0                                      | \$ 218.3        |
| Trademarks                                  | 28.6            | 23.6  | 5.0             |
| Information technology                      | 65.3            | 51.4  | 13.9            |
| Other                                       | 11.8            | 9.2   | 2.6             |
|   | 472.0           | 232.2   | 239.8           |
|   | 517.0           | 232.2   | 284.8           |
| <b>Other Assets</b>                         |                 |   |                 |
| Financing costs                             | \$ 24.3         | \$ 11.7                                       | \$ 12.6         |
| Deposits                                    | 7.2             |   | 7.2             |
| Other                                       | 1.3             | 0.3   | 1.0             |
|   | 32.8            | 12.0  | 20.8            |
| <b>Total Intangibles &amp; Other Assets</b> | <b>\$ 549.8</b> | <b>\$ 244.2</b>                               | <b>\$ 305.6</b> |

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

Amortization expense of intangible and other assets was \$8.6 million for the three months ended March 30, 2013 and \$9.0 million for the three months ended March 31, 2012.

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

| <i>(in millions of U.S. dollars)</i> |                 |
|--------------------------------------|-----------------|
| Remainder of 2013                    | \$ 22.7         |
| 2014                                 | 28.9            |
| 2015                                 | 26.6            |
| 2016                                 | 23.2            |
| 2017                                 | 19.9            |
| Thereafter                           | 118.5           |
|                                      | <b>\$ 239.8</b> |



**Table of Contents****Note 9 Debt**

Our total debt as of March 30, 2013 and December 29, 2012 was as follows:

| <i>(in millions of U.S. dollars)</i>         | <b>March 30,<br/>2013</b> | <b>December 29,<br/>2012</b> |
|--|---------------------------|------------------------------|
| 8.375% senior notes due in 2017 <sup>1</sup> | <b>\$ 215.0</b>           | <b>\$ 215.0</b>              |
| 8.125% senior notes due in 2018              | <b>375.0</b>              | <b>375.0</b>                 |
| GE obligation                                | <b>9.7</b>                | <b>9.9</b>                   |
| Other capital leases                         | <b>4.4</b>                | <b>4.6</b>                   |
| Other debt                                   | <b>1.3</b>                | <b>1.3</b>                   |
| <b>Total debt</b>                            | <b>605.4</b>              | <b>605.8</b>                 |
| Less: Current debt                           |                           |                              |
| GE obligation - current maturities           | <b>0.9</b>                | <b>0.9</b>                   |
| Other capital leases - current maturities    | <b>0.8</b>                | <b>0.8</b>                   |
| Other debt - current maturities              | <b>0.3</b>                | <b>0.2</b>                   |
| <b>Total current debt</b>                    | <b>2.0</b>                | <b>1.9</b>                   |
| Long-term debt before discount               | <b>603.4</b>              | <b>603.9</b>                 |
| Less discount on 8.375% senior notes         | <b>(2.0)</b>              | <b>(2.1)</b>                 |
| <b>Total long-term debt</b>                  | <b>\$ 601.4</b>           | <b>\$ 601.8</b>              |

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

**Debt***Asset-Based Lending Facility*

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

On July 19, 2012, we amended the ABL facility to, among other things, extend the maturity date to either July 19, 2017 or, if we have not redeemed, repurchased or refinanced our 8.375% senior notes due 2017 (the 2017 Notes) by May 1, 2017, May 15, 2017. We incurred \$1.2 million of financing fees in connection with the amendment of the ABL facility.

The financing fees incurred in connection with the refinancing of the ABL facility on August 17, 2010, along with the financing fees incurred in connection with the amendment of the ABL facility on July 19, 2012, are being amortized using the straight line method over the duration of the amended ABL facility.

As of March 30, 2013, we had no outstanding borrowings under the ABL facility. The commitment fee was 0.375% per annum of the unused commitment, which, taking into account \$11.2 million of letters of credit, was \$252 million as of March 30, 2013.

*8.375% Senior Notes due in 2017*

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On November 13, 2009, we issued the 2017 Notes. The 2017 Notes were issued at a \$3.1 million discount. The issuer of the 2017 Notes is our wholly-owned U.S. subsidiary Cott Beverages Inc., and most of our U.S., Canadian and U.K. subsidiaries guarantee the 2017 Notes. The interest on the 2017 Notes is payable semi-annually on May 15<sup>th</sup> and November 15<sup>th</sup> of each year.

We incurred \$5.1 million of financing fees in connection with the 2017 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the duration of the 2017 Notes.

### *8.125% Senior Notes due in 2018*

On August 17, 2010, we issued the 2018 Notes. The issuer of the 2018 Notes is our wholly-owned U.S. subsidiary Cott Beverages Inc., and most of our U.S., Canadian and U.K. subsidiaries guarantee the 2018 Notes. The interest on the 2018 Notes is payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup> of each year.



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We incurred \$8.6 million of financing fees in connection with the issuance of the 2018 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the duration of the 2018 Notes.

**Note 10 Accumulated Other Comprehensive (Loss) Income**

Changes in accumulated other comprehensive (loss) income by component<sup>1</sup> for the three months ended March 30, 2013 were as follows:

(in millions of U.S. dollars)

|                                     | March 30, 2013                             |                            |                                       | Total     |
|-------------------------------------|--|----------------------------|---------------------------------------|-----------|
|                                     | Gains and Losses on Derivative Instruments | Pension Benefit Plan Items | Currency Translation Adjustment Items |           |
| Beginning balance December 29, 2012 | \$ 0.2                                     | \$ (9.1)                   | \$ (3.5)                              | \$ (12.4) |
| OCI before reclassifications        | 0.2  |                            | (12.3) <sup>2</sup>                   | (12.1)    |
| Amounts reclassified from AOCI      | (0.1)                                      | 0.2                        |                                       | 0.1       |
| Net current-period OCI              | 0.1  | 0.2                        | (12.3)                                | (12.0)    |
| Ending balance March 30, 2013       | \$ 0.3                                     | \$ (8.9)                   | \$ (15.8)                             | \$ (24.4) |

<sup>1</sup> All amounts are net of tax. Amounts in parentheses indicate debits.

<sup>2</sup> Excludes \$0.1 million related to non-controlling interest.

Reclassifications out of accumulated other comprehensive (loss) income<sup>1</sup> for the three months ended March 30, 2013 were as follows:

(in millions of U.S. dollars)

| Details About AOCI Components                     | Amounts Reclassified From AOCI | March 30, 2013  |
|---|--------------------------------|---|
|   |                                | Affected Line Item in the Statement Where Net Income Is Presented |
| <b>Gains and losses on derivative instruments</b> |                                |   |
| Commodity contracts                               | \$ 0.1                         | Cost of sales   |
|   | \$ 0.1                         | Total before taxes  |
|   |                                | Tax (expense) or benefit  |
|   | \$ 0.1                         | Net of tax  |
| <b>Amortization of pension benefit plan items</b> |                                |   |
| Prior-service costs                               | \$ (0.1) <sup>2</sup>          |   |
| Actuarial adjustments                             | (0.1) <sup>2</sup>             |   |
| Actuarial gains/(losses)                          | <sup>2</sup>                   |   |
|   | (0.2)                          | Total before tax  |
|   |                                | Tax (expense) or benefit  |

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\$ (0.2) Net of tax

|  |          |            |
|--|----------|------------|
| Total reclassifications for the period | \$ (0.1) | Net of tax |
|--|----------|------------|

<sup>1</sup> Amounts in parentheses indicate debits.

<sup>2</sup> These AOCI components are included in the computation of net periodic pension cost.

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### **Note 11 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.

On August 17, 2010, we completed the Cliffstar Acquisition which included contingent consideration of up to \$55.0 million. The first \$15.0 million of the contingent consideration was paid upon the achievement of milestones in certain expansion projects in 2010. The remainder of the contingent consideration was to be calculated based on the achievement of certain performance measures during the fiscal year ending January 1, 2011. During 2011, Cott made interim payments to the seller equal to \$29.6 million, which was net of a \$4.7 million refund due to Cott and included \$0.9 million in settlement of certain of the seller's objections to the calculation of the contingent consideration.

In 2011, the seller of Cliffstar raised certain objections to the performance measures used to calculate the contingent consideration, and the parties commenced the dispute resolution mechanism provided for in the asset purchase agreement. The seller's claims for an additional \$12.1 million in contingent consideration were submitted to binding arbitration pursuant to the asset purchase agreement and favorably resolved by payment by Cott in February 2013 of approximately \$0.6 million.

We had \$11.2 million in standby letters of credit outstanding as of March 30, 2013 (March 31, 2012 - \$11.1 million).

### **Note 12 Shares Held in Trust Treated as Treasury Shares and Share Repurchase Program**

In May 2008, an independent trustee acting on behalf of certain of our benefit plans purchased 2.3 million of our common shares to be used to satisfy future liabilities under the Amended and Restated Performance Share Unit Plan and the Restated Executive Incentive Share Purchase Plan. During the year ended December 29, 2012, we distributed the remaining 0.7 million shares from the trust to satisfy certain 2010 Equity Incentive Plan obligations that had vested during the last quarter of 2012. As of December 29, 2012, there were no shares held in trust that were accounted for as treasury shares.

On May 1, 2012, our board of directors authorized the repurchase of up to \$35.0 million of our common shares in the open market or through privately negotiated transactions over a 12-month period through either a 10b5-1 automatic trading plan or at management's discretion in compliance with regulatory requirements, and given market, cost and other considerations. During the second quarter of 2012, we repurchased 35,272 shares of common stock for approximately \$0.3 million. No other purchases have been made under the repurchase plan. On April 30, 2013, our board of directors approved the renewal of our share repurchase program for up to 5% of Cott's outstanding common shares over a 12-month period commencing upon the expiration of Cott's currently effective share repurchase program on May 21, 2013. We are unable to predict the number of shares that will be repurchased under the share repurchase program or the aggregate dollar amount of the shares actually purchased. We may discontinue purchases at any time, subject to compliance with applicable regulatory requirements.

### **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 purchase forward contract derivative instruments. 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. We do not enter into derivative financial instruments for trading purposes.

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

The accounting for gains and losses that result from changes in the fair values of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments and the types of hedging relationships. The changes in fair values of derivatives that have been designated and qualify as cash flow hedges are recorded in accumulated other comprehensive income (loss) (AOCI) and are reclassified into the line item in the Consolidated Statements of Operations in which the hedged items are recorded in the same period the hedged items affect earnings. Due to the high degree of effectiveness between the hedging instruments and the underlying exposures being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged.



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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 (refer to Note 14). 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 straight-forward over-the-counter instruments with liquid markets.

### **Credit Risk Associated with Derivatives**

We have established strict counterparty credit guidelines and enter into transactions only with financial institutions of investment grade or better. We mitigate pre-settlement risk by being permitted to net settle for transactions with the same counterparty.

### **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. The changes in the fair values of derivatives designated 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. 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 three months ended March 30, 2013. The maximum length of time over which we hedge our exposure to future cash flows is typically one year.

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 value of derivatives that have been designated and qualify for our foreign currency cash flow hedging program as of March 30, 2013 was approximately \$9.4 million.

The fair value of the Company's derivative instruments was \$0.3 million and \$0.1 million as of March 30, 2013 and December 29, 2012, respectively.

The settlement of our derivative instruments resulted in a credit to cost of sales of approximately \$0.1 million for the three months ended March 30, 2013 and a charge to cost of sales of less than \$0.1 million for the three months ended March 31, 2012.

### **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.

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 that are required to be recorded at fair value on a recurring basis in accordance with U.S. GAAP.

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| <i>(in millions of U.S. dollars)</i> | March 30, 2013 |         |         | Fair Value<br>Measurements |
|--------------------------------------|----------------|---------|---------|----------------------------|
|                                      | Level 1        | Level 2 | Level 3 |                            |
| <b>Assets</b>                        |                |         |         |                            |
| Money market                         | \$ 10.0        | \$      | \$      | \$ 10.0                    |
| Derivatives                          |                | 0.3     |         | 0.3                        |
| <b>Total Assets</b>                  | \$ 10.0        | \$ 0.3  | \$      | \$ 10.3                    |

| <i>(in millions of U.S. dollars)</i> | December 29, 2012 |         |         | Fair Value<br>Measurements |
|--------------------------------------|-------------------|---------|---------|----------------------------|
|                                      | Level 1           | Level 2 | Level 3 |                            |
| <b>Assets</b>                        |                   |         |         |                            |
| Derivatives                          | \$                | \$ 0.1  | \$      | \$ 0.1                     |
| <b>Total Assets</b>                  | \$                | \$ 0.1  | \$      | \$ 0.1                     |

**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 March 30, 2013 and December 29, 2012 were as follows:

| <i>(in millions of U.S. dollars)</i>         | March 30, 2013    |               | December 29, 2012 |               |
|--|-------------------|---------------|-------------------|---------------|
|  | Carrying<br>Value | Fair<br>Value | Carrying<br>Value | Fair<br>Value |
| 8.375% senior notes due in 2017 <sup>1</sup> | \$ 215.0          | \$ 231.7      | \$ 215.0          | \$ 234.4      |
| 8.125% senior notes due in 2018 <sup>1</sup> | 375.0             | 409.7         | 375.0             | 414.8         |
| <b>Total</b>                                 | \$ 590.0          | \$ 641.4      | \$ 590.0          | \$ 649.2      |

<sup>1</sup> The fair values are based on the trading levels and bid/offer prices observed by a market participant and are considered Level 1 inputs.

**Note 15 Guarantor Subsidiaries**

The 2017 Notes and 2018 Notes issued by our U.S. wholly-owned subsidiary, Cott Beverages, Inc., are unconditionally guaranteed on a senior basis pursuant to guarantees by Cott Corporation and certain other wholly owned subsidiaries (the Guarantor Subsidiaries). The guarantees of the Guarantor Subsidiaries are subject to release in limited circumstances only upon the occurrence of certain customary conditions.

We have not presented separate financial statements, and separate disclosures have not been provided concerning subsidiary guarantors because management has determined such information is not material to the holders of the above-mentioned notes.

The following supplemental financial information sets forth on an unconsolidated basis, our Balance Sheets, Statements of Operations and Cash Flows for Cott Corporation, Cott Beverages Inc., Guarantor Subsidiaries and our other subsidiaries (the Non-guarantor Subsidiaries). The supplemental financial information reflects our investments and those of Cott Beverages Inc. in their respective subsidiaries using the equity method of accounting. In the third quarter of 2012, we revised the financial statements of certain Non-guarantor Subsidiaries to properly reflect their capitalization and subsequent investment in certain Guarantor Subsidiaries resulting from a reorganization completed in connection with the Cliffstar Acquisition. These Non-guarantor Subsidiaries, which have no business operations and no operating assets, hold, directly or indirectly, our investments in substantially all of the Guarantor Subsidiaries and therefore may be viewed for purposes of this disclosure as in-substance Guarantor Subsidiaries themselves. We have therefore included these Non-guarantor Subsidiaries as Guarantor Subsidiaries in the supplemental financial information below for all periods presented.





**Table of Contents****Condensed Consolidating Statements of Operations***(in millions of U.S. dollars)**Unaudited***For the Three Months Ended March 30, 2013**

|   | <b>Cott<br/>Corporation</b> | <b>Cott<br/>Beverages<br/>Inc.</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Elimination<br/>Entries</b> | <b>Consolidated</b> |
|---|-----------------------------|------------------------------------|-----------------------------------|---------------------------------------|--------------------------------|---------------------|
| <b>Revenue, net</b>   | \$ 39.0                     | \$ 195.3                           | \$ 239.8                          | \$ 37.1                               | \$ (5.8)                       | \$ 505.4            |
| Cost of sales   | 33.8                        | 168.2                              | 219.3                             | 33.5                                  | (5.8)                          | 449.0               |
| <b>Gross profit</b>   | 5.2                         | 27.1                               | 20.5                              | 3.6                                   |                                | 56.4                |
| Selling, general and administrative expenses  | 7.1                         | 20.2                               | 11.9                              | 2.1                                   |                                | 41.3                |
| <b>Operating (loss) income</b>  | (1.9)                       | 6.9                                | 8.6                               | 1.5                                   |                                | 15.1                |
| Other expense, net  | 0.2                         |                                    |                                   | 0.1                                   |                                | 0.3                 |
| Intercompany interest (income) expense, net   |                             | (2.9)                              | 2.9                               |                                       |                                |                     |
| Interest (income) expense, net  | (0.1)                       | 13.3                               | 0.1                               |                                       |                                | 13.3                |
| <b>(Loss) income before income tax expense<br/>(benefit) and equity income (loss)</b> | (2.0)                       | (3.5)                              | 5.6                               | 1.4                                   |                                | 1.5                 |
| Income tax expense (benefit)  | 0.3                         | (0.1)                              | 0.2                               | 0.1                                   |                                | 0.5                 |
| Equity income (loss)  | 2.3                         | 1.1                                | (2.1)                             |                                       | (1.3)                          |                     |
| <b>Net income (loss)</b>  | \$                          | \$ (2.3)                           | \$ 3.3                            | \$ 1.3                                | \$ (1.3)                       | \$ 1.0              |
| Less: Net income attributable to non-controlling interests                            |                             |                                    |                                   | 1.0                                   |                                | 1.0                 |
| <b>Net income (loss) attributed to Cott Corporation</b>                               | \$                          | \$ (2.3)                           | \$ 3.3                            | \$ 0.3                                | \$ (1.3)                       | \$ 0.0              |
| <b>Comprehensive (loss) income attributed to Cott Corporation</b>                     | \$ (12.0)                   | \$ (34.0)                          | \$ (14.0)                         | \$ 0.6                                | \$ 47.4                        | \$ (12.0)           |

**Table of Contents****Condensed Consolidating Statements of Operations***(in millions of U.S. dollars)**Unaudited***For the Three Months Ended March 31, 2012**

|  | <b>Cott<br/>Corporation</b> | <b>Cott<br/>Beverages<br/>Inc.</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Elimination<br/>Entries</b> | <b>Consolidated</b> |
|--|-----------------------------|------------------------------------|-----------------------------------|---------------------------------------|--------------------------------|---------------------|
| <b>Revenue, net</b>  | \$ 43.7                     | \$ 208.1                           | \$ 240.5                          | \$ 39.7                               | \$ (8.2)                       | \$ 523.8            |
| Cost of sales  | 37.7                        | 176.2                              | 218.2                             | 36.5                                  | (8.2)                          | 460.4               |
| <b>Gross profit</b>  | 6.0                         | 31.9                               | 22.3                              | 3.2                                   |                                | 63.4                |
| Selling, general and administrative expenses                                   | 8.7                         | 15.6                               | 15.0                              | 2.5                                   |                                | 41.8                |
| Loss on disposal of property, plant & equipment                                |                             | 0.4                                | 0.2                               |                                       |                                | 0.6                 |
| <b>Operating (loss) income</b>   | (2.7)                       | 15.9                               | 7.1                               | 0.7                                   |                                | 21.0                |
| Other (income) expense, net  | (0.1)                       | 0.1                                |                                   | (0.2)                                 |                                | (0.2)               |
| Intercompany interest (income) expense, net                                    |                             | (2.3)                              | 2.3                               |                                       |                                |                     |
| Interest expense, net  | 0.1                         | 13.7                               | 0.2                               |                                       |                                | 14.0                |
| <b>(Loss) income before income tax (benefit)<br/>expense and equity income</b> | (2.7)                       | 4.4                                | 4.6                               | 0.9                                   |                                | 7.2                 |
| Income tax (benefit) expense   | (0.5)                       | 0.7                                | 0.1                               | 0.1                                   |                                | 0.4                 |
| Equity income  | 8.1                         | 1.0                                | 5.1                               |                                       | (14.2)                         |                     |
| <b>Net income</b>  | \$ 5.9                      | \$ 4.7                             | \$ 9.6                            | \$ 0.8                                | \$ (14.2)                      | \$ 6.8              |
| Less: Net income attributable to non-controlling<br>interests                  |                             |                                    |                                   | 0.9                                   |                                | 0.9                 |
| <b>Net income (loss) attributed to Cott Corporation</b>                        | \$ 5.9                      | \$ 4.7                             | \$ 9.6                            | \$ (0.1)                              | \$ (14.2)                      | \$ 5.9              |
| <b>Comprehensive income (loss) attributed to Cott<br/>Corporation</b>          | \$ 13.4                     | \$ 21.9                            | \$ (75.3)                         | \$ (2.6)                              | \$ 56.0                        | \$ 13.4             |

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

|  | As of March 30, 2013 |                           |                           |                               |                        |                   |
|--|----------------------|---------------------------|---------------------------|-------------------------------|------------------------|-------------------|
|  | Cott<br>Corporation  | Cott<br>Beverages<br>Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elimination<br>Entries | Consolidated      |
| <b>ASSETS</b>                            |                      |                           |                           |                               |                        |                   |
| <i>Current assets</i>                    |                      |                           |                           |                               |                        |                   |
| Cash & cash equivalents                  | \$ 38.3              | \$ 11.5                   | \$ 39.5                   | \$ 3.7                        | \$                     | \$ 93.0           |
| Accounts receivable, net of allowance    | 18.8                 | 115.9                     | 144.3                     | 16.0                          | (71.7)                 | 223.3             |
| Income taxes recoverable                 |                      | 0.8                       | 0.2                       |                               |                        | 1.0               |
| Inventories                              | 22.2                 | 72.9                      | 132.3                     | 8.3                           |                        | 235.7             |
| Prepaid expenses and other assets        | 2.0                  | 14.0                      | 4.6                       | 0.2                           |                        | 20.8              |
| <b>Total current assets</b>              | <b>81.3</b>          | <b>215.1</b>              | <b>320.9</b>              | <b>28.2</b>                   | <b>(71.7)</b>          | <b>573.8</b>      |
| Property, plant & equipment, net         | 49.7                 | 193.6                     | 233.0                     | 10.5                          |                        | 486.8             |
| Goodwill                                 | 27.0                 | 4.5                       | 98.2                      |                               |                        | 129.7             |
| Intangibles and other assets, net        | 0.9                  | 98.1                      | 193.0                     | 13.6                          |                        | 305.6             |
| Deferred income taxes                    | 2.5                  |                           |                           | 0.5                           |                        | 3.0               |
| Other tax receivable                     | 0.4                  | 0.2                       | 0.6                       |                               |                        | 1.2               |
| Due from affiliates                      | 42.0                 | 165.8                     | 78.0                      | 41.9                          | (327.7)                |                   |
| Investments in subsidiaries              | 467.9                | 368.8                     | 746.6                     |                               | (1,583.3)              |                   |
| <b>Total assets</b>                      | <b>\$ 671.7</b>      | <b>\$ 1,046.1</b>         | <b>\$ 1,670.3</b>         | <b>\$ 94.7</b>                | <b>\$ (1,982.7)</b>    | <b>\$ 1,500.1</b> |
| <b>LIABILITIES AND EQUITY</b>            |                      |                           |                           |                               |                        |                   |
| <i>Current liabilities</i>               |                      |                           |                           |                               |                        |                   |
| Current maturities of long-term debt     | \$ 0.1               | \$ 1.3                    | \$ 0.2                    | \$ 0.4                        | \$                     | \$ 2.0            |
| Accounts payable and accrued liabilities | 33.1                 | 111.0                     | 157.2                     | 8.8                           | (71.7)                 | 238.4             |
| <b>Total current liabilities</b>         | <b>33.2</b>          | <b>112.3</b>              | <b>157.4</b>              | <b>9.2</b>                    | <b>(71.7)</b>          | <b>240.4</b>      |
| Long-term debt                           | 0.2                  | 598.4                     | 1.5                       | 1.3                           |                        | 601.4             |
| Deferred income taxes                    |                      | 29.8                      | 7.7                       | 0.9                           |                        | 38.4              |
| Other long-term liabilities              | 0.2                  | 3.9                       | 10.6                      | 0.4                           |                        | 15.1              |
| Due to affiliates                        | 43.2                 | 76.7                      | 168.3                     | 39.5                          | (327.7)                |                   |
| <b>Total liabilities</b>                 | <b>76.8</b>          | <b>821.1</b>              | <b>345.5</b>              | <b>51.3</b>                   | <b>(399.4)</b>         | <b>895.3</b>      |
| <i>Equity</i>                            |                      |                           |                           |                               |                        |                   |
| Capital stock, no par                    | 397.8                | 574.5                     | 1,674.9                   | 81.7                          | (2,331.1)              | 397.8             |
| Additional paid-in-capital               | 41.1                 |                           |                           |                               |                        | 41.1              |
| Retained earnings (deficit)              | 180.4                | (331.0)                   | (342.2)                   | (47.7)                        | 720.9                  | 180.4             |
| Accumulated other comprehensive loss     | (24.4)               | (18.5)                    | (7.9)                     | (0.5)                         | 26.9                   | (24.4)            |

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|                                      |                 |                   |                   |                |                     |                   |
|--------------------------------------|-----------------|-------------------|-------------------|----------------|---------------------|-------------------|
| <b>Total Cott Corporation equity</b> | 594.9           | 225.0             | 1,324.8           | 33.5           | (1,583.3)           | 594.9             |
| Non-controlling interests            |                 |                   |                   | 9.9            |                     | 9.9               |
| <b>Total equity</b>                  | <b>594.9</b>    | <b>225.0</b>      | <b>1,324.8</b>    | <b>43.4</b>    | <b>(1,583.3)</b>    | <b>604.8</b>      |
| <b>Total liabilities and equity</b>  | <b>\$ 671.7</b> | <b>\$ 1,046.1</b> | <b>\$ 1,670.3</b> | <b>\$ 94.7</b> | <b>\$ (1,982.7)</b> | <b>\$ 1,500.1</b> |

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

|   | As of December 29, 2012 |                           |                           |                               |                        |                   |
|---|-------------------------|---------------------------|---------------------------|-------------------------------|------------------------|-------------------|
|   | Cott<br>Corporation     | Cott<br>Beverages<br>Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elimination<br>Entries | Consolidated      |
| <b>ASSETS</b>                                 |                         |                           |                           |                               |                        |                   |
| <i>Current assets</i>                         |                         |                           |                           |                               |                        |                   |
| Cash & cash equivalents                       | \$ 39.8                 | \$ 37.5                   | \$ 96.4                   | \$ 5.7                        | \$                     | \$ 179.4          |
| Accounts receivable, net of allowance         | 18.4                    | 111.5                     | 122.3                     | 16.2                          | (69.0)                 | 199.4             |
| Income taxes recoverable                      |                         | 0.9                       | 0.2                       | 0.1                           |                        | 1.2               |
| Inventories                                   | 21.1                    | 65.9                      | 130.8                     | 7.0                           |                        | 224.8             |
| Prepaid expenses and other assets             | 2.5                     | 13.4                      | 4.3                       | 0.1                           |                        | 20.3              |
| <b>Total current assets</b>                   | <b>81.8</b>             | <b>229.2</b>              | <b>354.0</b>              | <b>29.1</b>                   | <b>(69.0)</b>          | <b>625.1</b>      |
| Property, plant & equipment, net              | 50.7                    | 188.4                     | 242.0                     | 9.8                           |                        | 490.9             |
| Goodwill                                      | 27.5                    | 4.5                       | 98.3                      |                               |                        | 130.3             |
| Intangibles and other assets, net             | 1.0                     | 101.4                     | 198.4                     | 14.6                          |                        | 315.4             |
| Deferred income taxes                         | 2.9                     |                           |                           | 0.4                           |                        | 3.3               |
| Other tax receivable                          | 0.2                     | 0.1                       | 0.6                       |                               |                        | 0.9               |
| Due from affiliates                           | 40.0                    | 175.2                     | 78.0                      | 41.9                          | (335.1)                |                   |
| Investments in subsidiaries                   | 487.5                   | 389.7                     | 820.0                     |                               | (1,697.2)              |                   |
| <b>Total assets</b>                           | <b>\$ 691.6</b>         | <b>\$ 1,088.5</b>         | <b>\$ 1,791.3</b>         | <b>\$ 95.8</b>                | <b>\$ (2,101.3)</b>    | <b>\$ 1,565.9</b> |
| <b>LIABILITIES AND EQUITY</b>                 |                         |                           |                           |                               |                        |                   |
| <i>Current liabilities</i>                    |                         |                           |                           |                               |                        |                   |
| Current maturities of long-term debt          | \$                      | \$ 1.3                    | \$ 0.2                    | \$ 0.4                        | \$                     | \$ 1.9            |
| Accounts payable and accrued liabilities      | 36.2                    | 119.5                     | 193.1                     | 7.9                           | (69.0)                 | 287.7             |
| <b>Total current liabilities</b>              | <b>36.2</b>             | <b>120.8</b>              | <b>193.3</b>              | <b>8.3</b>                    | <b>(69.0)</b>          | <b>289.6</b>      |
| Long-term debt                                | 0.2                     | 598.7                     | 1.5                       | 1.4                           |                        | 601.8             |
| Deferred income taxes                         |                         | 30.3                      | 7.9                       | 0.9                           |                        | 39.1              |
| Other long-term liabilities                   | 0.2                     | 4.0                       | 8.3                       |                               |                        | 12.5              |
| Due to affiliates                             | 43.2                    | 76.7                      | 177.8                     | 37.4                          | (335.1)                |                   |
| <b>Total liabilities</b>                      | <b>79.8</b>             | <b>830.5</b>              | <b>388.8</b>              | <b>48.0</b>                   | <b>(404.1)</b>         | <b>943.0</b>      |
| <i>Equity</i>                                 |                         |                           |                           |                               |                        |                   |
| Capital stock, no par                         | 397.8                   | 574.5                     | 1,724.3                   | 83.6                          | (2,382.4)              | 397.8             |
| Additional paid-in-capital                    | 40.4                    |                           |                           |                               |                        | 40.4              |
| Retained earnings (deficit)                   | 186.0                   | (329.7)                   | (331.2)                   | (46.1)                        | 707.0                  | 186.0             |
| Accumulated other comprehensive (loss) income | (12.4)                  | 13.2                      | 9.4                       | (0.8)                         | (21.8)                 | (12.4)            |
| <b>Total Cott Corporation equity</b>          | <b>611.8</b>            | <b>258.0</b>              | <b>1,402.5</b>            | <b>36.7</b>                   | <b>(1,697.2)</b>       | <b>611.8</b>      |
| Non-controlling interests                     |                         |                           |                           | 11.1                          |                        | 11.1              |

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|                                     |                 |                   |                   |                |                     |                   |
|-------------------------------------|-----------------|-------------------|-------------------|----------------|---------------------|-------------------|
| <b>Total equity</b>                 | <b>611.8</b>    | <b>258.0</b>      | <b>1,402.5</b>    | <b>47.8</b>    | <b>(1,697.2)</b>    | <b>622.9</b>      |
| <b>Total liabilities and equity</b> | <b>\$ 691.6</b> | <b>\$ 1,088.5</b> | <b>\$ 1,791.3</b> | <b>\$ 95.8</b> | <b>\$ (2,101.3)</b> | <b>\$ 1,565.9</b> |

**Table of Contents****Consolidating Statements of Condensed Cash Flows***(in millions of U.S. dollars)**Unaudited***For the Three Months Ended March 30, 2013**

|  | <b>Cott<br/>Corporation</b> | <b>Cott<br/>Beverages<br/>Inc.</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Elimination<br/>Entries</b> | <b>Consolidated</b> |
|--|-----------------------------|------------------------------------|-----------------------------------|---------------------------------------|--------------------------------|---------------------|
| <b>Operating activities</b>                                |                             |                                    |                                   |                                       |                                |                     |
| Net income (loss)  | \$                          | \$ (2.3)                           | \$ 3.3                            | \$ 1.3                                | \$ (1.3)                       | \$ 1.0              |
| Depreciation & amortization                                | 1.6                         | 9.6                                | 12.0                              | 1.5                                   |                                | 24.7                |
| Amortization of financing fees                             |                             | 0.7                                |                                   |                                       |                                | 0.7                 |
| Share-based compensation expense                           | 0.1                         | 0.4                                | 0.2                               |                                       |                                | 0.7                 |
| Increase (decrease) in deferred income taxes               | 0.4                         | (0.6)                              | 0.2                               |                                       |                                |                     |
| Equity (loss) income, net of distributions                 | (2.3)                       | (1.1)                              | 2.1                               |                                       | 1.3                            |                     |
| Intercompany transactions                                  | 10.8                        | 2.2                                |                                   |                                       | (13.0)                         |                     |
| Other non-cash items                                       |                             | 0.2                                | 0.1                               |                                       |                                | 0.3                 |
| Net change in operating assets and liabilities             | (8.7)                       | (22.2)                             | (68.3)                            | 0.2                                   | 13.0                           | (86.0)              |
| <b>Net cash provided by (used in) operating activities</b> | <b>1.9</b>                  | <b>(13.1)</b>                      | <b>(50.4)</b>                     | <b>3.0</b>                            |                                | <b>(58.6)</b>       |
| <b>Investing activities</b>                                |                             |                                    |                                   |                                       |                                |                     |
| Additions to property, plant & equipment                   | (1.7)                       | (12.8)                             | (4.6)                             | (0.8)                                 |                                | (19.9)              |
| Proceeds from insurance recoveries                         |                             | 0.4                                |                                   |                                       |                                | 0.4                 |
| Advances to affiliates                                     |                             |                                    |                                   | (2.0)                                 | 2.0                            |                     |
| Additions to intangibles and other assets                  |                             | (0.1)                              |                                   | (0.1)                                 |                                | (0.2)               |
| <b>Net cash used in investing activities</b>               | <b>(1.7)</b>                | <b>(12.5)</b>                      | <b>(4.6)</b>                      | <b>(2.9)</b>                          | <b>2.0</b>                     | <b>(19.7)</b>       |
| <b>Financing activities</b>                                |                             |                                    |                                   |                                       |                                |                     |
| Payments of long-term debt                                 |                             | (0.4)                              |                                   | (0.1)                                 |                                | (0.5)               |
| Advances from affiliates                                   | 2.0                         |                                    |                                   |                                       | (2.0)                          |                     |
| Distributions to non-controlling interests                 |                             |                                    |                                   | (2.1)                                 |                                | (2.1)               |
| Common shares repurchased and cancelled                    | (2.9)                       |                                    |                                   |                                       |                                | (2.9)               |
| <b>Net cash used in financing activities</b>               | <b>(0.9)</b>                | <b>(0.4)</b>                       |                                   | <b>(2.2)</b>                          | <b>(2.0)</b>                   | <b>(5.5)</b>        |
| Effect of exchange rate changes on cash                    | (0.8)                       |                                    | (1.9)                             | 0.1                                   |                                | (2.6)               |
| <b>Net decrease in cash &amp; cash equivalents</b>         | <b>(1.5)</b>                | <b>(26.0)</b>                      | <b>(56.9)</b>                     | <b>(2.0)</b>                          |                                | <b>(86.4)</b>       |
| <b>Cash &amp; cash equivalents, beginning of period</b>    | <b>39.8</b>                 | <b>37.5</b>                        | <b>96.4</b>                       | <b>5.7</b>                            |                                | <b>179.4</b>        |
| <b>Cash &amp; cash equivalents, end of period</b>          | <b>\$ 38.3</b>              | <b>\$ 11.5</b>                     | <b>\$ 39.5</b>                    | <b>\$ 3.7</b>                         | <b>\$</b>                      | <b>\$ 93.0</b>      |

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

|  | For the Three Months Ended March 31, 2012 |                           |                           |                               |                        |                |
|--|---|---------------------------|---------------------------|-------------------------------|------------------------|----------------|
|  | Cott<br>Corporation                       | Cott<br>Beverages<br>Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Elimination<br>Entries | Consolidated   |
| <b>Operating Activities</b>  |   |                           |                           |                               |                        |                |
| Net income   | \$ 5.9                                    | \$ 4.7                    | \$ 9.6                    | \$ 0.8                        | \$ (14.2)              | \$ 6.8         |
| Depreciation & amortization  | 1.6                                       | 8.8                       | 12.0                      | 1.4                           |                        | 23.8           |
| Amortization of financing fees                                     | 0.1                                       | 1.0                       | 0.1                       |                               |                        | 1.2            |
| Share-based compensation expense                                   | 0.1                                       | 0.5                       | 0.2                       |                               |                        | 0.8            |
| Increase (decrease) in deferred income taxes                       | 0.4                                       | (0.7)                     | 0.2                       | 0.1                           |                        |                |
| Loss on disposal of property, plant & equipment                    |   | 0.4                       | 0.2                       |                               |                        | 0.6            |
| Equity (loss) income, net of distributions                         | (8.1)                                     | (1.0)                     | (5.1)                     |                               | 14.2                   |                |
| Intercompany transactions  | 4.2                                       | 1.2                       |                           |                               | (5.4)                  |                |
| Other non-cash items   | (0.4)                                     |                           |                           |                               |                        | (0.4)          |
| Net change in operating assets and liabilities, net of acquisition | (9.9)                                     | (19.5)                    | (52.7)                    | 0.8                           | 5.4                    | (75.9)         |
| Net cash (used in) provided by operating activities                | (6.1)                                     | (4.6)                     | (35.5)                    | 3.1                           |                        | (43.1)         |
| <b>Investing Activities</b>  |   |                           |                           |                               |                        |                |
| Acquisition  |   |                           | (5.0)                     |                               |                        | (5.0)          |
| Additions to property, plant & equipment                           | (1.5)                                     | (11.1)                    | (5.0)                     | (0.1)                         |                        | (17.7)         |
| Additions to intangibles and other assets                          |   | (2.2)                     | (0.5)                     |                               |                        | (2.7)          |
| Advances to affiliates   |   |                           |                           | (2.6)                         | 2.6                    |                |
| Net cash used in investing activities                              | (1.5)                                     | (13.3)                    | (10.5)                    | (2.7)                         | 2.6                    | (25.4)         |
| <b>Financing Activities</b>  |   |                           |                           |                               |                        |                |
| Payments of long-term debt   |   | (1.1)                     |                           | (0.1)                         |                        | (1.2)          |
| Borrowings under ABL   |   | 7.0                       |                           |                               |                        | 7.0            |
| Payments under ABL   |   | (7.0)                     |                           |                               |                        | (7.0)          |
| Advances from affiliates   | 2.6                                       |                           |                           |                               | (2.6)                  |                |
| Distributions to non-controlling interests                         |   |                           |                           | (1.1)                         |                        | (1.1)          |
| Net cash provided by (used in) financing activities                | 2.6                                       | (1.1)                     |                           | (1.2)                         | (2.6)                  | (2.3)          |
| Effect of exchange rate changes on cash                            | 0.3                                       |                           | 0.8                       | 0.4                           |                        | 1.5            |
| <b>Net decrease in cash &amp; cash equivalents</b>                 | <b>(4.7)</b>                              | <b>(19.0)</b>             | <b>(45.2)</b>             | <b>(0.4)</b>                  |                        | <b>(69.3)</b>  |
| <b>Cash &amp; cash equivalents, beginning of period</b>            | <b>13.7</b>                               | <b>20.7</b>               | <b>58.9</b>               | <b>7.6</b>                    |                        | <b>100.9</b>   |
| <b>Cash &amp; cash equivalents, end of period</b>                  | <b>\$ 9.0</b>                             | <b>\$ 1.7</b>             | <b>\$ 13.7</b>            | <b>\$ 7.2</b>                 | <b>\$</b>              | <b>\$ 31.6</b> |



**Note 16 Subsequent Event**

On February 14, 2013, our board of directors adopted the Amended and Restated Equity Plan, pursuant to which the 2010 Equity Incentive Plan was amended and restated to, among other things, increase the number of shares that may be issued under the plan to 12,000,000 shares and to provide that the number of shares available for issuance will be reduced 2.0 shares for each share issued pursuant to a full-value award (i.e. an award other than an option or stock appreciation right). The Amended and Restated Equity Plan was approved by Cott's shareowners on April 30, 2013.

On February 15, 2013, our board of directors declared a dividend of C\$0.06 per common share, payable in cash on April 5, 2013 to shareowners of record at the close of business on March 20, 2013. The dividend payment was approximately \$5.6 million in the aggregate.

On April 28, 2013, our U.K. reporting segment signed a share purchase agreement to acquire Cooke Bros Holdings Limited, which includes the subsidiary companies Calypso Soft Drinks Limited and Mr. Freeze (Europe) Limited (together, Calypso Soft Drinks). Calypso Soft Drinks is a privately owned soft drink and freezable products business based in Wrexham, United Kingdom with annual revenues of approximately \$50 million. The purchase price is estimated to be approximately \$31 million, which includes an adjustment for high seasonal working capital and approximately \$5 million of deferred consideration over a 24 month period. Completion of the transaction is subject to customary conditions, including clearance from the United Kingdom's Office for Fair Trading and is anticipated to close in June 2013.

On April 30, 2013, our board of directors declared a dividend of C\$0.06 per share on common shares, payable in cash on June 12, 2013 to shareowners of record at the close of business on May 30, 2013.

On April 30, 2013, our board of directors approved the renewal of our share repurchase program for up to 5% of Cott's outstanding common shares over a 12-month period commencing upon the expiration of Cott's currently effective share repurchase program on May 21, 2013.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to further the reader's understanding of the consolidated financial condition and results of operations of our Company. It should be read in conjunction with the financial statements included in this quarterly report on Form 10-Q and our annual report on Form 10-K for the year ended December 29, 2012 (the 2012 Annual Report). These historical financial statements may not be indicative of our future performance. This discussion contains a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risks referred to under Risk Factors in Item 1A in our 2012 Annual Report.

**Overview**

We are one of the world's largest producers of beverages on behalf of retailers, brand owners and distributors. Our objective of creating sustainable long-term growth in revenue and profitability is predicated on working closely with our customers to provide proven profitable products. As a fast follower of innovative products, our goal is to identify which new products are succeeding in the marketplace and develop similar high quality products at a better value. This objective is increasingly relevant in more difficult economic times.

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

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

Ingredient and packaging costs represent a significant portion of our cost of sales. These costs are subject to global and regional commodity price trends. Our most significant commodities are aluminum, polyethylene terephthalate (PET) resin, corn, sugar, fruit and fruit concentrates. We attempt to manage our exposure to fluctuations in ingredient and packaging costs by entering into fixed price commitments for a portion of our ingredient and packaging requirements and implementing price increases as needed. We have entered into fixed price commitments for a majority of our forecasted aluminum and fruit requirements for the remainder of 2013, as well as a portion of our aluminum and fruit requirements for 2014. We have entered into fixed price commitments for all of our high fructose corn syrup (HFCS) and sugar requirements for 2013.

In 2010, we completed the acquisition of substantially all of the assets and liabilities of Cliffstar Corporation (Cliffstar) and its affiliated companies for approximately \$503.0 million in cash, \$14.0 million in deferred consideration payable in equal installments over three years and contingent consideration of up to \$55.0 million (the Cliffstar Acquisition). The first \$15.0 million of the contingent consideration was paid upon the achievement of milestones in certain expansion projects in 2010. The remainder of the contingent consideration was to be calculated based on the achievement of certain performance measures during the fiscal year ending January 1, 2011. In 2011, the seller of Cliffstar raised certain objections to the performance measures used to calculate the contingent consideration, and the parties commenced the dispute resolution mechanism provided for in the asset purchase agreement. During 2011, Cott made interim payments to the seller equal to \$29.6 million, which was net of a \$4.7 million refund due to Cott and included \$0.9 million in settlement of certain of the seller's objections to the calculation of the contingent consideration. The seller's claims for an additional \$12.1 million in contingent consideration were submitted to binding arbitration pursuant to the asset purchase agreement and favorably resolved in February 2013 by payment of \$0.6 million by Cott to settle all claims.

We supply Walmart and its affiliated companies, under annual non-exclusive supply agreements, with a variety of products in the United States, Canada, the United Kingdom, and Mexico, including carbonated soft drinks (CSDs), 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, energy products, sports products, new age beverages, and ready-to-drink teas. During the first three months of 2013, we supplied Walmart with all of its private-label CSDs in the United States. In the event Walmart were to utilize additional suppliers to fulfill a portion of its requirements for such products, our operating results could be materially adversely affected. Sales to Walmart for the three months ended March 30, 2013 and March 31, 2012 accounted for 32.8% and 31.6% of total revenue.

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**Non-GAAP Measures**

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

We also utilize EBITDA, which is GAAP earnings before interest expense, provision for income taxes, depreciation and amortization. We consider EBITDA to be an indicator of operating performance. We also use EBITDA, as do analysts, lenders, investors and others, because it excludes certain items that can vary widely across different industries or among companies within the same industry. These differences can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies.

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

**Summary financial results**

Our net income for the three months ended March 30, 2013 (the first quarter ) was effectively zero or \$0.00 per diluted share, compared with net income of \$5.9 million or \$0.06 per diluted share for the three months ended March 31, 2012.

**The following items of significance impacted our financial results for the first quarter of 2013:**

our revenue decreased by 3.5% from the comparable prior year period due to lower global volumes, slightly offset by an increase in average price per case in North America. Absent foreign exchange impact, revenue decreased 3.4%;

our gross profit as a percentage of revenue declined to 11.2% for the first quarter from 12.1% in the comparable prior year period due primarily to lower global volumes, which resulted in unfavorable fixed cost absorption;

our filled beverage 8-ounce equivalents ( beverage case volume ) decreased 4.9% due primarily to the residual effect of exiting low gross margin business in North America last year, a general market decline in the North American CSD category, and loss of market share for the private label segment within the overall CSD category in North America;

our selling, general and administrative ( SG&A ) expenses for the first quarter decreased to \$41.3 million from \$41.8 million in the comparable prior year period due primarily to a reduction in information technology costs;

other expense was \$0.3 million in the first quarter compared to other income of \$0.2 million in the comparable prior year period due to the recording of foreign exchange losses during the period compared to foreign exchange gains in the prior year period; and

our income tax expense was flat as compared to the prior year period.

**Table of Contents**The following items of significance impacted our financial results for the first quarter of 2012:

our revenue decreased 1.9% from the comparable prior year period due primarily to a decline in North America volume resulting from the exit of certain case pack water business and the continuing decline in the U.S. shelf stable juice market. Absent foreign exchange impact, revenue decreased 1.3% from the comparable prior year period;

our gross profit as a percentage of revenue declined to 12.1% for the first quarter from 13.0% in the comparable prior year period;

our beverage case volume decreased 6.8% during the first quarter due primarily to the loss of certain customers resulting from the strategic implementation of price increases;

our SG&A expenses for the first quarter decreased to \$41.8 million from \$45.1 million in the comparable prior year period due primarily to a reduction of information technology costs and professional fees, offset in part by an increase in certain employee-related costs;

other income was \$0.2 million in the first quarter compared to other expense of \$0.8 million in the comparable prior year period due primarily to foreign exchange gains primarily related to intercompany transactions; and

our income tax expense was \$0.4 million compared to \$1.6 million in the comparable prior year period, due primarily to a favorable audit settlement of \$0.9 million.

The following table summarizes our Consolidated Statements of Operations as a percentage of revenue for the three months ended March 30, 2013 and March 31, 2012:

| <i>(in millions of U.S. dollars)</i>                       | For the Three Months Ended |       |                |       |
|--|----------------------------|-------|----------------|-------|
|  | March 30, 2013             |       | March 31, 2012 |       |
|  | \$                         | %     | \$             | %     |
| Revenue, net   | 505.4                      | 100.0 | 523.8          | 100.0 |
| Cost of sales  | 449.0                      | 88.8  | 460.4          | 87.9  |
| Gross profit   | 56.4                       | 11.2  | 63.4           | 12.1  |
| Selling, general, and administrative expenses              | 41.3                       | 8.2   | 41.8           | 8.0   |
| Loss on disposal of property, plant & equipment            |                            |       | 0.6            | 0.1   |
| Operating income   | 15.1                       | 3.0   | 21.0           | 4.0   |
| Other expense (income), net                                | 0.3                        | 0.1   | (0.2)          |       |
| Interest expense, net                                      | 13.3                       | 2.6   | 14.0           | 2.7   |
| Income before income taxes                                 | 1.5                        | 0.3   | 7.2            | 1.3   |
| Income tax expense   | 0.5                        | 0.1   | 0.4            | 0.1   |
| Net income   | 1.0                        | 0.2   | 6.8            | 1.2   |
| Less: Net income attributable to non-controlling interests | 1.0                        | 0.2   | 0.9            | 0.2   |
| Net income attributed to Cott Corporation                  |                            |       | 5.9            | 1.0   |

|                             |      |     |      |     |
|-----------------------------|------|-----|------|-----|
| Depreciation & amortization | 24.7 | 4.9 | 23.8 | 4.5 |
|-----------------------------|------|-----|------|-----|

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The following table summarizes our revenue and operating income (loss) by reporting segment for the three months ended March 30, 2013 and March 31, 2012:

| <i>(in millions of U.S. Dollars)</i>  | <b>For the Three Months Ended</b> |                       |
|---------------------------------------|-----------------------------------|-----------------------|
|                                       | <b>March 30, 2013</b>             | <b>March 31, 2012</b> |
| <b><u>Revenue</u></b>                 |                                   |                       |
| North America                         | <b>\$ 393.2</b>                   | \$ 408.1              |
| United Kingdom                        | <b>97.4</b>                       | 99.2                  |
| Mexico                                | <b>7.4</b>                        | 9.1                   |
| RCI                                   | <b>7.4</b>                        | 7.4                   |
| Total                                 | <b>\$ 505.4</b>                   | \$ 523.8              |
| <b><u>Operating income (loss)</u></b> |                                   |                       |
| North America                         | <b>\$ 13.8</b>                    | \$ 17.3               |
| United Kingdom                        |                                   | 3.2                   |
| Mexico                                | <b>(0.7)</b>                      | (1.3)                 |
| RCI                                   | <b>2.0</b>                        | 1.8                   |
| Total                                 | <b>\$ 15.1</b>                    | \$ 21.0               |

Revenues are attributed to reporting segments based on the location of the customer.

The following table summarizes our beverage case volume by reporting segment for the three months ended March 30, 2013 and March 31, 2012:

| <i>(in millions of cases)</i>   | <b>For the Three Months Ended</b> |                       |
|---|-----------------------------------|-----------------------|
|   | <b>March 30, 2013</b>             | <b>March 31, 2012</b> |
| <b><u>Volume - 8 oz equivalent cases - Total Beverage (including concentrate)</u></b> |                                   |                       |
| North America   | <b>172.6</b>                      | 179.6                 |
| United Kingdom  | <b>44.5</b>                       | 44.9                  |
| Mexico  | <b>4.9</b>                        | 5.9                   |
| RCI   | <b>63.5</b>                       | 71.0                  |
| Total   | <b>285.5</b>                      | 301.4                 |
| <b><u>Volume - 8 oz equivalent cases - Filled Beverage</u></b>                        |                                   |                       |
| North America   | <b>148.0</b>                      | 156.4                 |
| United Kingdom  | <b>40.1</b>                       | 40.9                  |
| Mexico  | <b>4.9</b>                        | 5.9                   |
| RCI   | <b>0.2</b>                        |                       |
| Total   | <b>193.2</b>                      | 203.2                 |

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The following tables summarize revenue and volume by product for the three months ended March 30, 2013 and March 31, 2012:

**For the Three Months Ended March 30, 2013**

| <i>(in millions of U.S. dollars)</i> | North<br>America | United<br>Kingdom | Mexico | RCI    | Total    |
|--------------------------------------|------------------|-------------------|--------|--------|----------|
| <b><u>Revenue</u></b>                |                  |                   |        |        |          |
| Carbonated soft drinks               | \$ 151.4         | \$ 32.7           | \$ 3.5 | \$ 0.1 | \$ 187.7 |
| Juice                                | 135.0            | 3.1               |        | 0.5    | 138.6    |
| Concentrate                          | 3.1              | 0.6               |        | 6.8    | 10.5     |
| All other products                   | 103.7            | 61.0              | 3.9    |        | 168.6    |
| Total                                | \$ 393.2         | \$ 97.4           | \$ 7.4 | \$ 7.4 | \$ 505.4 |

**For the Three Months Ended March 30, 2013**

| <i>(in millions of physical cases)</i>   | North<br>America | United<br>Kingdom | Mexico | RCI  | Total |
|--|------------------|-------------------|--------|------|-------|
| <b><u>Volume - 8 oz. equivalent cases - Total Beverage (including concentrate)</u></b> |                  |                   |        |      |       |
| Carbonated soft drinks   | 66.8             | 17.4              | 2.3    | 0.1  | 86.6  |
| Juice  | 30.8             | 0.8               |        | 0.1  | 31.7  |
| Concentrate  | 24.6             | 4.4               |        | 63.3 | 92.3  |
| All other products   | 50.4             | 21.9              | 2.6    |      | 74.9  |
| Total  | 172.6            | 44.5              | 4.9    | 63.5 | 285.5 |

**For the Three Months Ended March 31, 2012**

| <i>(in millions of U.S. dollars)</i> | North<br>America | United<br>Kingdom | Mexico | RCI    | Total    |
|--------------------------------------|------------------|-------------------|--------|--------|----------|
| <b><u>Revenue</u></b>                |                  |                   |        |        |          |
| Carbonated soft drinks               | \$ 163.8         | \$ 33.7           | \$ 5.6 | \$     | \$ 203.1 |
| Juice                                | 133.9            | 3.1               | 0.1    | 0.4    | 137.5    |
| Concentrate                          | 2.9              | 0.8               |        | 7.0    | 10.7     |
| All other products                   | 107.5            | 61.6              | 3.4    |        | 172.5    |
| Total                                | \$ 408.1         | \$ 99.2           | \$ 9.1 | \$ 7.4 | \$ 523.8 |

**For the Three Months Ended March 31, 2012**

| <i>(in millions of physical cases)</i>   | North<br>America | United<br>Kingdom | Mexico | RCI  | Total |
|--|------------------|-------------------|--------|------|-------|
| <b><u>Volume - 8 oz. equivalent cases - Total Beverage (including concentrate)</u></b> |                  |                   |        |      |       |
| Carbonated soft drinks   | 74.9             | 18.1              | 4.0    |      | 97.0  |
| Juice  | 30.4             | 0.8               | 0.1    |      | 31.3  |
| Concentrate  | 23.2             | 4.0               |        | 71.0 | 98.2  |
| All other products   | 51.1             | 22.0              | 1.8    |      | 74.9  |
| Total  | 179.6            | 44.9              | 5.9    | 71.0 | 301.4 |





**Table of Contents****Results of operations**

The following tables summarize the change in revenue by reporting segment for the three months ended March 30, 2013 and March 31, 2012:

(in millions of U.S. dollars)

|   | For the Three Months Ended<br>March 30, 2013 |                  |                   |          |      |
|---|--|------------------|-------------------|----------|------|
|   | Cott   | North<br>America | United<br>Kingdom | Mexico   | RCI  |
| Change in revenue                                       | \$ (18.4)                                    | \$ (14.9)        | \$ (1.8)          | \$ (1.7) | \$   |
| Impact of foreign exchange <sup>1</sup>                 | 0.6  | 0.1              | 0.7               | (0.2)    |      |
| Change excluding foreign exchange                       | \$ (17.8)                                    | \$ (14.8)        | \$ (1.1)          | \$ (1.9) | \$   |
| Percentage change in revenue                            | -3.5%  | -3.7%            | -1.8%             | -18.7%   | 0.0% |
| Percentage change in revenue excluding foreign exchange | -3.4%  | -3.6%            | -1.1%             | -20.9%   | 0.0% |

(in millions of U.S. dollars)

|   | For the Three Months Ended<br>March 31, 2012 |                  |                   |          |          |
|---|--|------------------|-------------------|----------|----------|
|   | Cott   | North<br>America | United<br>Kingdom | Mexico   | RCI      |
| Change in revenue                                       | \$ (10.3)                                    | \$ (20.7)        | \$ 12.9           | \$ (2.3) | \$ (0.2) |
| Impact of foreign exchange <sup>1</sup>                 | 3.2  | 0.7              | 1.7               | 0.8      |          |
| Change excluding foreign exchange                       | \$ (7.1)                                     | \$ (20.0)        | \$ 14.6           | \$ (1.5) | \$ (0.2) |
| Percentage change in revenue                            | -1.9%  | -4.8%            | 14.9%             | -20.2%   | -2.6%    |
| Percentage change in revenue excluding foreign exchange | -1.3%  | -4.7%            | 16.9%             | -13.2%   | -2.6%    |

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

The following table summarizes our EBITDA for the three months ended March 30, 2013 and March 31, 2012.

(in millions of U.S. dollars)

|  | For the Three Months Ended |                |
|--|----------------------------|----------------|
|  | March 30, 2013             | March 31, 2012 |
| <b>Net income attributed to Cott Corporation</b>     | \$                         | \$ 5.9         |
| Interest expense, net                                | 13.3                       | 14.0           |
| Income tax expense                                   | 0.5                        | 0.4            |
| Depreciation & amortization                          | 24.7                       | 23.8           |
| Net income attributable to non-controlling interests | 1.0                        | 0.9            |
| <b>EBITDA</b>  | <b>\$ 39.5</b>             | <b>\$ 45.0</b> |

**Revenue** Revenue decreased \$18.4 million or 3.5% in the first quarter from the comparable prior year period. Excluding the impact of foreign exchange, revenue decreased 3.4% in the first quarter from the comparable prior year period.

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North America revenue decreased \$14.9 million, or 3.7%, in the first quarter from the comparable prior year period due primarily to the residual effect of exiting low gross margin business last year, a general market decline in the North American CSD category and loss of market share for the private label segment within the overall CSD category, slightly offset by higher volumes in the juice category and increased average price per case.

U.K. revenue decreased \$1.8 million, or 1.8%, in the first quarter from the comparable prior year period due primarily to poor weather experienced in March and the narrowing price gaps associated with national brands, particularly in the energy and sports drink categories. Absent foreign exchange impact, U.K. revenue decreased 1.1% in the first quarter.

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Mexico revenue decreased \$1.7 million, or 18.7%, in the first quarter from the comparable prior year period due primarily to the continuing impact from the loss of a regional brand license at the end of its term. Absent foreign exchange impact, Mexico revenue decreased 20.9% in the first quarter.

RCI revenue remained flat in the first quarter from the comparable prior year period. Concentrate volume declined 10.8% from the comparable prior year period due primarily to lower shipments to Asia offset by increased average price per case.

**Cost of Sales** Cost of sales represented 88.8% of revenue in the first quarter, compared to 87.9% in the comparable prior year period. The increase in cost of sales as a percentage of revenue was due primarily to unfavorable fixed cost absorption associated with lower global volumes as well as an increase in variable costs as we were not able to reduce variable costs at the same rate that volumes declined.

**Gross Profit** Gross profit as a percentage of revenue decreased to 11.2% in the first quarter from 12.1% in the comparable prior year period due primarily to lower global volumes, which resulted in unfavorable fixed cost absorption.

**Selling, General and Administrative Expenses** SG&A decreased \$0.5 million, or 1.2%, in the first quarter from the comparable prior year period. The decrease was due primarily to a reduction in information technology costs. As a percentage of revenue, SG&A increased to 8.2% in the first quarter from 8.0% in the comparable prior year period.

**Operating Income** Operating income was \$15.1 million in the first quarter compared to \$21.0 million in the comparable prior year period. The decrease was due primarily to lower gross profit as a percentage of revenue, offset in part by lower SG&A.

**Other Expense (Income)** Other expense was \$0.3 million in the first quarter compared to other income of \$0.2 million in the comparable prior year period. This increase in expense was due primarily to unfavorable foreign exchange impact during the first quarter.

**Income Taxes** We recorded income tax expense of \$0.5 million in the first quarter compared to \$0.4 million in the comparable prior year period. The reorganization of our legal entity structure and refinancing of intercompany debt during the second quarter of 2011 is expected to result in a reduction of Cott's effective tax rate versus the statutory rate for the prior and current year but as a result of discrete items the tax rate was higher during the quarter relative to the anticipated tax rate for the year.

**Liquidity and Financial Condition**

The following table summarizes our cash flows for the three months ended March 30, 2013 and March 31, 2012, as reported in our Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements:

| <i>(in millions of U.S. dollars)</i>         | <b>For the Three Months Ended</b> |                       |
|--|-----------------------------------|-----------------------|
|  | <b>March 30, 2013</b>             | <b>March 31, 2012</b> |
| Net cash used in operating activities        | <b>\$ (58.6)</b>                  | <b>\$ (43.1)</b>      |
| Net cash used in investing activities        | <b>(19.7)</b>                     | <b>(25.4)</b>         |
| Net cash used in financing activities        | <b>(5.5)</b>                      | <b>(2.3)</b>          |
| Effect of exchange rate changes on cash      | <b>(2.6)</b>                      | <b>1.5</b>            |
| Net decrease in cash & cash equivalents      | <b>(86.4)</b>                     | <b>(69.3)</b>         |
| Cash & cash equivalents, beginning of period | <b>179.4</b>                      | <b>100.9</b>          |
| Cash & cash equivalents, end of period       | <b>\$ 93.0</b>                    | <b>\$ 31.6</b>        |

**Financial and Capital Resources and Liquidity**

As of March 30, 2013, we had total debt of \$605.4 million and \$93.0 million of cash and cash equivalents compared to \$607.2 million of debt and \$31.6 million of cash and cash equivalents as of March 31, 2012.

We believe that our level of resources, which includes cash on hand, available borrowings under our asset based lending credit facility (the ABL facility) and funds provided by operations, will be adequate to meet our expenses, capital expenditures, and debt service obligations for the next

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twelve months. We have maintained adequate liquidity to meet current working capital requirements, fund capital expenditures and make scheduled principal and interest payments on debt. Absent

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deterioration of market conditions, we believe that cash flows from operating activities and financing activities will provide adequate resources to satisfy working capital, scheduled principal and interest payments on debt, and anticipated capital expansion requirements for both short-term and long-term capital needs, as well as the payment of future dividends. For periods extending beyond twelve months, we believe that our ability to generate cash to meet our expenses and debt service obligations and to otherwise reduce our debt as anticipated will depend primarily on our ability to retain a substantial amount of volume from our key customers and maintain the profitability of our business. If we do not have enough cash to pay our debt service obligations, or if the ABL facility, the 8.375% senior notes that are due on November 15, 2017 (the 2017 Notes ), or the 8.125% senior notes that are due on September 1, 2018 (the 2018 Notes ) were to become currently due, either at maturity or as a result of a breach, we may be required to take actions such as amending our ABL facility or the indentures governing our 2017 Notes and 2018 Notes, refinancing all or part of our existing debt, selling assets, incurring additional indebtedness or raising equity. If we need to seek additional financing, there is no assurance that this additional financing will be available on favorable terms or at all.

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

As of March 30, 2013, our total availability under the ABL facility was \$263.2 million, which was based on our borrowing base (accounts receivables, inventory, and fixed assets) as of April 15, 2013 (the March month-end under the terms of the credit agreement governing our ABL facility), and we had no outstanding borrowings under the ABL facility and \$11.2 million in outstanding letters of credit. As a result, our excess availability under the ABL facility was \$252.0 million. Each month's borrowing base is not effective until submitted to the lenders, which usually occurs on the fifteenth day of the following month.

We earned approximately 100% of our consolidated operating income in subsidiaries located outside of Canada during the first three months of 2013. All of these foreign earnings are considered to be indefinitely reinvested in foreign jurisdictions where we have made, and will continue to make, substantial investments to support the ongoing development and growth of our international operations. Accordingly, no Canadian income taxes have been provided for on these foreign earnings. Cash and cash equivalents held by our foreign subsidiaries are readily convertible into other foreign currencies, including Canadian dollars. We do not intend, nor do we foresee a need, to repatriate these funds.

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

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

We may, from time to time, depending on market conditions, including without limitation whether the 2017 Notes or 2018 Notes are then trading at discounts to their respective face amounts, repurchase the 2017 Notes or 2018 Notes for cash and/or in exchange for shares of our common stock, warrants, preferred stock, debt or other consideration, in each case in open market purchases and/or privately negotiated transactions. The amounts involved in any such transactions, individually or in aggregate, may be material. However, the covenants in our ABL facility subject such purchases to certain limitations and conditions.

**Operating activities**

Cash used in operating activities was \$58.6 million during the first quarter compared to \$43.1 million in the comparable prior year period. The \$15.5 million increase was due primarily to a reduction in net income and inventory as compared to the prior year period, an increase in accounts payable payments as compared to the prior year period, and the timing of accounts receivable receipts.

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### **Investing activities**

Cash used in investing activities was \$19.7 million during the first quarter compared to \$25.4 million in the comparable prior year period. The \$5.7 million decrease was due primarily to the acquisition of a beverage and wholesale business by our U.K. reporting segment in the prior year period, and the receipt of insurance proceeds related to a loss incurred on a U.S. facility. Increased property, plant & equipment additions were offset by a reduction in intangible and other asset additions.

### **Financing activities**

Cash used in financing activities was \$5.5 million during the first quarter compared to \$2.3 million in the comparable prior year period. The \$3.2 million increase was due primarily to common shares repurchased from employees who elected to withhold common shares to satisfy tax obligations related to the vesting of stock-based awards and increased distributions to non-controlling interests as compared to the prior year period offset in part by a reduction in long-term debt payments as compared to the prior year period.

### **Off-Balance Sheet Arrangements**

We had no off-balance sheet arrangements as defined under Item 303(a)(4) of Regulation S-K as of March 30, 2013.

### **Contractual Obligations**

We have no material changes to the disclosure on this matter made in our 2012 Annual Report.

### **Debt**

#### *Asset-Based Lending Facility*

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

On July 19, 2012, we amended the ABL facility to, among other things, extend the maturity date to either July 19, 2017 or, if we have not redeemed, repurchased or refinanced the 2017 Notes by May 1, 2017, May 15, 2017. We incurred \$1.2 million of financing fees in connection with the amendment of the ABL facility.

The financing fees incurred in connection with the refinancing of the ABL facility on August 17, 2010, along with the financing fees incurred in connection with the amendment of the ABL facility on July 19, 2012, are being amortized using the straight line method over the duration of the amended ABL facility.

As of March 30, 2013, we had no outstanding borrowings under the ABL facility. The commitment fee was 0.375% per annum of the unused commitment, which, taking into account \$11.2 million of letters of credit, was \$252 million as of March 30, 2013.

#### *8.375% Senior Notes due in 2017*

On November 13, 2009, we issued \$215.0 million of the 2017 Notes. The 2017 Notes were issued at a \$3.1 million discount. The issuer of the 2017 Notes is our wholly-owned U.S. subsidiary Cott Beverages Inc., and most of our U.S., Canadian and U.K. subsidiaries guarantee the 2017 Notes. The interest on the 2017 Notes is payable semi-annually on May 15<sup>th</sup> and November 15<sup>th</sup> of each year.

We incurred \$5.1 million of financing fees in connection with the 2017 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the duration of the 2017 Notes.

#### *8.125% Senior Notes due in 2018*

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On August 17, 2010, we issued \$375.0 million of the 2018 Notes. The issuer of the 2018 Notes is our wholly-owned U.S. subsidiary Cott Beverages Inc., and most of our U.S., Canadian and U.K. subsidiaries guarantee the 2018 Notes. The interest on the 2018 Notes is payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup> of each year.

We incurred \$8.6 million of financing fees in connection with the 2018 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the duration of the 2018 Notes.

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

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

We have no material changes to the disclosure on this matter made in our 2012 Annual Report.

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

##### ***8.375% Senior Notes due in 2017***

Under the indenture governing the 2017 Notes, we are subject to a number of covenants, including covenants that limit our and certain of our subsidiaries' ability, subject to certain exceptions and qualifications, to (i) pay dividends or make distributions, repurchase equity securities, prepay subordinated debt or make certain investments, (ii) incur additional debt or issue certain disqualified stock or preferred stock, (iii) create or incur liens on assets securing indebtedness, (iv) merge or consolidate with another company or sell all or substantially all of our assets taken as a whole, (v) enter into transactions with affiliates and (vi) sell assets. We have been in compliance with all of the covenants under the 2017 Notes and there have been no amendments to any such covenants since the 2017 Notes were issued.

##### ***8.125% Senior Notes due in 2018***

Under the indenture governing the 2018 Notes, we are subject to a number of covenants, including covenants that limit our and certain of our subsidiaries' ability, subject to certain exceptions and qualifications, to (i) pay dividends or make distributions, repurchase equity securities, prepay subordinated debt or make certain investments, (ii) incur additional debt or issue certain disqualified stock or preferred stock, (iii) create or incur liens on assets securing indebtedness, (iv) merge or consolidate with another company or sell all or substantially all of our assets taken as a whole, (v) enter into transactions with affiliates and (vi) sell assets. We have been in compliance with all of the covenants under the 2018 Notes and there have been no amendments to any such covenants since the 2018 Notes were issued.

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

Under the credit agreement governing the ABL facility, Cott and its restricted subsidiaries are subject to a number of business and financial covenants, including a covenant requiring a minimum fixed charge coverage ratio of at least 1.1 to 1.0 effective when and if excess availability is less than the greater of 10% of the lenders' commitments under the revolving credit facility (the Revolver) or \$27.5 million. If excess availability is less than the greater of 12.5% of the lenders' commitments under the Revolver or \$34.375 million, the lenders will take dominion over the cash and will apply excess cash to reduce amounts owing under the facility. We were in compliance with all of the applicable covenants under the ABL facility as of March 30, 2013.

### **Common Share Repurchase Program**

On May 1, 2012, our board of directors authorized the repurchase of up to \$35.0 million of our common shares in the open market or through privately negotiated transactions over a 12-month period through either a 10b5-1 automatic trading plan or at management's discretion in compliance with regulatory requirements, and given market, cost and other considerations. During the second quarter of 2012, we repurchased 35,272 common shares for approximately \$0.3 million through open market transactions. No additional repurchases were made under the program through March 30, 2013. On April 30, 2013, our board of directors approved the renewal of our share repurchase program for up to 5% of Cott's outstanding common shares over a 12-month period commencing upon the expiration of Cott's currently effective share repurchase program on May 21, 2013. We are unable to predict the number of shares that will be repurchased under the share repurchase program, or the aggregate dollar amount of the shares actually purchased. We may discontinue purchases at any time, subject to compliance with applicable regulatory requirements.

### **Issuer Purchases of Equity Securities**

In the fourth quarter of 2012, 356,379 shares of our previously-issued common stock were withheld from delivery to our employees to satisfy their tax obligations related to stock-based awards.

### **Capital Structure**



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Since December 29, 2012, equity has decreased by \$16.9 million. The decrease was due to \$5.6 million in dividends and other comprehensive loss of \$12.0 million, offset by \$0.7 million of share-based compensation expense.

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### **Dividend Payments**

On February 14, 2013, the Board of Directors declared a dividend of C\$0.06 per share on common shares, payable in cash on April 5, 2013 to shareowners of record at the close of business on March 20, 2013. Cott intends to pay a regular quarterly dividend on its common shares subject to, among other things, the best interests of its shareowners, Cott's results of operations, cash balances and future cash requirements, financial condition, statutory regulations and covenants set forth in the ABL facility and indentures governing the 2017 Notes and 2018 Notes, as well as other factors that our board of directors may deem relevant from time to time.

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

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

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

We have no material changes to our Critical Accounting Policies and Estimates disclosure as filed in our 2012 Annual Report.

### **Forward-looking Statements**

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

The forward-looking statements are not guarantees of future performance or events and, by their nature, are based on certain estimates and assumptions regarding interest and foreign exchange rates, expected growth, results of operations, performance, business prospects and opportunities and effective income tax rates, which are subject to inherent risks and uncertainties. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in forward-looking statements may include, but are not limited to, assumptions regarding management's current plans and estimates, our ability to remain a low cost supplier, and effective management of commodity costs. Although we believe the assumptions underlying these forward-looking statements are reasonable, any of these assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could prove to be incorrect. Our operations involve risks and uncertainties, many of which are outside of our control, and any one or any combination of these risks and uncertainties could also affect whether the forward-looking statements ultimately prove to be correct. These risks and uncertainties include, but are not limited to, those described in Part I, Item 1A. Risk Factors in our 2012 Annual Report, and those described from time to time in our future reports filed with the Securities and Exchange Commission (SEC) and Canadian securities regulatory authorities.

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

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

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

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

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

our ability to manage our operations successfully;

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

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

our substantial indebtedness we incurred and our ability to meet our obligations;

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

fluctuations in interest rates;

credit rating changes;

the impact of global financial events on our financial results;

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

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

our ability to protect our intellectual property;

compliance with product health and safety standards;

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

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

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

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

enforcement of compliance with the Ontario Environmental Protection Act;

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

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

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

our exposure to intangible asset risk;

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

disruptions in our information systems; or

volatility of our stock price.

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

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

We do not trade market risk sensitive instruments.

#### **Currency Exchange Rate Risk**

Our North America and U.K. reporting segments purchase a portion of their inventory for their Canadian and European operations, respectively, through transactions denominated and settled in U.S. dollars and Euros, respectively, currencies different from the functional currency of those operations. These inventory purchases are subject to exposure from movements in exchange rates. We use foreign exchange forward contracts to hedge operational exposures resulting from changes in these foreign currency exchange rates. The intent of the foreign exchange contracts is to provide predictability in our overall cost structure. These foreign exchange contracts, carried at fair value, have maturities of less than one year. As of March 30, 2013, we had outstanding foreign exchange forward contracts with notional amounts of \$9.4 million.

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### **Debt Obligations and Interest Rates**

We have exposure to interest rate risk from the outstanding principal amounts of our short-term and long-term debt. Our long-term debt is fixed and our short-term debt is variable. Our ABL facility is vulnerable to fluctuations in the U.S. short-term base rate and the LIBOR rate. At current debt levels as of March 30, 2013, a 100 basis point increase in the current per annum interest rate for our ABL facility (excluding the \$11.2 million in outstanding letters of credit) would result in less than \$0.1 million of additional interest expense during the next year. This change would not be material to our cash flows or our results of operations. The weighted-average interest rate of our debt outstanding at March 30, 2013 was 8.2%.

### **Commodity Price Risk**

We have no material changes to the disclosure on this matter made in our 2012 Annual Report.

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

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 30, 2013. Based upon this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of March 30, 2013, the Company's disclosure controls and procedures are functioning effectively to ensure that information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

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

## **PART II OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Reference is made to the legal proceedings described in our 2012 Annual Report.

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

There has been no material change in our risk factors since December 29, 2012. Please refer to our 2012 Annual Report.

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

On May 1, 2012, our board of directors authorized the repurchase of up to \$35.0 million of our common shares in the open market or through privately negotiated transactions over a 12-month period through either a 10b5-1 automatic trading plan or at management's discretion in compliance with regulatory requirements, and given market, cost and other considerations. We repurchased 35,272 shares of common stock for approximately \$0.3 million during the second quarter of 2012. No additional repurchases were made through March 30, 2013. On April 30,

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2013, our board of directors approved the renewal of our share repurchase program for up to 5% of Cott's outstanding common shares over a 12-month period commencing upon the expiration of Cott's currently effective share repurchase program on May 21, 2013. We are unable to predict the number of shares that will be repurchased under the share repurchase program, or the aggregate dollar amount of the shares actually purchased. We may discontinue purchases at any time, subject to compliance with applicable regulatory requirements.

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**Item 6. Exhibits**

| <b>Number</b> | <b>Description</b>  |
|---------------|---|
| 3.1           | Articles of Amalgamation of Cott Corporation (incorporated by reference to Exhibit 3.1 to our Form 10-K dated February 28, 2007).   |
| 3.2           | Second Amended and Restated By-laws of Cott Corporation (incorporated by reference to Exhibit 3.2 to our Form 10-Q filed May 10, 2007).   |
| 10.1          | Employment Offer Letter to Steven Kitching dated February 14, 2013 (filed herewith).  |
| 31.1          | Certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended March 30, 2013 (filed herewith).  |
| 31.2          | Certification of the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended March 30, 2013 (filed herewith).  |
| 32.1          | Certification of the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended March 30, 2013 (furnished herewith).  |
| 32.2          | Certification of the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended March 30, 2013 (furnished herewith).  |
| 101           | The following financial statements from Cott Corporation's Quarterly Report on Form 10-Q for the quarter ended March 30, 2013, filed on May 3, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Equity, (vi) Notes to the Consolidated Financial Statements (furnished herewith). |



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**SIGNATURES**

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

COTT CORPORATION

(Registrant)

Date: May 3, 2013

*/s/ Jay Wells*  
Jay Wells

Chief Financial Officer

(On behalf of the Company)

Date: May 3, 2013

*/s/ Gregory Leiter*  
Gregory Leiter

Senior Vice President, Chief Accounting Officer and Assistant Secretary

(Principal Accounting Officer)

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