

COTT CORP /CN/  
Form 10-K  
February 27, 2013  
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**United States**  
**Securities and Exchange Commission**  
Washington, D.C. 20549

**Form 10-K**

x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the fiscal year ended December 29, 2012

.. **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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**CANADA**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**98-0154711**  
(IRS Employer  
Identification No.)

**6525 VISCOUNT ROAD**

**MISSISSAUGA, ONTARIO**

**L4V 1H6**

**5519 WEST ID LEWILD AVENUE**

**TAMPA, FLORIDA, UNITED STATES**  
(Address of principal executive offices)

**33634**  
(Zip Code)

**Registrant's telephone number, including area code: (905) 672-1900 and (813) 313-1800**

**Securities registered pursuant to Section 12(b) of the Act:**

| <b>Title of each class</b>                            | <b>Name of each exchange on which registered</b>          |
|---|---|
| <b>COMMON SHARES WITHOUT NOMINAL OR<br/>PAR VALUE</b> | <b>NEW YORK STOCK EXCHANGE<br/>TORONTO STOCK EXCHANGE</b> |

**Securities registered pursuant to Section 12(g) of the Act: NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

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Non-accelerated filer  (Do not check if a smaller reporting company)  Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-12 of the Act). Yes  No

The aggregate market value of the common equity held by non-affiliates of the registrant as of June 30, 2012 (based on the closing sale price of \$8.21 for the registrant's common stock as reported on the New York Stock Exchange on June 29, 2012) was \$765.2 million.

(Reference is made to the last paragraph of Part II, Item 5 for a statement of assumptions upon which the calculation is made).

The number of shares outstanding of the registrant's common stock as of February 19, 2013 was 95,371,484.

### **Documents incorporated by reference**

Portions of our definitive proxy circular for the 2013 Annual Meeting of Shareowners, to be filed within 120 days of December 29, 2012, are incorporated by reference in Part III. Such proxy circular, except for the parts therein which have been specifically incorporated by reference, shall not be deemed filed for the purposes of this Annual Report on Form 10-K.

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Our consolidated financial statements are prepared in accordance with United States ( U.S. ) generally accepted accounting principles ( GAAP ) in U.S. dollars. Unless otherwise indicated, all amounts in this report are in U.S. dollars and U.S. GAAP.

Any reference to 2012, 2011 and 2010 corresponds to our fiscal years ended December 29, 2012, December 31, 2011, and January 1, 2011, respectively.

**Forward-looking statements**

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

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.

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.

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**PART I**

**ITEM 1. BUSINESS**

**Our Company**

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. Our business operates through five reporting segments: North America (which includes our U.S. operating segment and Canada operating segment), United Kingdom ( U.K. ) (which includes our United Kingdom reporting unit and our Continental European reporting unit), Mexico, Royal Crown International ( RCI ) and All Other.

We incorporated in 1955 and are governed by the Canada Business Corporations Act. Our registered Canadian office is located at 333 Avro Avenue, Pointe-Claire, Quebec, Canada H9R 5W3 and our principal executive offices are located at 5519 W. Idlewild Avenue, Tampa, Florida, United States 33634 and 6525 Viscount Road, Mississauga, Ontario, Canada L4V 1H6.

**Competitive Strengths**

We believe that our competitive strengths will enable us to maintain our position as one of the world's largest beverage companies on behalf of retailers, brand owners and distributors and will allow us to capitalize on future opportunities to drive sustainable and profitable growth.

***Leading Producer of Private-Label Beverages with Diverse Product Portfolio and Contract Manufacturing Capabilities***

We currently have the leading private-label market share in each of the United States, Canada and the United Kingdom by annual volume of cases produced. We also manufacture beverages on a contract basis for certain customers. 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. We believe our proven ability to innovate and develop our product portfolio to meet changing consumer demand will position us well to continue to serve our customers and their consumers. During 2012, we launched more than 100 new product stock keeping units ( SKUs ), including new flavor profiles, new package types and new product category introductions for our customers.

We market or supply over 500 retailer, licensed and Company-owned brands in our four core geographic segments. We sell CSD concentrates and non-carbonated concentrates in over 50 countries. We believe that our leadership position, our broad portfolio offering and our existing infrastructure will enable us to continue to penetrate the private-label and contract manufacturing markets, whether it is winning new customers, launching new product SKUs with existing customers, or supplying retailers who currently self-manufacture.

***Extensive, Flexible Manufacturing Capabilities***

Our business is supported by our extensive manufacturing network and flexible production capabilities. Our manufacturing footprint encompasses 33 strategically located beverage manufacturing and fruit processing facilities, including 20 in the United States, five in Canada, six in the United Kingdom and one in Mexico, as well as one vertically-integrated global concentrate manufacturing facility in Columbus, Georgia.

We are the only dedicated beverage company producing on behalf of retailers, brand owners and distributors with a manufacturing footprint across North America. Manufacturing flexibility is one of our core competencies and is critical to our success, as our products will typically feature customized packaging, design and graphics for our key customers. Our ability to produce multiple SKUs and packages on our production lines and manage complexities through quick-line changeover processes differentiates us from our competition.

***High Levels of Customer Service and Strong Customer Integration***

Our business requires a high level of coordination with our customers in areas such as supply chain, product development and customer service. In addition to efficiently managing complex product manufacturing, we have a proven track record of maintaining high service levels across our customer base. We also partner closely with customers on supply chain planning and execution to minimize freight costs, reduce working capital

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requirements and increase in-store product availability. We work as partners with our customers on new product development and packaging designs. Our role includes providing market expertise as well as knowledge of category trends that may present opportunities for our customers. A high level of customer integration and partnership coupled with a nationwide manufacturing footprint is critical for the development of successful beverage programs for our customers.

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### ***Strategic Importance to Our Customers***

We have longstanding partnerships with many of the world's leading retailers in the grocery, mass-merchandise and drug store channels, as well as customers for whom we manufacture beverages on a contract basis, giving our customers access to high-quality, affordable beverages. Our competitive advantages include:

beverage manufacturing expertise;

vertically integrated, low-cost production platform;

one-stop sourcing;

category insights and marketing expertise;

supply chain and high quality consistency in products; and

product innovation and differentiation.

For 2012, our top 10 customers accounted for 54.2% of total revenue. Walmart was the only customer that accounted for more than 10% of our total revenue for the period. We have established long-standing relationships with most of our top 10 customers. As a result of our high product quality and commitment to service, coupled with a national manufacturing footprint, we believe we will continue to play a meaningful role in helping our customers develop strategies to build loyalty with consumers.

### **Business Strategy**

Our primary goal is to maintain long-term profitability and enhance our position as the market leader and preferred supplier of beverages on behalf of retailers, brand owners, and distributors in the markets where we operate. Continued leadership in our core markets will enable us to sustain and grow profitability as we drive for increased penetration and share growth within our core product categories. We believe that the following strategies will help us to achieve our goal.

### ***Maintain Customer Focus***

Customer relationships are important for any business, but at Cott, where many of our products bear our customers' brand names, we must maintain particularly close partnerships with our customers. We will continue to provide our customers with high quality products and service at an attractive value that will help them provide quality, value-oriented products to their consumers.

We will continue to focus on our high levels of customer service, as well as innovations through the introduction of new packages, flavors and varieties of beverages. We believe our focus on our customers will enable us to leverage our existing relationships and to develop new ones in existing and new markets. As a fast follower of innovative products, our goal is to identify new products that are succeeding in the marketplace and develop similar products of high quality for our customers to offer their consumers at a better value.

### ***Control Operating Costs***

We understand that our long-term success will be closely tied to our ability to remain a low-cost supplier. Effective management of our operating costs is critical to our success. As part of our ongoing management of costs, we enter into contract commitments with suppliers of key raw materials such as aluminum sheet metal, high fructose corn syrup ( HFCS ), polyethylene terephthalate ( PET ) bottles, caps and preforms, fruit and fruit concentrates. On an ongoing basis we review our fixed overhead and manufacturing costs for opportunities for further reductions. In 2010, we implemented modest cost reductions as we continued to reduce overhead costs, consistent with the cost reduction program



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implemented in 2009. In 2011, we transformed the Company's information technology function from a nearly 100% outsourced, single vendor relationship to a combination of in-house resources and multi-vendor strategy, significantly reducing our total information technology spending. In 2012, we began to vertically integrate our manufacturing capabilities in order to manufacture our products with increased efficiency and at a lower cost.

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### ***Control Capital Expenditures and Rigorously Manage Working Capital***

Consistent with our status as a low-cost supplier, we leverage our existing manufacturing capacity to maintain an efficient supply chain. We are committed to carefully prioritizing our capital investments that provide the best financial returns for Cott and for our customers, while maintaining safety, efficiency and superior product quality. Our manufacturing facilities operate according to the highest standards of safety and product quality. We perform regular third-party audits of our facilities and are subject to quality audits on behalf of our customers. We will continue to evaluate growth and other opportunities, while remaining mindful of our total capital expenditure targets.

In 2012, our capital expenditures were devoted primarily to maintaining existing beverage production facilities, making equipment upgrades and expansion in the United States, the United Kingdom and Canada and expenditures related to vertically integrating our manufacturing capabilities.

### ***Cash Flow Management***

We believe that a strong financial position will enable us to capitalize on opportunities in the marketplace. As a result, we continuously review and improve the effectiveness of our cash management processes. We strive to achieve the most optimal working capital level, rationalize our capital expenditures and continuously drive operating cost improvements to enhance cash flow.

### ***Pursue Select Acquisitions***

We believe that opportunities exist for us to enhance our scale, reduce fixed manufacturing costs and broaden our product portfolio. In August 2010, we completed the acquisition of substantially all of the assets and liabilities of Cliffstar Corporation ( Cliffstar ) and its affiliated companies (the Cliffstar Acquisition ) for an aggregate purchase price of \$552.8 million, which provided us with a foothold in the North America private-label juice market. In March of 2012, our U.K. reporting segment acquired a beverage and wholesale business based in Scotland for approximately \$5.0 million. The business acquisition provided increased product offerings, logistical synergies and access to an additional production line. We intend to continue to evaluate and pursue strategic opportunities to enhance our industry position, strengthen our business and build value for our shareholders.

### **Principal Markets and Products**

We estimate that as of the end of 2012, we produced (either directly or through third party manufacturers with whom we have co-packing agreements) a majority of all retailer brand CSDs and juice sold in the United States, as well as a majority of all retailer brand CSDs and sports and energy products sold in the United Kingdom.

We have a diversified product portfolio across major beverage categories, including beverages that are on-trend with consumer demand. In 2012, CSDs, juice, concentrate, and all other products represented 39.1%, 24.2%, 1.9% and 34.8% as a percentage of revenue, respectively. In 2011, CSDs, juice, concentrate, and all other products represented 40.7%, 25.8%, 1.6% and 31.9% as a percentage of revenue, respectively. In 2010, CSDs, juice, concentrate, and all other products represented 50.4%, 13.1%, 2.2% and 34.3% as a percentage of revenue, respectively.

We believe that opportunities exist to increase sales of beverages in our core markets by leveraging existing customer relationships, capitalizing on cross-selling and up-selling opportunities, obtaining new customers, manufacturing beverages (including alcoholic beverages) on a contract basis for new and existing customers, exploring new channels of distribution and introducing new products.

### **Restructuring Initiatives**

In 2007, we implemented the North American Realignment and Cost Reduction Plan (the North American Plan ) to consolidate the management of our Canadian and U.S. businesses to a North American basis, among other objectives. In 2010, we paid the remaining lease termination costs incurred in connection with the North American Plan.

We did not incur any restructuring charges in 2012 or 2011, and we do not anticipate incurring any additional restructuring charges related to the North American Plan in the future.

### **Financial Information about Segments**

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For financial information about reporting segments and geographic areas, see Note 9 to the consolidated financial statements contained in this Annual Report on Form 10-K.

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### **Manufacturing and Distribution Network**

Substantially all of our beverages are manufactured in facilities that we, or third-party manufacturers with whom we have long-term co-packing agreements, either own or lease. We rely on third parties to produce and distribute products in areas or markets where we do not have our own production facilities, such as in continental Europe, or when additional production capacity is required.

Our products are either picked up by our customers at our facilities or delivered by us, a common carrier, or third-party distributors to our customers' distribution centers or to retail locations.

### **Ingredient and Packaging Supplies**

In addition to water, the principal raw materials required to produce our products are aluminum cans and ends, PET bottles, caps and preforms, labels, cartons and trays, sweeteners, such as HFCS and sugar, fruit concentrates and fruit. The cost of these raw materials can fluctuate substantially over time.

Under many of our supply arrangements for these raw materials, the price we pay fluctuates along with certain changes in underlying commodity costs, such as aluminum in the case of cans and ends, resin in the case of PET bottles, caps and preforms, corn in the case of HFCS, fruit and fruit concentrates. We believe that we will be able to either renegotiate contracts with these suppliers when they expire or find alternative sources for supply. We also believe there is adequate supply of the ingredient and packaging materials used to produce and package our products.

Generally, we bear the risk of increases in the costs of the ingredient and packaging materials used to produce our products, including the underlying costs of the commodities used to manufacture them and, to some extent, the costs of converting those commodities into the materials we purchase.

Aluminum for cans and ends, resin for PET bottles, caps and preforms, corn for HFCS, sugar, fruit and fruit concentrates are examples of underlying commodities for which we bear the risk of increases in costs. In addition, the contracts for certain of our ingredient and packaging materials permit our suppliers to increase the costs they charge us based on increases in their cost of converting the underlying commodities into the materials we purchase. In certain cases those increases are subject to negotiated limits. Changes in the prices we pay for ingredient and packaging materials occur at times that vary by product and supplier, and take place, on a monthly, quarterly or annual basis.

Crown Cork & Seal USA, Inc. ( CCS ) supplies us with aluminum cans and ends under a contract entered into in 2010 with a multi-year term. The contract provides that CCS will supply our aluminum cans and ends requirements worldwide, subject to certain exceptions. The contract contains pricing mechanisms for certain materials and representations, warranties, indemnities and termination events (including termination events related to bankruptcy or insolvency of either party) that we believe to be customary. In 2012, we had fixed price commitments for a majority of our forecasted aluminum requirements for 2012 and entered into fixed price commitments for a majority of our aluminum requirements for 2013 and a portion of our aluminum requirements for 2014.

PET resin prices have fluctuated significantly in recent years as the price of oil has fluctuated and demand for synthetic fibers has increased. Because PET resin is not a traded commodity, no fixed price mechanism has been implemented, and we expect to pay prevailing market prices for our PET resin needs. Although PET resin is not a traded commodity, at times we are able to enter into short-term fixed price commitments. During 2012, we entered into fixed price commitments for a portion of our PET resin requirements for the second and third quarter of the year.

Corn has a history of volatile price changes. We expect that corn market prices will continue to fluctuate as a result of an increase in the demand for corn-related products such as ethanol. In 2012, we had fixed price commitments for all of our HFCS requirements for 2012 and entered into fixed price commitments for all of our HFCS requirements for 2013. We do not have volume commitments for HFCS.

The sugar market is susceptible to volatility as well. In 2012, we had fixed price commitments for all of our sugar requirements for 2012 and entered into fixed price commitments for all of our sugar requirements for 2013.

Fruit and fruit concentrate prices have been, and we expect them to continue to be, subject to significant volatility. While fruit is available from numerous independent suppliers, these raw materials are subject to fluctuations in price attributable to, among other things, changes in crop size and federal and state agricultural programs. In 2012, we had fixed price commitments for a majority of our fruit concentrate and fruit requirements for 2012 and entered into fixed price commitments for a portion of our fruit concentrate and fruit requirements for 2013.



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### **Trade Secrets, Copyrights, Trademarks and Licenses**

We sell the majority of our beverages under retailer brands to customers who own the trademarks associated with those products. We also own registrations, or applications to register, various trademarks that are important to our worldwide business, including *Cott*<sup>®</sup>, *Red Rain*<sup>®</sup> and *Orient Emporium Tea Co.* in the United States, Canada, and the United Kingdom, *Stars & Stripes*<sup>®</sup>, *Vess*<sup>®</sup>, *Vintage*<sup>®</sup>, *So Clear*<sup>®</sup>, *Shanstar*<sup>®</sup>, *Harvest Classic*<sup>®</sup>, *Chadwick Bay*<sup>®</sup> and *Golden Crown*<sup>®</sup> in the United States, *Emerge*<sup>®</sup>, *Red Rooster*<sup>®</sup>, *MacB*<sup>®</sup>, *Carters*<sup>®</sup>, and *Ben Shaws*<sup>®</sup> in the United Kingdom, *Stars & Stripes*<sup>®</sup> in Mexico, and *RC*<sup>®</sup> in more than 100 countries and territories outside of North America. Moreover, we are licensed to use certain trademarks such as *Old Jamaica Ginger Beer* and *Ting* in the United Kingdom. The licenses to which we are a party are of varying terms, including some that are perpetual. Trademark ownership is generally of indefinite duration when marks are properly maintained in commercial use.

Our success depends in part on our intellectual property, which includes trade secrets in the form of concentrate formulas for our beverages and trademarks for the names of the beverages we sell. To protect this intellectual property, we rely principally on registration of trademarks, contractual responsibilities and restrictions in agreements (such as indemnification, nondisclosure and confidentiality agreements) with employees, consultants and customers, and on the common law and/or statutory protections afforded to trademarks, copyrights, trade secrets and proprietary know-how. We also closely monitor the use of our trademarks and when necessary vigorously pursue any party that infringes on our trademarks, using all available legal remedies.

### **Seasonality of Sales and Working Capital**

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

### **Customers**

A significant portion of our revenue is concentrated in a small number of customers. Our customers include many large national and regional grocery, mass-merchandise, drugstore, wholesale and convenience store chains, as well as customers for whom we manufacture beverages on a contract basis. For 2012, sales to Walmart accounted for 31.0% (2011 31.6%, 2010 31.0%) of our total revenue, 36.3% of our North America reporting segment revenue (2011 35.9%, 2010 35.3%), 14.9% of our U.K. reporting segment revenue (2011 14.6%, 2010 16.6%) and 21.6% of our Mexico reporting segment revenue (2011 44.7%, 2010 38.9%). Walmart was the only customer that accounted for more than 10% of our total revenue in those periods. Sales to our top ten customers in 2012, 2011 and 2010 accounted for 54.2%, 55.1% and 55.4%, respectively, of our total revenue. We expect that sales of our products to a limited number of customers will continue to account for a high percentage of revenue for the foreseeable future. The loss of any customers that individually or in the aggregate represent a significant portion of our revenue, or a decline in sales to these customers, would have a material adverse effect on our operating results and cash flow.

We supply Walmart and its affiliated companies, under annual non-exclusive supply agreements, with a variety of products in the United States, Canada, the United Kingdom, and Mexico, including CSDs, clear, still and sparkling flavored waters, 100% shelf stable juice, juice-based products, bottled water, energy products, sports products, new age beverages, and ready-to-drink teas. In 2012, we supplied Walmart with all of its private-label CSDs in the United States. In the event Walmart were to utilize additional suppliers to fulfill a portion of its requirements for CSDs, our operating results could be materially adversely affected.

### **Research and Development**

We engage in a variety of research and development activities. These activities principally involve the development of new products, improvement in the quality of existing products, improvement and modernization of production processes, and the development and implementation of new technologies to enhance the quality and value of both current and proposed product lines. Consumer research is excluded from research and development costs and included in other marketing costs. Research and development costs were \$2.8 million in 2012, \$2.5 million in 2011 and \$3.1 million in 2010 and are included as a component of selling, general and administrative expenses.



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### **Competition**

We compete against a wide range of companies that produce, directly and on a contract basis, and sell beverages including 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, and alcoholic beverages. While CSDs and CSD concentrate accounted for 63.0% of our 2012 case volume, they accounted for 41.1% of our 2012 revenue. The non-CSD products generated 37.0% of our 2012 case volume and 58.9% of our 2012 revenue.

We compete principally in the non-alcoholic beverages category, which is highly competitive in each region in which we operate. Competition for incremental volume is intense. The brands owned by the four major national soft drink companies, Coca-Cola, Pepsi, Nestle Waters North America and Dr. Pepper Snapple (formerly Cadbury Schweppes), control 69% of the total CSD and alternative beverage category within the United States. These companies have significant financial resources and spend heavily on promotional programs. They also have direct store delivery systems in North America, which enable their personnel to visit retailers frequently to promote new items, stock shelves and build displays. We also face competition in the juice category from juice brands such as Welch's, Ocean Spray and Mott's.

In addition, we face competition in North America, the United Kingdom and Mexico from regional beverage manufacturers who sell aggressively-priced brands and, in many cases, also supply retailer brand products. A few larger U.S. retailers also self-manufacture products for their own needs and continually approach other retailers seeking additional business.

We seek to differentiate ourselves from our competitors by offering our customers efficient distribution methods, high-quality products, category management strategies, packaging and marketing strategies, and superior service.

### **Government Regulation and Environmental Matters**

The production, distribution and sale in the United States of many of our products are subject to the Federal Food, Drug, and Cosmetic Act, the Federal Trade Commission Act, the Lanham Act, state consumer protection laws, federal, state and local workplace health and safety laws, various federal, state and local environmental protection laws and various other federal, state and local statutes and regulations applicable to the production, transportation, sale, safety, advertising, labeling and ingredients of such products. Outside the United States, the production, distribution and sale of our many products and related operations are also subject to numerous similar and other statutes and regulations.

A number of states have passed laws setting forth warning or labeling requirements relating to products made for human consumption. For example, the California law known as Proposition 65 requires that a specific warning appear on any product sold in California containing a substance listed by that state as having been found to cause cancer or reproductive toxicity. This law, and others like it, exposes all food and beverage producers to the possibility of having to provide warnings on their products. The detection of even a trace amount of a listed substance can subject an affected product to the requirement of a warning label, although products containing listed substances that occur naturally or that are contributed to such products solely by a municipal water supply are generally exempt from the warning requirement. From time to time over the past several years, certain of our customers have received notices alleging that the labeling requirements of the relevant state regulation would apply to products manufactured by us and sold by them. There can be no assurance that we will not be adversely affected by actions against our customers or us relating to Proposition 65 or similar failure to warn laws.

We currently offer and use non-refillable recyclable containers in the United States and other countries around the world. We also offer and use refillable containers, which are also recyclable. Legal requirements apply in various jurisdictions in the United States and other countries requiring that deposits or certain ecotaxes or fees be charged for the sale, marketing and use of certain non-refillable beverage containers. The precise requirements imposed by these measures vary. Other types of beverage container-related deposit, recycling, ecotax and/or product stewardship statutes and regulations also apply in various jurisdictions in the United States and overseas. We anticipate that additional, similar legal requirements may be proposed or enacted in the future at local, state and federal levels, both in the United States and elsewhere.

All of our beverage production facilities and other operations are subject to various environmental protection statutes and regulations, including those of the U.S. Environmental Protection Agency, which pertain to the use of water resources and the discharge of waste water. Failure to comply with these regulations can have serious consequences, including civil and administrative penalties. Compliance with these provisions has not had, and we do not expect such compliance to have, any material adverse effect on our Company's capital expenditures, net income or competitive position. However, as discussed below, changes in how the Ontario Ministry of the Environment enforces the Ontario Environmental Protection Act could result in our having to make material expenditures for environmental compliance.



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Subject to the terms and conditions of the applicable policies, we have coverage for product recalls and product liability claims that could result from the injury, illness or death of consumers using our products, contamination of our products, or damage to or mislabeling of our products.

### **The Ontario Environmental Protection Act ( OEPA )**

OEPA regulations provide that a minimum percentage of a bottler's soft drink sales within specified areas in Ontario must be made in refillable containers. The penalty for non-compliance is a fine of \$50,000 per day beginning upon when the first offense occurs and continues until the first conviction, and then increasing to \$100,000 per day for each subsequent conviction. These fines may be increased to equal the amount of monetary benefit acquired by the offender as a result of the commission of the offense.

We, and we believe other industry participants, are currently not in compliance with the requirements of the OEPA. To comply with these requirements we, and we believe many other industry participants, would have to significantly increase sales in refillable containers to a minimum refillable sales ratio of 30%. We do not expect to be in compliance with these regulations in the foreseeable future. Ontario is not enforcing the OEPA at this time, despite the fact that it is still in effect and not amended, but if it chooses to enforce it in the future, we could incur fines for non-compliance and the possible prohibition of sales of soft drinks in non-refillable containers in Ontario. We estimate that approximately 3% of our Canada operating segment sales would be affected by the possible limitation of sales of soft drinks in non-refillable containers in Ontario if the Ontario Ministry of the Environment initiated an action to enforce the provisions of the OEPA against us. Moreover, the Ontario Ministry of the Environment released a report in 1997 stating that these OEPA regulations are outdated and unworkable. However, despite the unworkable nature of the OEPA regulations, they have not yet been revoked.

We believe that the magnitude of the potential fines that we could incur if the Ontario Ministry of the Environment chose to enforce these regulations is such that the costs to us of non-compliance could be, although are not contemplated to be, material. However, our management believes that probability of such enforcement is remote.

### **Employees**

As of December 29, 2012, we had 3,960 employees, of whom 2,731 were in the North America reporting segment, 937 were in the U.K. reporting segment, 277 were in the Mexico reporting segment and 15 were in the combined RCI/All Other reporting segments. We have entered into collective bargaining agreements covering 826 employees in the United States, Canada and Mexico that contain terms that we believe are typical in the beverage industry. As these agreements expire, we believe that they can be renegotiated on terms satisfactory to us. We consider our relations with employees to be generally good.

### **Availability of Information and Other Matters**

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC and Canadian securities regulatory authorities. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information in the Public Reference Room may be obtained by calling the SEC at 1-800-551-8090. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file with the SEC at [www.sec.gov](http://www.sec.gov). Information filed with the Canadian securities regulatory authorities is available at [www.sedar.com](http://www.sedar.com).

Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are also available free of charge on our website at [www.cott.com](http://www.cott.com), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The information found on our website is not part of this or any other report that we file with, or furnish to, the SEC or to Canadian securities regulatory authorities.

We are responsible for establishing and maintaining adequate internal control over financial reporting as required by the SEC. See Management's Report on Internal Control over Financial Reporting in Item 9A.

## **ITEM 1A. RISK FACTORS**

In addition to the other information set forth in this report, you should carefully consider the following factors, which could materially affect our business, financial condition or future results. The risks described below are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations.



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### **We may be unable to compete successfully in the highly competitive beverage category.**

The markets for our products are extremely competitive. In comparison to the major national brand beverage manufacturers, we are a relatively small participant in the industry. We face competition from the national brand beverage manufacturers in all of our markets, from other retailer brand beverage manufacturers and from other contract beverage manufacturers. If our competitors reduce their selling prices, increase the frequency of their promotional activities in our core market or enter into the production of private-label products or expand their contract manufacturing efforts, or if our customers do not allocate adequate shelf space for the beverages we supply, we could experience a decline in our volumes, be forced to reduce pricing, forgo price increases required to offset increased costs of raw materials and fuel, increase capital and other expenditures, or lose market share, any of which could adversely affect our profitability.

### **We may not be able to respond successfully to consumer trends related to our products.**

Consumer trends with respect to the products we sell are subject to change. Consumers are seeking increased variety in their beverages, and there is a growing interest among consumers, public health officials and government officials regarding the ingredients in our products, the attributes of those ingredients and health and wellness issues generally. In addition, some researchers, health advocates and dietary guidelines are encouraging consumers to reduce consumption of sugar-sweetened beverages, including those sweetened with HFCS or other nutritive sweeteners. As a result, consumer demand has declined for full-calorie CSDs and consumer demand has increased for products associated with health and wellness, such as reduced-calorie CSDs, water, enhanced water, teas and certain other non-carbonated beverages. Consumer preferences may change due to a variety of other factors, including the aging of the general population, changes in social trends, the real or perceived impact that the manufacturing of our products has on the environment, changes in consumer demographics, changes in travel, vacation or leisure activity patterns, negative publicity resulting from regulatory action or litigation against companies in the industry, or a downturn in economic conditions. Any of these changes may reduce consumers' demand for our products. There can be no assurance that we can develop or be a fast follower of innovative products that respond to consumer trends. Our failure to develop innovative products could put us at a competitive disadvantage in the marketplace and our business and financial results could be adversely affected.

### **Because a small number of customers account for a significant percentage of our sales, the loss of or reduction in sales to any significant customer could have a material adverse effect on our results of operations and financial condition.**

A significant portion of our revenue is concentrated in a small number of customers. Our customers include many large national and regional grocery, mass-merchandise, drugstore, wholesale and convenience store chains in our core markets of North America, the United Kingdom and Mexico, as well as customers for whom we manufacture beverages on a contract basis. Sales to Walmart, our top customer in 2012, 2011 and 2010 accounted for 31.0%, 31.6% and 31.0%, respectively, of our total revenue. Sales to our top ten customers in 2012, 2011 and 2010 accounted for 54.2%, 55.1% and 55.4%, respectively, of our total revenue. We expect that sales of our products to a limited number of customers will continue to account for a high percentage of our revenue for the foreseeable future.

The loss of Walmart or any significant customer, or customers that in the aggregate represent a significant portion of our revenue, or a material reduction in the amount of business we undertake with any such customer or customers, could have a material adverse effect on our operating results and cash flows. Furthermore, we could be adversely affected if Walmart or any significant customer reacts unfavorably to any pricing of our products or decides to de-emphasize or reduce their product offerings in the categories with which we supply them. At December 29, 2012, we had \$225.0 million of customer relationships recorded as an intangible asset. The permanent loss of any customer included in the intangible asset would result in impairment in the value of the intangible asset or accelerated amortization and could lead to an impairment of fixed assets that were used to service that client.

### **Our ingredients, packaging supplies and other costs are subject to price increases and we may be unable to effectively pass rising costs on to our customers.**

We typically bear the risk of changes in prices on the ingredient and packaging in our products. The majority of our ingredient and packaging supply contracts allow our suppliers to alter the prices they charge us based on changes in the costs of the underlying commodities that are used to produce them. Aluminum for cans and ends, resin for PET bottles, caps and preforms, corn for HFCS, sugar, fruit and fruit concentrates are examples of these underlying commodities. In addition, the contracts for certain of our ingredient and packaging materials permit our suppliers to increase the costs they charge us based on increases in their cost of converting those underlying commodities into the materials that we purchase. In certain cases those increases are subject to negotiated limits. These changes in the prices we pay for ingredient and packaging materials occur at times that vary by product and supplier, and take place, on a monthly, quarterly or annual basis.



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We are at risk with respect to fluctuating aluminum prices. In 2012, we had fixed price commitments for a majority of our forecasted aluminum requirements for 2012, and entered into fixed price commitments for a majority of our aluminum requirements for 2013 and a portion of our requirements for 2014. Because PET resin is not a traded commodity, no fixed price mechanism has been implemented, and we are accordingly also at risk with respect to changes in PET prices. Corn, and thus HFCS, has a history of volatile price changes. In 2012, we had fixed price commitments for all of our HFCS requirements for 2012, and entered into fixed price commitments for all our HFCS requirements for 2013. Sugar also has a history of volatile price changes. We entered into fixed price commitments for all of our sugar requirements for 2012 and 2013. Fruit and fruit concentrate prices have been, and we expect them to continue to be, subject to significant volatility. While they are available from numerous independent suppliers, these raw materials are subject to fluctuations in price attributable to, among other things, changes in crop size and federal and state agricultural programs. In 2012, we had fixed price commitments for a majority of our fruit concentrate and fruit requirements for 2012 and have entered into fixed price commitments for a portion of our fruit concentrate and fruit requirements for 2013. If the cost of commodities for which we have entered into fixed price commitments decreases, we will not be able to take advantage of such decreased costs.

Accordingly, we bear the risk of fluctuations in the costs of these ingredient and packaging materials, including the underlying costs of the commodities used to manufacture them and, to some extent, the costs of converting those commodities into the materials we purchase. We currently do not use derivatives to manage this risk. If the cost of these ingredients or packaging materials increases, we may be unable to pass these costs along to our customers through adjustments to the prices we charge. If we cannot pass on these increases to our customers on a timely basis, they could have a material adverse effect on our results of operations. If we are able to pass these costs on to our customers through price increases, the impact those increased prices could have on our volumes is uncertain.

Our beverage and concentrate production facilities use a significant amount of electricity, natural gas and other energy sources to operate. Fluctuations in the price of fuel and other energy sources for which we have not locked in long-term pricing commitments or arrangements would affect our operating costs, which could impact our profitability.

**If we fail to manage our operations successfully, our business and financial results may be materially and adversely affected.**

In recent years, we have grown our business and beverage offerings primarily through the acquisition of other companies, development of new product lines and growth with key customers. We believe that opportunities exist to increase sales of beverages in our markets by leveraging existing customer relationships, obtaining new customers, exploring new channels of distribution, introducing new products or identifying appropriate acquisition or strategic alliance candidates. The success of this strategy with respect to acquisitions depends on our ability to manage and integrate acquisitions and alliances into our existing business. Furthermore, the businesses or product lines that we acquire or align with may not be integrated successfully into our business or prove profitable. In addition to the foregoing factors, our ability to expand our business in foreign countries is also dependent on, and may be limited by, our ability to comply with the laws of the various jurisdictions in which we may operate, as well as changes in local government regulations and policies in such jurisdictions. If we fail to manage the geographic allocation of production capacity surrounding customer demand in North America, we may lose certain customer product volume or have to utilize co-packers to fulfill our customer capacity obligations, either of which could negatively impact our financial results.

**Our geographic diversity subjects us to the risk of currency fluctuations.**

We conduct operations in many areas of the world, involving transactions denominated in a variety of currencies. We are subject to currency exchange rate risk to the extent that our costs are denominated in currencies other than those in which we earn revenues. In addition, because our financial statements are denominated in U.S. dollars, changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on our results of operations. While we may enter into financial transactions to address these risks, there can be no assurance that currency exchange rate fluctuations will not adversely affect our results of operations, financial condition and cash flows. In addition, while the use of currency hedging instruments may provide us with protection from adverse fluctuations in currency exchange rates, by utilizing these instruments we potentially forego the benefits that might result from favorable fluctuations in currency exchange rates.

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### **If we are unable to maintain relationships with our raw material suppliers, we may incur higher supply costs or be unable to deliver products to our customers.**

In addition to water, the principal raw materials required to produce our products are aluminum cans and ends, PET bottles, caps and preforms, labels, cartons and trays, sweeteners, such as HFCS and sugar, fruit and fruit concentrates. We rely upon our ongoing relationships with our key suppliers to support our operations.

We typically enter into annual or multi-year supply arrangements with our key suppliers, meaning that our suppliers are obligated to continue to supply us with materials for one-year or multi-year periods, at the end of which we must either renegotiate the contracts with those suppliers or find alternative sources for supply. There can be no assurance that we will be able to either renegotiate contracts (with similar or more favorable terms) with these suppliers when they expire or, alternatively, if we are unable to renegotiate contracts with our key suppliers, there can be no assurance that we could replace them. We could also incur higher ingredient and packaging supply costs in renegotiating contracts with existing suppliers or replacing those suppliers, or we could experience temporary disruptions in our ability to deliver products to our customers, either of which could have a material adverse effect on our results of operations.

With respect to some of our key packaging supplies, such as aluminum cans and ends, and some of our key ingredients, such as sweeteners, we have entered into long-term supply agreements, the remaining terms of which range from 12 to 60 months, and therefore we are assured of a supply of those key packaging supplies and ingredients during such terms. CCS supplies aluminum cans and ends under a contract with a multi-year term. The contract provides that CCS will supply our aluminum can and end requirements worldwide, subject to certain exceptions. In addition, the supply of specific ingredient and packaging materials could be adversely affected by many factors, including industry consolidation, energy shortages, governmental controls, labor disputes, natural disasters, transportation interruption, political instability, acts of war or terrorism and other factors.

### **We have a significant amount of outstanding debt, which could adversely affect our financial health and future cash flows may not be sufficient to meet our obligations.**

As of December 29, 2012, our total debt was \$605.8 million. Our present debt and any future borrowings could have important adverse consequences to us and our investors, including:

requiring a substantial portion of our cash flow from operations to make interest payments on this debt;

making it more difficult to satisfy debt service and other obligations;

increasing the risk of a future credit ratings downgrade of our debt, which would increase future debt costs;

increasing our vulnerability to general adverse economic and industry conditions;

reducing the cash flow available for share repurchases, to pay dividends, and to fund capital expenditures and other corporate purposes and to grow our business;

limiting our flexibility in planning for, or reacting to, changes in our business and the industry;

placing us at a competitive disadvantage to our competitors that may not be as highly leveraged; and

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limiting our ability to borrow additional funds as needed or take advantage of business opportunities, such as acquisitions, as they arise, pay cash dividends or repurchase common stock.

To the extent we become more leveraged, the risks described above would increase. In addition, our actual cash requirements in the future may be greater than expected. We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us in amounts sufficient to enable us to pay our debt or to fund our other liquidity needs.

If we fail to generate sufficient cash flow from future operations to meet our debt service obligations, we may need to refinance all or a portion of our debt on or before maturity. We cannot assure you that we will be able to refinance any of our debt on attractive terms, commercially reasonable terms or at all. If we cannot service or refinance our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances, any of which could impede the implementation of our business strategy, prevent us from entering into transactions that would otherwise benefit our business and/or have a material adverse effect on our financial condition and results of operations. Our future operating performance and our ability to service or refinance our debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

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**Our asset-based lending ( ABL ) facility, the indenture governing the 2017 Notes, and the indenture governing the 2018 Notes each contain various covenants limiting the discretion of our management in operating our business, which could prevent us from capitalizing on business opportunities and taking some corporate actions.**

Our ABL facility, the indenture governing the \$215.0 million of senior notes that are due on November 15, 2017 (the 2017 Notes ), and the indenture governing the \$375.0 million of senior notes that are due on September 1, 2018 (the 2018 Notes ) each impose significant operating and financial restrictions on us. These restrictions will limit or restrict, among other things, our ability and the ability of our restricted subsidiaries to:

incur additional indebtedness;

make restricted payments (including paying dividends on, redeeming, repurchasing or retiring our capital stock);

make investments;

create liens;

sell assets;

enter into agreements restricting our subsidiaries ability to pay dividends, make loans or transfer assets to us;

engage in transactions with affiliates; and

consolidate, merge or sell all or substantially all of our assets.

These covenants are subject to important exceptions and qualifications. In addition, our ABL facility also requires us, under certain circumstances, to maintain compliance with certain financial covenants as described in the Covenant Compliance section in Item 7. Our ability to comply with this covenant may be affected by events beyond our control, including those described in this Risk Factors section. A breach of any of the covenants contained in our ABL facility, including our inability to comply with the financial covenant, could result in an event of default, which would allow the lenders under our ABL facility to declare all borrowings outstanding to be due and payable, which would in turn trigger an event of default under the indenture governing the 2017 Notes and the indenture governing the 2018 Notes and, potentially, our other debt. At maturity or in the event of an acceleration of payment obligations, we would likely be unable to pay our outstanding debt with our cash and cash equivalents then on hand. We would, therefore, be required to seek alternative sources of funding, which may not be available on commercially reasonable terms, terms as favorable as our current agreements or at all, or face bankruptcy. If we are unable to refinance our debt or find alternative means of financing our operations, we may be required to curtail our operations or take other actions that are inconsistent with our current business practices or strategy. For additional information about our ABL facility, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

**A portion of our debt may be variable rate debt, and changes in interest rates could adversely affect us by causing us to incur higher interest costs with respect to such variable rate debt.**

Our ABL facility subjects us to interest rate risk. The rate at which we pay interest on amounts borrowed under such facility fluctuates with changes in interest rates and our debt leverage. Accordingly, with respect to any amounts from time to time outstanding under our ABL facility, we are and will be exposed to changes in interest rates. If we are unable to adequately manage our debt structure in response to changes in the market, our interest expense could increase, which would negatively impact our financial condition and results of operations. As of December 29, 2012 we had no variable rate debt.



**Our financial results may be negatively impacted by global financial events.**

In recent years, global financial events have resulted in the consolidation, failure or near failure of a number of institutions in the banking, insurance and investment banking industries and have substantially reduced the ability of companies to obtain financing. These events also adversely affected the financial markets. These events could continue to have a number of different effects on our business, including:

a reduction in consumer spending, which could result in a reduction in our sales volume;

a negative impact on the ability of our customers to timely pay their obligations to us or our vendors to timely supply materials, thus reducing our cash flow;

an increase in counterparty risk;

an increased likelihood that one or more members of our banking syndicate may be unable to honor its commitments under our ABL facility; and

restricted access to capital markets that may limit our ability to take advantage of business opportunities, such as acquisitions.

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Other events or conditions may arise or persist directly or indirectly from the global financial events that could negatively impact our business.

### **We may not fully realize the expected cost savings and/or operating efficiencies from our restructuring activities.**

We have in the past implemented, and may in the future implement, restructuring activities to support the implementation of key strategic initiatives designed to achieve long-term sustainable growth. These activities are intended to maximize our operating effectiveness and efficiency and to reduce our costs. We cannot be assured that we will achieve or sustain the targeted benefits under these programs or that the benefits, even if achieved, will be adequate to meet our long-term growth expectations. In addition, the implementation of key elements of these activities may have an adverse impact on our business, particularly in the near-term.

### **Substantial disruption to production at our beverage concentrates or other beverage production facilities could occur.**

A disruption in production at our beverage concentrates production facility, which manufactures almost all of our concentrates, could have a material adverse effect on our business. In addition, a disruption could occur at any of our other facilities or those of our suppliers, bottlers or distributors. The disruption could occur for many reasons, including fire, natural disasters, weather, manufacturing problems, disease, strikes, transportation interruption, government regulation or terrorism. Alternative facilities with sufficient capacity or capabilities may not be available, may cost substantially more or may take a significant time to start production, each of which could negatively affect our business and financial performance.

### **Our success depends, in part, on our intellectual property, which we may be unable to protect.**

We possess certain intellectual property that is important to our business. This intellectual property includes trade secrets, in the form of the concentrate formulas for most of the beverages that we produce, and trademarks for the names of the beverages that we sell. While we own certain of the trademarks used to identify our beverages, other trademarks are used through licenses from third parties or by permission from our customers. Our success depends, in part, on our ability to protect our intellectual property.

To protect this intellectual property, we rely principally on registration of trademarks, contractual responsibilities and restrictions in agreements (such as indemnification, nondisclosure and confidentiality agreements) with employees, consultants and customers, and on common law and statutory protections afforded to trademarks, trade secrets and proprietary know-how. In addition, we vigorously protect our intellectual property against infringements using any and all legal remedies available. Notwithstanding our efforts, we may not be successful in protecting our intellectual property for a number of reasons, including:

our competitors may independently develop intellectual property that is similar to or better than ours;

employees, consultants or customers may not abide by their contractual agreements and the cost of enforcing those agreements may be prohibitive, or those agreements may prove to be unenforceable or more limited than anticipated;

foreign intellectual property laws may not adequately protect our intellectual property rights; and

our intellectual property rights may be successfully challenged, invalidated or circumvented.

If we are unable to protect our intellectual property, our competitive position would weaken and we could face significant expense to protect or enforce our intellectual property rights. At December 29, 2012, we had \$45.0 million of rights and \$5.5 million of trademarks recorded as intangible assets.

Occasionally, third parties may assert that we are, or may be, infringing on or misappropriating their intellectual property rights. In these cases, we intend to defend against claims or negotiate licenses when we consider these actions appropriate. Intellectual property cases are uncertain and involve complex legal and factual questions. If we become involved in this type of litigation, it could consume significant resources and divert our attention from business operations.

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If we are found to infringe on the intellectual property rights of others, we could incur significant damages, be enjoined from continuing to manufacture, market or use the affected product, or be required to obtain a license to continue manufacturing or using the affected product. A license could be very expensive to obtain or may not be available at all. Similarly, changing products or processes to avoid infringing the rights of others may be costly or impracticable.

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**Our products may not meet health and safety standards or could become contaminated and we could be liable for injury, illness or death caused by consumption of our products.**

We have adopted various quality, environmental, health and safety standards. However, our products may still not meet these standards or could otherwise become contaminated. A failure to meet these standards or contamination could occur in our operations or those of our bottlers, distributors or suppliers. This could result in expensive production interruptions, recalls and liability claims. We may be liable to our customers if the consumption of any of our products causes injury, illness or death. Moreover, negative publicity could be generated from false, unfounded or nominal liability claims or limited recalls. Any of these failures or occurrences could have a material adverse effect on our results of operations or cash flows.

**Litigation or legal proceedings could expose us to significant liabilities and damage our reputation.**

We are party to various litigation claims and legal proceedings. We evaluate these claims and proceedings to assess the likelihood of unfavorable outcomes and estimate, if possible, the amount of potential losses. We may establish a reserve as appropriate based upon assessments and estimates in accordance with our accounting policies. We base our assessments, estimates and disclosures on the information available to us at the time and rely on legal and management judgment. Actual outcomes or losses may differ materially from assessments and estimates. Actual settlements, judgments or resolutions of these claims or proceedings may negatively affect our business and financial performance. For more information, see Item 3. Legal Proceedings.

**Changes in the legal and regulatory environment in the jurisdictions in which we operate could increase our costs or reduce our revenues, adversely affect demand for our products or result in litigation.**

As a producer of beverages, we must comply with various federal, state, provincial, local and foreign laws relating to production, packaging, quality, labeling and distribution, including, in the United States, those of the federal Food, Drug and Cosmetic Act, the Fair Packaging and Labeling Act, the Federal Trade Commission Act, the Nutrition Labeling and Education Act and California Proposition 65. We are also subject to various federal, state, provincial, local and foreign environmental laws and workplace regulations. These laws and regulations include, in the United States, the Occupational Safety and Health Act, the Unfair Labor Standards Act, the Clean Air Act, the Clean Water Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Resource Conservation and Recovery Act, the Federal Motor Carrier Safety Act, laws governing equal employment opportunity, customs and foreign trade laws and regulations, laws relating to the maintenance of fuel storage tanks, laws relating to water consumption and treatment, and various other federal statutes and regulations. These laws and regulations may change as a result of political, economic, or social events. Such regulatory changes may include changes in food and drug laws, laws related to advertising, accounting standards, taxation requirements, competition laws and environmental laws, including laws relating to the regulation of water rights and treatment. Changes in laws, regulations or government policy and related interpretations may alter the environment in which we do business, which may impact our results or increase our costs or liabilities.

A number of states have passed laws setting forth warning or labeling requirements relating to products made for human consumption. For example, the California law known as Proposition 65 requires that a specific warning appear on any product sold in California containing a substance listed by that state as having been found to cause cancer or reproductive toxicity. This law, and others like it, exposes all food and beverage producers to the possibility of having to provide warnings on their products. The detection of even a trace amount of a listed substance can subject an affected product to the requirement of a warning label, although products containing listed substances that occur naturally or that are contributed to such products solely by a municipal water supply are generally exempt from the warning requirement. From time to time over the past several years, certain of our customers have received notices alleging that the labeling requirements of the relevant state regulation would apply to products manufactured by us and sold by them. There can be no assurance that we will not be adversely affected by actions against our customers or us relating to Proposition 65 or similar failure to warn laws: were any such claim to be pursued or succeed, we might in some cases be required to indemnify our customers for damages, and our products might be required to bear warning labels in order to be sold in certain states. Any negative media attention, adverse publicity or action arising from allegations of violations could adversely impact consumer perceptions of our products and harm our business.

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

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

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### **We are not in compliance with the requirements of the OEPA and, if the Ontario government seeks to enforce those requirements or implements modifications to them, we could be adversely affected.**

Certain regulations under the OEPA provide that a minimum percentage of a bottler's soft drink sales within specified areas in Ontario must be made in refillable containers. The penalty for non-compliance is a fine of \$50,000 per day beginning when the first offense occurs and continuing until the first conviction, and then increasing to \$100,000 per day for each subsequent conviction. These fines may be increased to equal the amount of monetary benefit acquired by the offender as a result of the commission of the offense. We, and we believe other industry participants, are currently not in compliance with the requirements of the OEPA. We do not expect to be in compliance with these regulations in the foreseeable future. Ontario is not enforcing the OEPA at this time, but if it chose to enforce the OEPA in the future, we could incur fines for non-compliance and the possible prohibition of sales of soft drinks in non-refillable containers in Ontario. We estimate that approximately 3% of our Canada operating segment sales would be affected by the possible limitation on sales of soft drinks in non-refillable containers in Ontario if the Ontario Ministry of the Environment initiated an action to enforce the provisions of the OEPA.

### **Adverse weather conditions could affect our supply chain and reduce the demand for our products.**

Severe weather conditions and natural disasters, such as freezes, frosts, floods, hurricanes, tornados, droughts or earthquakes and crop diseases may affect our facilities and our supply of raw materials such as fruit. If the supply of any of our raw materials is adversely affected by weather conditions, it may result in increased raw material costs and there can be no assurance that we will be able to obtain sufficient supplies from other sources. In addition, the sales of our products are influenced to some extent by weather conditions in the markets in which we operate. Unusually cold or rainy weather during the summer months may reduce the demand for our products and contribute to lower revenues, which could negatively impact our profitability.

### **Global or regional catastrophic events could impact our operations and financial results.**

Our business can be affected by large-scale terrorist acts, especially those directed against the United States or other major industrialized countries in which we do business, major natural disasters, or widespread outbreaks of infectious diseases. Such events could impair our ability to manage our business, could disrupt our supply of raw materials, and could impact production, transportation and delivery of products. In addition, such events could cause disruption of regional or global economic activity, which can affect consumers' purchasing power in the affected areas and, therefore, reduce demand for our products.

### **Our success depends in part upon our ability to recruit, retain and prepare succession plans for our CEO, CFO, senior management and key employees.**

The performance of our CEO, CFO, senior management and other key employees is critical to our success. We plan to continue to invest time and resources in developing our senior management and key employee teams. Our long-term success will depend on our ability to recruit and retain capable senior management and other key employees, and any failure to do so could have a material adverse effect on our future operating results and financial condition. Further, if we fail to adequately plan for the succession of our CEO, CFO, senior management and other key employees, our operating results could be adversely affected.

### **Changes in future business conditions could cause business investments and/or recorded goodwill, indefinite life intangible assets or other intangible assets to become impaired, resulting in substantial losses and write-downs that would negatively impact our results of operations.**

As part of our overall strategy, we will, from time to time, make investments in other businesses. These investments are made upon careful target analysis and due diligence procedures designed to achieve a desired return or strategic objective. These procedures often involve certain assumptions and judgment in determining investment amount or acquisition price. After acquisition or investment, unforeseen issues could arise that adversely affect anticipated returns or that are otherwise not recoverable as an adjustment to the purchase price. Even after careful integration efforts, actual operating results may vary significantly from initial estimates. Goodwill accounted for \$130.3 million of our recorded total assets as of December 29, 2012. We evaluate the recoverability of recorded goodwill amounts annually, or when evidence of potential impairment exists. The annual impairment test is based on several factors requiring judgment and certain underlying assumptions. 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). This asset, which has a net book value of \$45.0 million, is more fully described in Note 1 to the Consolidated Financial Statements.



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As of December 29, 2012, other intangible assets were \$270.4 million, which consisted principally of \$225.0 million of customer relationships that arose from acquisitions, \$13.3 million of financing costs, \$15.0 million of information technology assets, and trademarks of \$5.5 million. Customer relationships are amortized on a straight-line basis for the period over which we expect to receive economic benefits, which is up to 15 years. We review the estimated useful life of these intangible assets annually, taking into consideration the specific net cash flows related to the intangible asset, unless it is required more frequently due to a triggering event such as the loss of a customer. The permanent loss of any customer included in the intangible asset would result in impairment in the value of the intangible asset or accelerated amortization and could lead to an impairment of fixed assets that were used to service that client. Principally, a decrease in expected reporting segment cash flows, changes in market conditions, loss of key customers and a change in our imputed cost of capital may indicate potential impairment of recorded goodwill or the Rights. For additional information on accounting policies we have in place for goodwill impairment, see our discussion under

Critical Accounting Policies and Estimates in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report on Form 10-K and Note 1, Summary of Significant Accounting Policies, in the Notes to the Consolidated Financial Statements.

### **We may not be able to renew collective bargaining agreements on satisfactory terms, or we could experience strikes.**

As of December 29, 2012, 826 of our employees were covered by collective bargaining agreements in the United States, Canada and Mexico. These agreements typically expire every three to five years at various dates. We may not be able to renew our collective bargaining agreements on satisfactory terms or at all. This could result in strikes or work stoppages, which could impair our ability to manufacture and distribute our products and result in a substantial loss of sales. The terms of existing or renewed agreements could also significantly increase our costs or negatively affect our ability to increase operational efficiency.

### **We depend on key information systems and third-party service providers.**

We depend on key information systems to accurately and efficiently transact our business, provide information to management and prepare financial reports. We have typically relied on third-party providers for the majority of our key information systems and business processing services, including hosting our primary data center. In particular, we are in the process of implementing a new SAP software platform to assist us in the management of our business and have also reorganized certain processes within our finance and accounting departments. As a part of the reorganization, we have outsourced certain back office transactional finance processes. If we fail to successfully implement these projects or if the projects do not result in increased operational efficiencies, our operations may be disrupted and our operating expenses could increase, which could adversely affect our financial results.

In addition, these systems and services are vulnerable to interruptions or other failures resulting from, among other things, natural disasters, terrorist attacks, software, equipment or telecommunications failures, processing errors, computer viruses, hackers, other security issues or supplier defaults. Security, backup and disaster recovery measures may not be adequate or implemented properly to avoid such disruptions or failures. Any disruption or failure of these systems or services could cause substantial errors, processing inefficiencies, security breaches, inability to use the systems or process transactions, loss of customers or other business disruptions, all of which could negatively affect our business and financial performance.

### **Our stock price may be volatile.**

Our common stock is traded on the New York Stock Exchange (the NYSE) and Toronto Stock Exchange (TSX). The market price of our common stock has fluctuated substantially in the past and could fluctuate substantially in the future, based on a variety of factors, including future announcements covering us or our key customers or competitors, government regulations, litigation, changes in earnings estimates by analysts, fluctuations in quarterly operating results or general conditions in our industry. Furthermore, stock prices for many companies fluctuate widely for reasons that may be unrelated to their operating results. Those fluctuations and general economic, political and market conditions, such as recessions or international currency fluctuations and demand for our services, may adversely affect the market price of our common stock.

### **We also face other risks that could adversely affect our business, results of operations or financial condition, which include:**

any requirement to restate financial results in the event of inappropriate application of accounting principles or otherwise;

any event that could damage our reputation;

failure of our processes to prevent and detect unethical conduct of employees;

a significant failure of internal controls over financial reporting;



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failure of our prevention and control systems related to employee compliance with internal policies and regulatory requirements; and

failure of corporate governance policies and procedures.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Our business is supported by our extensive manufacturing network and flexible production capabilities. Our manufacturing footprint encompasses 33 strategically located beverage manufacturing and fruit processing facilities, including 20 in the United States, five in Canada, six in the United Kingdom and one in Mexico, as well as one vertically-integrated global concentrate manufacturing facility in Columbus, Georgia.

Total square footage of our beverage production facilities is approximately 3.6 million square feet in the United States; 0.9 million square feet in Canada; 0.9 million square feet in the United Kingdom; and 0.1 million square feet in Mexico. This square footage does not include 32 separate leased warehouses and four owned warehouses that comprise 2.9 million square feet and six leased office spaces and two owned office spaces that comprise 0.2 million square feet. Lease terms for non-owned beverage production facilities expire between 2013 and 2020.

The beverage production facilities and square footage amounts noted above do not include vacant or underutilized properties.

**ITEM 3. LEGAL PROCEEDINGS**

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

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

**Table of Contents****SUPPLEMENTAL ITEM PART I. EXECUTIVE OFFICERS OF THE REGISTRANT**

The following is a list of names, ages, offices and backgrounds of all of our executive officers as of February 27, 2013. Our officers do not serve for a set term.

|                         | Office  | Age |
|-------------------------|---|-----|
| <b>Jerry Fowden</b>     | Chief Executive Officer   | 56  |
| <b>Jay Wells</b>        | Vice President, Chief Financial Officer                                 | 50  |
| <b>Michael Creamer</b>  | Vice President - Human Resources  | 56  |
| <b>Marni Morgan Poe</b> | Vice President, General Counsel and Secretary                           | 43  |
| <b>Michael Gibbons</b>  | President - U.S. Business Unit  | 54  |
| <b>Gregory Leiter</b>   | Senior Vice President, Chief Accounting Officer and Assistant Secretary | 55  |
| <b>Carlos Baila</b>     | Chief Procurement Officer   | 46  |

Jerry Fowden was appointed Chief Executive Officer in February 2009. Prior to this appointment, he served as President of our international operating segments and Interim President, North America from May 2008 to February 2009, and as Interim President of our U.K. operating segment from September 2007 to May 2008. He served as Chief Executive Officer of Trader Media Group Ltd., a media company, and as a member of its parent Guardian Media Group plc's Board of Directors from 2005 until 2007. From 2001 until 2004, he served in a variety of roles with AB InBev S.A. Belgium, an alcoholic beverage company, including President, European Zone, Western, Central and Eastern Europe from 2003 to 2004, Global Chief Operating Officer from 2002 to 2003 and Chief Executive Officer of Bass Brewers Ltd., a subsidiary of AB InBev S.A. Belgium, from 2001 to 2002. Mr. Fowden was a director of Chesapeake Corporation (now known as Canal Corporation) when it filed a voluntary Chapter 11 petition in the United States on December 29, 2008. On May 12, 2009, Chesapeake's operating businesses were sold to a group of investors and Mr. Fowden resigned from his position as a director. Mr. Fowden currently serves on the board of directors of Constellation Brands, Inc., a premium wine company. Mr. Fowden has served on our board since March 2009.

Jay Wells was appointed Vice President, Chief Financial Officer in March 2012. Prior to joining Cott, Mr. Wells held various senior finance positions with Molson Coors from May 2005 to March 2012, including Chief Financial Officer of Molson Coors Canada, a subsidiary of Molson Coors Brewing Company, and Global Vice President, Treasury, Tax, and Strategic Finance of Molson Coors Brewing Company. From September 1990 to April 2005, Mr. Wells held several positions within Deloitte and Touche LLP, including partner.

Michael Creamer was appointed Vice President of Human Resources for International and Tampa, Florida in April 2007 and promoted to Vice President of Human Resources for Cott in August 2008. Mr. Creamer currently serves as our Corporate Human Resources Vice President. Prior to joining Cott, Mr. Creamer was Senior Director of Human Resource Operations and International for Avanade Corporation, a global IT consultancy formed as a joint venture between Accenture and Microsoft Corporation. From 1990 to 2004, Mr. Creamer held several positions within Microsoft, including senior global human resources positions.

Marni Morgan Poe was appointed Vice President, General Counsel and Secretary in February 2010. Prior to her appointment, she served as Corporate Counsel of the Company from September 2008 until her appointment. Prior to joining the Company, Ms. Poe was the co-founder and Chief Executive Officer of Let's Eat Dinner, Inc., a franchisor of dinner preparation kitchens, from 2006 to 2008. From 2000 to 2006, she was a partner at the law firm of Holland & Knight LLP and an associate of the law firm from 1995 to 2000.

Mike Gibbons was appointed President of Cott's U.S. business unit in October 2010. Prior to his appointment, Mr. Gibbons held several positions with Cott from 2004 to 2010, including General Manager of Cott's U.S. business unit, Senior Vice President / General Manager of Cott's Canadian business unit, and Vice President of Sales of Cott's Canadian business unit. Prior to joining Cott, he served as Director of Sales for ConAgra from August 1998 to October 2003. On February 21, 2013, Cott determined to appoint

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Mr. Gibbons as Chief Commercial and Business Development Officer for Cott's U.S. business unit, effective March 4, 2013. Mr. Gibbons will cease to be an executive officer as of such date.

Gregory Leiter was appointed Vice President, Corporate Controller and Assistant Secretary of Cott in November 2007, and appointed Senior Vice President and Controller in April 2008. Mr. Leiter took on the additional role of Chief Accounting Officer in January 2010. Mr. Leiter currently serves as our Senior Vice President, Chief Accounting Officer and Assistant Secretary. Prior to joining Cott, he served from October 2006 to October 2007 as Practice Manager Governance, Risk & Compliance with the international software firm SAP America. From January 2003 to September 2006, he held two positions with Graham Packaging Company, an international manufacturer of custom blow-molded plastic containers. From February 2006 to September 2006, he served as Graham Packaging's Vice President Global Business Process and from January 2003 to February 2006 as Director of Internal Audit.

Carlos Baila was appointed Chief Procurement Officer in February 2013. Prior to his appointment, Mr. Baila worked for PepsiCo Inc. as Vice President of Global Procurement from 2005 to 2012. From 1998 to 2005, Mr. Baila worked as a Supply Chain Executive at Accenture Ltd. where he provided clients with supply chain and strategic sourcing experience including procurement transformations, contract structuring and negotiations, financial valuations, and supply chain optimizations. Mr. Baila has been involved in multinational projects across the Americas and Europe; and, in Argentina, held several positions in operations at Keystone Foods from 1995 to 1997 and Quilmes Brewery from 1992 to 1995.

### **Change in U.S. Business Unit Leadership**

Effective March 4, 2013, Steven Kitching, age 49, will become President of the Company's U.S. business unit, succeeding Mr. Gibbons in that role. Mr. Kitching will become an executive officer as of such date. Since 2008, Mr. Kitching has served as Managing Director of Cott's United Kingdom/Europe business unit. From 2005 to 2008, he held several positions with InBev UK, including Managing Director - On Trade Sales and Managing Director - Commercial and Field Operations. Prior to that, Mr. Kitching held several positions with Interbrew and Whitbread Beer Company from 1986 to 2005, including General Manager Netherlands of Interbrew from 2004 to 2005.

**Table of Contents****PART II****ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREOWNER MATTERS AND ISSUER PURCHASES OF SECURITIES**

Our common shares are listed on the TSX under the ticker symbol BCB, and on the NYSE under the ticker symbol COT.

The tables below show the high and low reported per share sales prices of common shares on the TSX (in Canadian dollars) and the NYSE (in U.S. dollars) for the indicated periods for 2012 and 2011.

**Toronto Stock Exchange (C\$)**

|                | 2012    |         | 2011    |         |
|----------------|---------|---------|---------|---------|
|                | High    | Low     | High    | Low     |
| First Quarter  | \$ 7.28 | \$ 5.96 | \$ 8.97 | \$ 7.49 |
| Second Quarter | \$ 8.47 | \$ 6.38 | \$ 8.55 | \$ 7.55 |
| Third Quarter  | \$ 8.75 | \$ 7.51 | \$ 8.15 | \$ 6.96 |
| Fourth Quarter | \$ 8.73 | \$ 7.34 | \$ 7.68 | \$ 6.21 |

**New York Stock Exchange (U.S.\$)**

|                | 2012    |         | 2011    |         |
|----------------|---------|---------|---------|---------|
|                | High    | Low     | High    | Low     |
| First Quarter  | \$ 7.34 | \$ 6.01 | \$ 9.08 | \$ 7.68 |
| Second Quarter | \$ 8.27 | \$ 6.35 | \$ 9.05 | \$ 7.72 |
| Third Quarter  | \$ 8.77 | \$ 7.65 | \$ 8.60 | \$ 6.66 |
| Fourth Quarter | \$ 8.75 | \$ 7.24 | \$ 7.57 | \$ 5.94 |

As of February 19, 2013, we had 1,050 shareowners of record. This number was determined from records maintained by our transfer agent and does not include beneficial owners of securities whose securities are held in the names of various dealers or clearing agencies. The closing sale price of our common shares on February 19, 2013 was C\$9.52 on the TSX and \$9.39 on the NYSE.

No dividend payments were made during 2011 or the first nine months of 2012. On October 31, 2012, the board of directors declared a dividend of C\$0.06 per share on common shares, which was paid in cash on December 20, 2012 to shareowners of record at the close of business on December 4, 2012. 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 the board of directors may deem relevant from time to time.

Dividends to shareowners who are non-residents of Canada will generally be subject to Canadian withholding tax. Under current Canadian tax law, dividends paid by a Canadian corporation to a nonresident shareowner are generally subject to Canadian withholding tax at a 25% rate. Under the current tax treaty between Canada and the United States, U.S. residents who are entitled to treaty benefits are generally eligible for a reduction in this withholding tax rate to 15% (and to 5% for a shareowner that is a corporation and is the beneficial owner of at least 10% of our voting stock). Accordingly, under current tax law, our U.S. resident shareowners who are entitled to treaty benefits will generally be subject to Canadian withholding tax at a 15% rate on dividends paid by us, provided that they have complied with applicable procedural requirements to claim the benefit of the reduced rate under the tax treaty. The fifth protocol to the tax treaty between Canada and the U.S. places additional restrictions on the ability of U.S. residents to claim these reduced rate benefits. U.S. residents generally will be entitled on their U.S. federal income tax returns to claim a foreign tax credit, or a deduction, for Canadian withholding tax that applies to them, subject to certain applicable limitations. U.S. investors should consult their tax advisors with respect to the tax consequences and requirements applicable to them, based on their individual circumstances.



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There are certain restrictions on the payment of dividends under our ABL facility and under the indentures governing the 2017 Notes and 2018 Notes. The ABL facility and the indentures governing the 2017 Notes and 2018 Notes are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7.

For information on securities authorized for issuance under our equity compensation plans, see Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Shareowner Matters.

During 2010, 2011 and 2012, no equity securities of the Company were sold by the Company that were not registered under the Securities Act of 1933, as amended.

**Calculation of aggregate market value of non-affiliate shares**

For purposes of calculating the aggregate market value of common shares held by non-affiliates as shown on the cover page of this report, it was assumed that all of the outstanding shares were held by non-affiliates except for outstanding shares held or controlled by our directors and executive officers. This should not be deemed to constitute an admission that any of these persons are, in fact, affiliates of us, or that there are not other persons who may be deemed to be affiliates. For further information concerning shareholdings of officers, directors and principal stockholders see Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Shareowner Matters.

**Table of Contents****Shareowner return performance graph**

The following graph shows changes over our past five fiscal years in the value of C\$100, assuming reinvestment of dividends, invested in: (i) our common shares; (ii) the Toronto Stock Exchange's S&P/TSX Composite Index; and (iii) a peer group of publicly-traded companies in the bottling industry comprised of Coca-Cola Enterprises Inc., Coca-Cola Bottling Co. Consolidated, National Beverage Corp., Pepsi Bottling Group Inc. and PepsiAmericas Inc. The closing price of Cott's common shares as of December 29, 2012 on the TSX was C\$7.90 and on the NYSE was \$7.90. The following table is in Canadian dollars.

**COMPARISON OF CUMULATIVE TOTAL RETURN**

ASSUMES \$100 (CANADIAN) INVESTED ON JAN. 01, 2008

ASSUMES DIVIDEND REINVESTED

FISCAL YEAR ENDING DECEMBER 29, 2012

| <i>Company / Market / Peer Group</i> | <b>12/29/2007</b> | <b>12/27/2008</b> | <b>1/2/2010</b> | <b>1/1/2011</b> | <b>12/31/2011</b> | <b>12/29/2012</b> |
|--------------------------------------|-------------------|-------------------|-----------------|-----------------|-------------------|-------------------|
| Cott Corporation                     | \$ 100.00         | \$ 22.80          | \$ 131.61       | \$ 136.02       | \$ 97.26          | \$ 120.91         |
| S&P / TSX Composite                  | \$ 100.00         | \$ 61.90          | \$ 90.54        | \$ 106.50       | \$ 97.22          | \$ 103.23         |
| Peer Group                           | \$ 100.00         | \$ 86.82          | \$ 89.77        | \$ 94.24        | \$ 104.01         | \$ 109.04         |

**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 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. 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 December 29, 2012.

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The following is a summary of share repurchase activity under our share repurchase program during the year ended December 29, 2012.

|              | Total<br>Number<br>of Shares<br>of<br>Common<br>Stock<br>Purchased | Average<br>Price<br>Paid per<br>Share of<br>Common<br>Stock | Total<br>Number of<br>Shares of<br>Common<br>Stock<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | Maximum<br>Approximate<br>Dollar Value<br>of Shares of<br>Common<br>Stock that<br>May Yet Be<br>Purchased<br>Under the<br>Plans or<br>Programs |
|--------------|--|---|--|--|
| May 2012     | 35,272   | \$ 7.30   | 35,272   | \$ 34,742,514  |
| <b>Total</b> | <b>35,272</b>  | <b>\$ 7.30</b>  | <b>35,272</b>  | <b>34,742,514</b>  |

**Issuer Purchases of Equity Securities**

The following table contains information about shares of our previously-issued common stock that we withheld from delivering to employees during December of 2012 to satisfy their tax obligations related to stock-based awards.

|               | Total<br>Number<br>of Shares<br>of<br>Common<br>Stock<br>Purchased | Average<br>Price<br>Paid per<br>Share of<br>Common<br>Stock | Total<br>Number<br>of<br>Shares of<br>Common<br>Stock<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | Maximum<br>Approximate<br>Dollar<br>Value<br>of Shares<br>of<br>Common<br>Stock that<br>May Yet<br>Be<br>Purchased<br>Under the<br>Plans or<br>Programs |
|---------------|--|---|---|---|
| December 2012 | 356,379  | \$ 7.90   | N/A   | N/A   |
| <b>Total</b>  | <b>356,379</b>   |   |   |   |



**Table of Contents****ITEM 6. SELECTED FINANCIAL DATA**

The following selected financial data reflects the results of operations. This information should be read in conjunction with, and is qualified by reference to Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere in this report. The financial information presented may not be indicative of future performance.

|   | December 29,<br>2012<br>(52 weeks) | December 31,<br>2011<br>(52 weeks) | January 1,<br>2011 <sup>1</sup><br>(52 weeks) | January 2,<br>2010<br>(53 weeks) | December 27,<br>2008<br>(52 weeks) |
|---|------------------------------------|------------------------------------|---|----------------------------------|------------------------------------|
| <i>(in millions of U.S. dollars, except per share amounts)</i>                  |                                    |                                    |   |                                  |                                    |
| <b>Revenue, net</b>   | <b>\$ 2,250.6</b>                  | <b>\$ 2,334.6</b>                  | <b>\$ 1,803.3</b>                             | <b>\$ 1,596.7</b>                | <b>\$ 1,648.1</b>                  |
| Cost of sales   | <b>1,961.1</b>                     | 2,058.0                            | 1,537.0                                       | 1,346.9                          | 1,467.1                            |
| <b>Gross profit</b>   | <b>289.5</b>                       | 276.6                              | 266.3   | 249.8                            | 181.0                              |
| Selling, general and administrative expenses                                    | <b>178.0</b>                       | 172.7                              | 166.7   | 146.8                            | 179.8                              |
| Loss on disposal of property, plant & equipment                                 | <b>1.8</b>                         | 1.2                                | 1.1   | 0.5                              | 1.3                                |
| Restructuring, goodwill and asset impairments:                                  |                                    |                                    |   |                                  |                                    |
| Restructuring   |                                    |                                    | (0.5)   | 1.5                              | 6.7                                |
| Goodwill impairments  |                                    |                                    |   |                                  | 69.2                               |
| Asset impairments   |                                    | 0.6                                |   | 3.6                              | 37.0                               |
| Intangible asset impairments  |                                    | 1.4                                |   |                                  |                                    |
| <b>Operating income (loss)</b>  | <b>109.7</b>                       | 100.7                              | 99.0  | 97.4                             | (113.0)                            |
| Contingent consideration earn-out adjustment                                    | <b>0.6</b>                         | 0.9                                | (20.3)  |                                  |                                    |
| Other (income) expense, net   | <b>(2.0)</b>                       | 2.2                                | 4.0   | 4.4                              | (4.7)                              |
| Interest expense, net   | <b>54.2</b>                        | 57.1                               | 36.9  | 29.7                             | 32.3                               |
| <b>Income (loss) before income taxes</b>  | <b>56.9</b>                        | 40.5                               | 78.4  | 63.3                             | (140.6)                            |
| Income tax expense (benefit)  | <b>4.6</b>                         | (0.7)                              | 18.6  | (22.8)                           | (19.5)                             |
| <b>Net income (loss)</b>  | <b>\$ 52.3</b>                     | \$ 41.2                            | \$ 59.8                                       | \$ 86.1                          | \$ (121.1)                         |
| Less: Net income attributable to non-controlling interests                      | <b>4.5</b>                         | 3.6                                | 5.1   | 4.6                              | 1.7                                |
| <b>Net income (loss) attributed to Cott Corporation</b>                         | <b>\$ 47.8</b>                     | \$ 37.6                            | \$ 54.7                                       | \$ 81.5                          | \$ (122.8)                         |
| <b><u>Net income (loss) per common share attributed to Cott Corporation</u></b> |                                    |                                    |   |                                  |                                    |
| Basic   | <b>\$ 0.51</b>                     | \$ 0.40                            | \$ 0.64                                       | \$ 1.10                          | \$ (1.73)                          |
| Diluted   | <b>\$ 0.50</b>                     | \$ 0.40                            | \$ 0.63                                       | \$ 1.08                          | \$ (1.73)                          |
| <b><u>Financial Condition</u></b>   |                                    |                                    |   |                                  |                                    |
| Total assets  | <b>\$ 1,565.9</b>                  | \$ 1,508.9                         | \$ 1,529.2                                    | \$ 873.8                         | \$ 873.1                           |
| Short-term borrowings   |                                    |                                    | 7.9   | 20.2                             | 107.5                              |
| Current maturities of long-term debt  | <b>1.9</b>                         | 3.4                                | 6.0   | 17.6                             | 7.6                                |
| Long-term debt  | <b>601.8</b>                       | 602.1                              | 605.5   | 233.2                            | 294.4                              |
| Equity  | <b>622.9</b>                       | 568.2                              | 535.2   | 401.3                            | 246.5                              |
| Cash dividends paid   | <b>(5.8)</b>                       |                                    |   |                                  |                                    |

<sup>1</sup> In 2010, we completed the acquisition of substantially all of the assets and liabilities of Cliffstar Corporation 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 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

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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.

**Table of Contents****ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****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 impact results. In 2010 and 2011 industry carbonated soft drink (CSD) sales were mostly flat while a decline was seen during 2012, and ingredient and packaging costs remained volatile.

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. In 2012, we had fixed price commitments for a majority of our forecasted aluminum and fruit and fruit concentrate requirements for 2012 and entered into fixed price commitments for a majority of our aluminum requirements and a portion of our fruit and fruit concentrate requirements for 2013, as well as a portion of our aluminum requirements for 2014. In 2012, we had fixed price commitments for all of our high fructose corn syrup (HFCS) requirements for 2012 and entered into fixed price commitments for all of our HFCS requirements for 2013. In 2012, we had fixed price commitments for all of our sugar requirements for 2012 and entered into fixed price commitments for all of our sugar requirements for 2013. Regarding PET resin, since this is not a traded commodity, no fixed price mechanism has been implemented, and we expect to pay prevailing market prices. Although PET resin is not a traded commodity, at times we are able to enter into short-term fixed price commitments. During 2012, we entered into fixed price commitments for a portion of our PET resin requirements for the second and third quarter of the year.

In 2010, we completed the acquisition of substantially all of the assets and liabilities of Cliffstar Corporation 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 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.

The Cliffstar Acquisition was financed through the closing of a private placement offering by Cott Beverages Inc. of \$375.0 million aggregate principal amount of 8.125% senior notes due 2018 (the 2018 Notes), the underwritten public offering of 13.4 million of our common shares (the Equity Offering) and borrowings under our asset-based lending (ABL) facility, which we refinanced in connection with the Cliffstar Acquisition, to increase the amount available for borrowings to \$275.0 million.

Our financial liquidity, as of December 29, 2012 improved from 2011 due to increased cash from operating activities, and lower cash outflows for investing and financing activities compared to 2011.

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We supply Walmart and its affiliated companies, under annual non-exclusive supply agreements, with a variety of products in the United States, Canada, the United Kingdom, and Mexico, including CSDs, 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, energy products, sports products, new age beverages, and ready-to-drink teas. In 2012 we supplied Walmart with all of its private-label CSDs in the United States. In the event Walmart were to utilize additional suppliers to fulfill a portion of its requirements for CSDs, our operating results could be materially adversely affected. Sales to Walmart in 2012, 2011 and 2010, accounted for 31.0%, 31.6% and 31.0%, respectively, of total revenue.

In 2012, our capital expenditures were devoted primarily to maintaining existing beverage production facilities, making equipment upgrades in the United States, the United Kingdom and Canada and expenditures related to vertically integrating our manufacturing capabilities.

***Summary Financial Results***

Our net income in 2012 was \$47.8 million or \$0.50 per diluted share, compared with net income of \$37.6 million or \$0.40 per diluted share in 2011.

***The following items of significance impacted our 2012 financial results:***

our filled beverage 8-ounce equivalents ( beverage case volume ) decreased 9.6% due primarily to our exit from certain low gross margin business and the general decline in the North American CSD and juice categories;

our revenue decreased 3.6% in 2012 compared to 2011 due primarily to lower volumes and a product mix shift into juice drinks and sports drinks from 100% shelf-stable juice in North America. Excluding the impact of foreign exchange, revenue decreased 3.0%;

our gross profit as a percentage of revenue increased to 12.9% in 2012 from 11.8% in 2011 due primarily to an increase in average price per case and our exit from lower margin business, as well as operational efficiencies in North America;

our selling, general and administrative ( SG&A ) expenses increased to \$178.0 million from \$172.7 million, due primarily to an increase in certain employee-related costs compared to a lowering of the annual incentive and long-term incentive accruals in the prior year partially offset by lower information technology expenses in 2012;

our loss on disposal of property, plant and equipment was the result of the sale of a facility in Mexico and normal operational disposals;

our 2012 results were impacted by the final contingent consideration earn-out accrual of \$0.6 million related to the Cliffstar Acquisition;

our other income in 2012 was \$2.0 million as a result of insurance recoveries in excess of the loss incurred on a facility in the United States in the amount of \$1.9 million and recording a bargain purchase of \$0.9 million in the United Kingdom offset partially by foreign exchange losses of \$0.8 million in the year, compared to other expense in 2011 of \$2.2 million related to foreign exchange losses on intercompany loans;

our interest expense decreased by \$2.9 million or 5.1% due primarily to lower debt balances held throughout the year; and

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our income tax expense increased to \$4.6 million compared to an income tax benefit of \$0.7 million in 2011 due primarily to the recording of allowances against deferred tax assets in the U.S. that are uncertain to be realized as well as a reduction to the loss generated in the U.K.

*The following items of significance impacted our 2011 financial results:*

our filled beverage case volume increased 15.3% driven by a 17.6% increase in the North America reporting segment, due primarily to the Cliffstar Acquisition;

our revenue increased 29.5% in 2011 compared to 2010 due primarily to the Cliffstar Acquisition. Excluding the impact of the Cliffstar Acquisition and foreign exchange, revenue increased 6.7%;

the Cliffstar Acquisition contributed \$385.6 million of the increase in revenue, and \$19.6 million of the increase in operating income;

our gross profit as a percentage of revenue declined to 11.8% in 2011 from 14.8% in 2010. Gross profit in 2011 was adversely impacted by higher commodity costs;

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our SG&A expenses increased to \$172.7 million from \$166.7 million, due primarily to the full year inclusion of Cliffstar;

our interest expense increased 54.7% due primarily to the issuance of the 2018 Notes in the third quarter of 2010; and

a year-to-date tax benefit of \$0.7 million in 2011 compared to income tax expense of \$18.6 million in 2010 due primarily to lower pre-tax income in the United States, the reorganization of our legal entity structure and refinancing of intercompany debt.

**The following items of significance impacted our 2010 financial results:**

our filled beverage case volume increased 7.3% driven by a 7.7% increase in the North America reporting segment, due primarily to the Cliffstar Acquisition;

our revenue increased 12.9% in 2010 compared to 2009. Absent foreign exchange impact, revenue increased 12.2% in 2010, due primarily to the Cliffstar Acquisition;

the Cliffstar Acquisition contributed \$232.2 million to revenue and \$5.2 million to operating income;

our gross profit as a percentage of revenue declined to 14.8% in 2010 from 15.6% in 2009. Gross profit in 2010 included \$12.0 million of Cliffstar related purchase accounting adjustments, which reduced gross profit as a percentage of revenue by 0.6%. Excluding this amount, gross profit as a percentage of revenue was 15.4%;

the transaction costs related to the Cliffstar Acquisition were \$7.2 million and integration costs were \$6.7 million, which are included in SG&A;

our 2010 results were favorably impacted by the reduction of the contingent consideration earn-out accrual of \$20.3 million related to the Cliffstar Acquisition;

the interest expense increased 24.2% in 2010 compared to 2009 due to the issuance of the 2018 Notes; and

the income tax expense changed from a benefit of \$22.8 million in 2009 to an expense of \$18.6 million in 2010 due primarily to the fact that the prior year included the utilization of valuation allowances and the utilization of accruals related to uncertain tax positions.

**Critical Accounting Policies**

Our significant accounting policies and recently issued accounting pronouncements are described in Note 1 to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K. We believe the following represent our critical accounting policies:

***Estimates***

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts in the consolidated financial statements and the accompanying notes. These estimates are based on historical experience, the advice of external experts or on other assumptions management believes to be reasonable. Where actual amounts differ from estimates, revisions are included in the results for the period in which actual amounts become known. Historically, differences between estimated and actual amounts

have not had a significant impact on our consolidated financial statements.

***Impairment testing of goodwill***

Goodwill represents the excess purchase price of acquired businesses over the fair value of the net assets acquired. Goodwill is not amortized, but instead is tested at least annually for impairment in the fourth quarter or more frequently if we determine a triggering event has occurred during the year. Any impairment loss is recognized in our results of operations. We evaluate goodwill for impairment on a reporting unit basis. Reporting units are operations for which discrete financial information is available and are at or one level below our operating segments. For the purpose of testing goodwill for impairment, our reporting units are the United States ( U.S. ), Canada and Royal Crown International ( RCI ). We had goodwill of \$130.3 million on our balance sheet at December 29, 2012, which represents amounts for the U.S., Canada and the RCI reporting units.

In 2012, for our Canada and RCI reporting units, we assessed qualitative factors to determine whether the existence of events or circumstances indicated that it was more likely than not that the fair value of the reporting unit was less than its carrying amount. If, after assessing the totality of events or circumstances, we had determined that it was more likely than not that the fair value of the reporting unit was less than its carrying amount, then we would have performed the first step of the two-step goodwill impairment test. We concluded that it was more likely than not that the fair value of each reporting unit was more than its carrying amount and therefore we were not required to perform any additional testing.

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For our U.S. reporting unit, we chose to bypass the qualitative assessment and performed the first step of the two-step goodwill impairment test using a mix of the income approach (which is based on the discounted cash flow of the reporting unit) and the public company approach. We believe using a combination of the two approaches provides a more accurate valuation because it incorporates the actual cash generation of the Company in addition to how a third party market participant would value the reporting unit. Because the business is assumed to continue in perpetuity, the discounted future cash flow includes a terminal value. We used a weighted average terminal growth rate of 1% for our U.S. reporting unit in 2012 and 2011. The long-term growth assumptions incorporated into the discounted cash flow calculation reflect our long-term view of the market (including a decline in CSD demand), projected changes in the sale of our products, pricing of such products and operating profit margins. The estimated revenue changes in this analysis for the U.S. reporting unit ranged between -1.4% and 3.0% for 2012 and 2.2% and 3.4% for 2011.

The discount rate used for the fair value estimates in this analysis was 10.5% for 2012 and ranged from 11% to 12% for 2011 and 10% to 12% for 2010. These rates were based on the weighted average cost of capital a market participant would use if evaluating the reporting unit as an investment. The risk-free rate was 2.4% and 2.6% for 2012 and 2011, respectively, and was based on a 20-year U.S. Treasury Bill as of the valuation date.

Each year during the fourth quarter, we re-evaluate the assumptions used to reflect changes in the business environment, such as revenue growth rates, operating profit margins and discount rate. Based on the evaluations performed this year, we determined that the fair value of our reporting units exceeded their carrying amounts.

### ***Impairment testing of intangible assets with an indefinite life***

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). This asset has a net book value of \$45.0 million. Prior to 2001, we paid a volume based royalty to the Royal Crown Company for purchase of concentrates. There are no legal, regulatory, contractual, competitive, economic, or other factors that limit the useful life of this intangible.

The life of the Rights is considered to be indefinite and therefore not amortized, but instead is tested at least annually for impairment or more frequently if we determine a triggering event has occurred during the year. We compare the carrying amount of the Rights with its fair value and if the carrying amount is greater than the fair value, we recognize in income an impairment loss. To determine fair value, we use a relief from royalty method which calculates a fair value royalty rate that is applied to a forecast of future volume shipments of concentrate that is used to produce CSDs. The forecast of future volumes is based on the estimated inter-plant shipments and RCI shipments. The relief from royalty method is used since the Rights were purchased in part to avoid making future royalty payments for concentrate to the Royal Crown Company. The resulting cash flows are discounted using a discount rate of 14.5% and estimated volume changes between 1.0% and 10.0%. No impairment was identified as of December 29, 2012. Absent any other changes, if our inter-plant concentrate volume declines by 1.0% from our estimated volume, the fair value of our Rights would decline by approximately \$1.5 million. If our RCI volume declines by 1.0% from our estimated volume, the fair value of the Rights would decline by approximately \$2.6 million. If our discount rate increases by 100 basis points, the fair value of the Rights would decline by approximately \$5.2 million. None of these adjustments would result in an impairment of our Rights as either a stand-alone adjustment or in combination.

### ***Other intangible assets***

As of December 29, 2012, other intangible assets were \$270.4 million, consisting principally of \$225.0 million of customer relationships that arose from acquisitions, \$13.3 million of financing costs, \$15.0 million of information technology assets, and \$5.5 million of trademarks. Customer relationships are amortized on a straight-line basis for the period over which we expect to receive economic benefits. We review the estimated useful life of these intangible assets annually, taking into consideration the specific net cash flows related to the intangible asset, unless a review is required more frequently due to a triggering event such as the loss of a customer. The permanent loss or significant decline in sales to any customer included in the intangible asset would result in impairment in the value of the intangible asset or accelerated amortization and could lead to an impairment of fixed assets that were used to service that customer. In 2010, we recorded \$216.9 million of customer relationships acquired in connection with the Cliffstar Acquisition. In 2011, we recorded an asset impairment charge of \$1.4 million related primarily to customer relationships. In 2012, we did not record any impairment charges for other intangible assets.



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### ***Impairment of long-lived assets***

When adverse events occur, we compare the carrying amount of long-lived assets to the estimated undiscounted future cash flows at the lowest level of independent cash flows for the group of long-lived assets and recognize any impairment loss in the Consolidated Statements of Operations, taking into consideration the timing of testing and the asset's remaining useful life. The expected life and value of these long-lived assets is based on an evaluation of the competitive environment, history and future prospects as appropriate. In 2011, we recorded an impairment of long-lived assets of \$0.6 million related to a production plant in Mexico that ceased operations. We did not record impairments of long-lived assets in 2012 or 2010.

### ***Inventories***

Inventories are stated at the lower of cost, determined on the first-in, first-out method, or net realizable value. Finished goods and work-in-process include the cost of raw materials, direct labor and manufacturing overhead costs. As a result, we use an inventory reserve to adjust our costs down to a net realizable value and to reserve for estimated obsolescence of both raw and finished goods.

### ***Income taxes***

We are subject to income taxes in Canada as well as in numerous foreign jurisdictions. Significant judgments and estimates are required in determining the income tax expense in these jurisdictions. Our income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid in the jurisdictions in which we operate.

Our income tax expense includes the results of the reorganization of our legal entity structure and refinancing of intercompany debt. The reorganization of our legal entity structure and refinancing of intercompany debt should result in long term reduction of Cott's effective tax rate versus statutory rates. However, since the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations, our effective tax rate may ultimately be different than the amount we are currently reporting.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and changes in accounting policies and incorporate assumptions including the amount of future Canadian and foreign pre-tax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses.

Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. Management is not aware of any such changes that would have a material effect on our results of operations, cash flows or financial position.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations.

Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Topic 740, Income Taxes ( ASC 740 ) provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. ASC 740 also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

We recognize tax liabilities in accordance with ASC 740 and we adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

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### ***Pension costs***

We account for our pension plans in accordance with ASC No. 715-20, Compensation Defined Benefit Plans General ( ASC 715-20 ). The funded status is the difference between the fair value of plan assets and the benefit obligation. The adjustment to accumulated other comprehensive income represents the net unrecognized actuarial gains or losses and unrecognized prior service costs. Future actuarial gains or losses that are not recognized as net periodic benefits cost in the same periods will be recognized as a component of other comprehensive income.

We maintain two defined-benefit plans that cover certain employees in the United Kingdom and certain other employees under a collective bargaining agreement at one plant in the United States. We record annual amounts relating to these plans based on calculations specified by GAAP, which include various actuarial assumptions such as discount rates (3.5% to 4.6%) and assumed rates of return (5.7% to 7.0%) depending on the pension plan. Material changes in pension costs may occur in the future due to changes in these assumptions. Future annual amounts could be impacted by changes in the discount rate, changes in the expected long-term rate of return, changes in the level of contributions to the plans and other factors.

The discount rate is based on a model portfolio of AA rated bonds with a maturity matched to the estimated payouts of future pension benefits. The expected return on plan assets is based on our expectation of the long-term rates of return on each asset class based on the current asset mix of the funds, considering the historical returns earned on the type of assets in the funds, plus an assumption of future inflation. The current investment policy target asset allocation differs between our two plans, but it is between 50.0% to 65.0% for equities and 35.0% to 50.0% for bonds. The current inflation assumption is 3.3%. We review our actuarial assumptions on an annual basis and make modifications to the assumptions based on current rates and trends when appropriate. The effects of the modifications are amortized over future periods.

### **Non-GAAP Measures**

In this report, we supplement our reporting of financial measures determined in accordance with 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 and, in some cases, by excluding the impact of the Cliffstar Acquisition. Additionally, we supplement our reporting of SG&A, cost of sales, gross profit, and operating income in accordance with GAAP by excluding the impact of the Cliffstar Acquisition. We exclude these items to better understand trends in the business and the impact of the Cliffstar Acquisition. Because we use these adjusted financial results in the management of our business and to understand business performance independent of the Cliffstar Acquisition, we believe this supplemental information is useful to investors for their independent evaluation and understanding of our core business performance and the performance of our management.

We also utilize earnings before interest expense, taxes, depreciation and amortization ( 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. We also utilize Adjusted EBITDA as an indicator of operating performance. Our Adjusted EBITDA excludes purchase accounting adjustments, integration expenses, restructuring and asset impairments. Adjusted EBITDA excludes these items to facilitate period-over-period comparisons of our ongoing core operations before material charges.

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.

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The following table summarizes our Consolidated Statements of Operations as a percentage of revenue for 2012, 2011 and 2010:

| <i>(in millions of U.S. dollars, except percentage amounts)</i> | 2012       |                    | 2011    |                    | 2010    |                    |
|---|------------|--------------------|---------|--------------------|---------|--------------------|
|   |            | Percent of Revenue |         | Percent of Revenue |         | Percent of Revenue |
| Revenue   | \$ 2,250.6 | 100.0%             | 2,334.6 | 100.0%             | 1,803.3 | 100.0%             |
| Cost of sales   | 1,961.1    | 87.1%              | 2,058.0 | 88.2%              | 1,537.0 | 85.2%              |
| Gross profit  | 289.5      | 12.9%              | 276.6   | 11.8%              | 266.3   | 14.8%              |
| Selling, general, and administrative expenses                   | 178.0      | 7.9%               | 172.7   | 7.4%               | 166.7   | 9.2%               |
| Loss on disposal of property, plant and equipment               | 1.8        | 0.1%               | 1.2     | 0.1%               | 1.1     | 0.1%               |
| Restructuring   |            | 0.0%               |         | 0.0%               | (0.5)   | 0.0%               |
| Asset impairments   |            | 0.0%               | 0.6     | 0.0%               |         | 0.0%               |
| Intangible asset impairments                                    |            | 0.0%               | 1.4     | 0.1%               |         | 0.0%               |
| Operating income  | 109.7      | 4.9%               | 100.7   | 4.3%               | 99.0    | 5.5%               |
| Contingent consideration earn-out adjustment                    | 0.6        | 0.0%               | 0.9     | 0.0%               | (20.3)  | -1.1%              |
| Other (income) expense, net                                     | (2.0)      | -0.1%              | 2.2     | 0.1%               | 4.0     | 0.2%               |
| Interest expense, net   | 54.2       | 2.4%               | 57.1    | 2.4%               | 36.9    | 2.0%               |
| Income before income taxes                                      | 56.9       | 2.6%               | 40.5    | 1.8%               | 78.4    | 4.4%               |
| Income tax expense (benefit)                                    | 4.6        | 0.2%               | (0.7)   | 0.0%               | 18.6    | 1.0%               |
| Net income  | 52.3       | 2.3%               | 41.2    | 1.8%               | 59.8    | 3.4%               |
| Less: Net income attributable to non-controlling interests      | 4.5        | 0.2%               | 3.6     | 0.2%               | 5.1     | 0.3%               |
| Net income attributed to Cott Corporation                       | \$ 47.8    | 2.1%               | 37.6    | 1.6%               | 54.7    | 3.1%               |
| Depreciation & amortization                                     | \$ 97.7    | 4.3%               | 95.3    | 4.1%               | 74.0    | 4.1%               |

The following table summarizes revenue, cost of sales, gross profit, SG&A expenses, and operating income for the years ended December 31, 2011, and January 1, 2011, respectively:

| <i>(in millions of U.S. dollars)</i>            | For the Year Ended December 31, 2011 | Cliffstar | Adjustments <sup>1</sup> | Cott Excluding Acquisition |
|---|--------------------------------------|-----------|--------------------------|----------------------------|
| Revenue, net                                    | \$ 2,334.6                           | \$ 617.8  | \$                       | \$ 1,716.8                 |
| Cost of sales                                   | 2,058.0                              | 560.0     |                          | 1,498.0                    |
| Gross profit                                    | 276.6                                | 57.8      |                          | 218.8                      |
| Selling, general and administrative expenses    | 172.7                                | 32.3      | 3.8                      | 136.6                      |
| Loss on disposal of property, plant & equipment | 1.2                                  | 0.7       |                          | 0.5                        |
| Asset impairments                               | 2.0                                  |           |                          | 2.0                        |
| Operating income                                | \$ 100.7                             | \$ 24.8   | \$ (3.8)                 | \$ 79.7                    |

<sup>1</sup> In 2011, we recorded \$3.8 million of integration costs related to the Cliffstar Acquisition.

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| <i>(in millions of U.S. dollars)</i>            | <b>For the<br/>Year<br/>Ended<br/>January 1,<br/>2011</b> | <b>Cliffstar</b> | <b>Adjustments<sup>1</sup></b> | <b>Cott<br/>Excluding<br/>Acquisition</b> |
|---|---|------------------|--------------------------------|---|
| <b>Revenue, net</b>                             | \$ 1,803.3  | \$ 232.2         | \$                             | \$ 1,571.1                                |
| Cost of sales                                   | 1,537.0   | 211.8            |                                | 1,325.2                                   |
| <b>Gross profit</b>                             | 266.3   | 20.4             |                                | 245.9                                     |
| Selling, general and administrative expenses    | 166.7   | 15.2             | 13.9                           | 137.6                                     |
| Loss on disposal of property, plant & equipment | 1.1   |                  |                                | 1.1                                       |
| Restructuring                                   | (0.5)   |                  |                                | (0.5)                                     |
| <b>Operating income</b>                         | \$ 99.0   | \$ 5.2           | \$ (13.9)                      | \$ 107.7                                  |

<sup>1</sup> In 2010, we recorded \$7.2 million of transaction costs and \$6.7 million of integration costs related to the Cliffstar Acquisition. The following table summarizes our revenue and operating income by reporting segment for 2012, 2011 and 2010:

| <i>(in millions of U.S. Dollars)</i>  | <b>2012</b>       | <b>2011</b> | <b>2010</b> |
|---------------------------------------|-------------------|-------------|-------------|
| <b><u>Revenue</u></b>                 |                   |             |             |
| North America                         | <b>\$ 1,707.4</b> | \$ 1,809.3  | \$ 1,357.3  |
| United Kingdom                        | <b>473.2</b>      | 447.9       | 367.1       |
| Mexico                                | <b>38.8</b>       | 51.8        | 50.1        |
| RCI                                   | <b>31.2</b>       | 25.6        | 28.8        |
| Total                                 | <b>\$ 2,250.6</b> | \$ 2,334.6  | \$ 1,803.3  |
| <b><u>Operating income (loss)</u></b> |                   |             |             |
| North America                         | <b>\$ 78.3</b>    | \$ 70.4     | \$ 75.0     |
| United Kingdom                        | <b>27.1</b>       | 27.5        | 24.5        |
| Mexico                                | <b>(3.6)</b>      | (4.4)       | (7.5)       |
| RCI                                   | <b>7.9</b>        | 7.2         | 7.0         |
| Total                                 | <b>\$ 109.7</b>   | \$ 100.7    | \$ 99.0     |

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The following table summarizes our beverage case volume by reporting segment for 2012, 2011 and 2010:

| <i>(in millions of cases)</i>  | <b>2012</b>        | <b>2011</b> | <b>2010</b> |
|--|--------------------|-------------|-------------|
| <b><u>Volume 8 oz. equivalent cases - Total Beverage (including concentrate)</u></b> |                    |             |             |
| North America  | <b>739.2</b>       | 808.7       | 697.0       |
| United Kingdom   | <b>204.1</b>       | 209.0       | 192.9       |
| Mexico   | <b>25.6</b>        | 37.1        | 34.9        |
| RCI  | <b>278.2</b>       | 259.4       | 298.6       |
| <br>Total  | <br><b>1,247.1</b> | <br>1,314.2 | <br>1,223.4 |
| <b><u>Volume 8 oz. equivalent cases - Filled Beverage</u></b>                        |                    |             |             |
| North America  | <b>651.5</b>       | 727.6       | 618.6       |
| United Kingdom   | <b>189.5</b>       | 194.7       | 178.2       |
| Mexico   | <b>25.6</b>        | 37.1        | 34.9        |
| RCI  | <b>0.4</b>         | 0.1         | 0.1         |
| <br>Total  | <br><b>867.0</b>   | <br>959.5   | <br>831.8   |

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

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The following tables summarize revenue and beverage case volume by product for 2012, 2011 and 2010:

**For the Year Ended December 29, 2012**

| <i>(in millions of U.S. dollars)</i> | <b>North<br/>America</b> | <b>United<br/>Kingdom</b> | <b>Mexico</b> | <b>RCI</b> | <b>Total</b> |
|--------------------------------------|--------------------------|---------------------------|---------------|------------|--------------|
| <b><u>Revenue</u></b>                |                          |                           |               |            |              |
| Carbonated soft drinks               | \$ 698.0                 | \$ 160.9                  | \$ 21.3       | \$ 0.6     | \$ 880.8     |
| Juice                                | 527.2                    | 14.0                      | 1.2           | 1.5        | 543.9        |
| Concentrate                          | 12.3                     | 2.2                       |               | 29.1       | 43.6         |
| All other products                   | 469.9                    | 296.1                     | 16.3          |            | 782.3        |
| Total                                | \$ 1,707.4               | \$ 473.2                  | \$ 38.8       | \$ 31.2    | \$ 2,250.6   |

**For the Year Ended December 29, 2012**

| <i>(in millions of cases)</i>   | <b>North<br/>America</b> | <b>United<br/>Kingdom</b> | <b>Mexico</b> | <b>RCI</b> | <b>Total</b> |
|---|--------------------------|---------------------------|---------------|------------|--------------|
| <b><u>Volume 8oz. equivalent cases - Total Beverage (including concentrate)</u></b> |                          |                           |               |            |              |
| Carbonated soft drinks  | 306.5                    | 83.5                      | 15.4          | 0.1        | 405.5        |
| Juice   | 119.5                    | 3.7                       | 0.8           | 0.3        | 124.3        |
| Concentrate   | 87.7                     | 14.6                      |               | 277.8      | 380.1        |
| All other products  | 225.5                    | 102.3                     | 9.4           |            | 337.2        |
| Total   | 739.2                    | 204.1                     | 25.6          | 278.2      | 1,247.1      |

**For the Year Ended December 31, 2011**

| <i>(in millions of U.S. dollars)</i> | <b>North<br/>America</b> | <b>United<br/>Kingdom</b> | <b>Mexico</b> | <b>RCI</b> | <b>Total</b> |
|--------------------------------------|--------------------------|---------------------------|---------------|------------|--------------|
| <b><u>Revenue</u></b>                |                          |                           |               |            |              |
| Carbonated soft drinks               | \$ 731.4                 | \$ 179.2                  | \$ 39.6       | \$         | \$ 950.2     |
| Juice                                | 587.7                    | 12.3                      | 2.7           |            | 602.7        |
| Concentrate                          | 9.1                      | 2.8                       |               | 25.6       | 37.5         |
| All other products                   | 481.1                    | 253.6                     | 9.5           |            | 744.2        |
| Total                                | \$ 1,809.3               | \$ 447.9                  | \$ 51.8       | \$ 25.6    | \$ 2,334.6   |

**For the Year Ended December 31, 2011**

| <i>(in millions of cases)</i>   | <b>North<br/>America</b> | <b>United<br/>Kingdom</b> | <b>Mexico</b> | <b>RCI</b> | <b>Total</b> |
|---|--------------------------|---------------------------|---------------|------------|--------------|
| <b><u>Volume 8oz. equivalent cases - Total Beverage (including concentrate)</u></b> |                          |                           |               |            |              |
| Carbonated soft drinks  | 349.9                    | 97.6                      | 26.7          |            | 474.2        |
| Juice   | 134.4                    | 3.5                       | 2.0           |            | 139.9        |
| Concentrate   | 81.1                     | 14.0                      |               | 259.4      | 354.5        |
| All other products  | 243.3                    | 93.9                      | 8.4           |            | 345.6        |
| Total   | 808.7                    | 209.0                     | 37.1          | 259.4      | 1,314.2      |





**Table of Contents****For the Year Ended January 1, 2011**

| <i>(in millions of U.S. dollars)</i> | North<br>America | United<br>Kingdom | Mexico  | RCI     | Total      |
|--------------------------------------|------------------|-------------------|---------|---------|------------|
| <b>Revenue</b>                       |                  |                   |         |         |            |
| Carbonated soft drinks               | \$ 705.5         | \$ 159.5          | \$ 43.4 | \$      | \$ 908.4   |
| Juice                                | 225.3            | 10.0              | 0.8     |         | 236.1      |
| Concentrate                          | 7.5              | 4.1               |         | 28.8    | 40.4       |
| All other products                   | 419.0            | 193.5             | 5.9     |         | 618.4      |
| Total                                | \$ 1,357.3       | \$ 367.1          | \$ 50.1 | \$ 28.8 | \$ 1,803.3 |

**For the Year Ended January 1, 2011**

| <i>(in millions of cases)</i>  | North<br>America | United<br>Kingdom | Mexico | RCI   | Total   |
|--|------------------|-------------------|--------|-------|---------|
| <b>Volume 8oz. equivalent cases - Total Beverage (including concentrate)</b> |                  |                   |        |       |         |
| Carbonated soft drinks   | 343.1            | 93.5              | 28.1   |       | 464.7   |
| Juice  | 57.2             | 3.1               | 0.6    |       | 60.9    |
| Concentrate  | 78.4             | 15.7              |        | 298.6 | 392.7   |
| All other products   | 218.3            | 80.6              | 6.2    |       | 305.1   |
| Total  | 697.0            | 192.9             | 34.9   | 298.6 | 1,223.4 |

**Results of Operations**

The following table summarizes the change in revenue by reporting segment for 2012:

| <i>(in millions of U.S. dollars, except percentage amounts)</i> | <b>For the Year Ended December 29, 2012</b> |                  |                   |           |        |
|---|---|------------------|-------------------|-----------|--------|
|   | Cott  | North<br>America | United<br>Kingdom | Mexico    | RCI    |
| Change in revenue   | \$ (84.0)                                   | \$ (101.9)       | \$ 25.3           | \$ (13.0) | \$ 5.6 |
| Impact of foreign exchange <sup>1</sup>                         | 14.4  | 4.7              | 6.0               | 3.7       |        |
| Change excluding foreign exchange                               | \$ (69.6)                                   | \$ (97.2)        | \$ 31.3           | \$ (9.3)  | \$ 5.6 |
| Percentage change in revenue                                    | -3.6%                                       | -5.6%            | 5.6%              | -25.1%    | 21.9%  |
| Percentage change in revenue excluding foreign exchange         | -3.0%                                       | -5.4%            | 7.0%              | -18.0%    | 21.9%  |

<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 the change in revenue by reporting segment for 2011:

| <i>(in millions of U.S. dollars, except percentage amounts)</i> | <b>For the Year Ended December 31, 2011</b> |                  |                   |        |          |
|---|---|------------------|-------------------|--------|----------|
|   | Cott  | North<br>America | United<br>Kingdom | Mexico | RCI      |
| Change in revenue   | \$ 531.3                                    | \$ 452.0         | \$ 80.8           | \$ 1.7 | \$ (3.2) |

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|   |          |          |         |        |          |
|---|----------|----------|---------|--------|----------|
| Impact of foreign exchange <sup>1</sup>   | (24.1)   | (7.5)    | (15.4)  | (1.2)  |          |
| Change excluding foreign exchange   | \$ 507.2 | \$ 444.5 | \$ 65.4 | \$ 0.5 | \$ (3.2) |
| Percentage change in revenue  | 29.5%    | 33.3%    | 22.0%   | 3.4%   | -11.1%   |
| Percentage change in revenue excluding foreign exchange                           | 28.1%    | 32.7%    | 17.8%   | 1.0%   | -11.1%   |
| Impact of Cliffstar Acquisition   | (385.6)  | (385.6)  |         |        |          |
| Change excluding foreign exchange and Cliffstar Acquisition                       | \$ 121.6 | \$ 58.9  | \$ 65.4 | \$ 0.5 | \$ (3.2) |
| Percentage change in revenue excluding foreign exchange and Cliffstar Acquisition | 6.7%     | 4.3%     | 17.8%   | 1.0%   | -11.1%   |

<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.

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The following table summarizes the change in revenue by reporting segment for 2010:

| <i>(in millions of U.S. dollars, except percentage amounts)</i>                   | <b>For the Year Ended January 1, 2011</b> |                      |                       |               |            |
|---|---|----------------------|-----------------------|---------------|------------|
|   | <b>Cott</b>                               | <b>North America</b> | <b>United Kingdom</b> | <b>Mexico</b> | <b>RCI</b> |
| Change in revenue   | \$ 206.6                                  | \$ 183.4             | \$ 7.8                | \$ 7.4        | \$ 8.0     |
| Impact of foreign exchange <sup>1</sup>   | (11.8)                                    | (17.0)               | 8.0                   | (2.8)         |            |
| Change excluding foreign exchange   | \$ 194.8                                  | \$ 166.4             | \$ 15.8               | \$ 4.6        | \$ 8.0     |
| Percentage change in revenue  | 12.9%                                     | 15.6%                | 2.2%                  | 17.3%         | 38.5%      |
| Percentage change in revenue excluding foreign exchange                           | 12.2%                                     | 14.2%                | 4.4%                  | 10.8%         | 38.5%      |
| Impact of Cliffstar Acquisition   | (232.2)                                   | (232.2)              |                       |               |            |
| Change excluding foreign exchange and Cliffstar Acquisition                       | \$ (37.4)                                 | \$ (65.8)            | \$ 15.8               | \$ 4.6        | \$ 8.0     |
| Percentage change in revenue excluding foreign exchange and Cliffstar Acquisition | -2.3%                                     | -5.6%                | 4.4%                  | 10.8%         | 38.5%      |