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COTT CORP /CN/  
Form 10-Q  
May 11, 2006

United States  
Securities and Exchange Commission  
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: April 1, 2006  
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Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-19914  
-----

COTT CORPORATION

-----  
(Exact name of registrant as specified in its charter)

CANADA

NONE

-----  
(State or Other Jurisdiction of  
Incorporation or Organization)

-----  
(IRS Employer  
Identification No.)

207 QUEEN'S QUAY WEST, SUITE 340,  
TORONTO, ONTARIO

M5J 1A7

-----  
(Address of principal executive offices)

-----  
(Zip Code)

Registrant's telephone number, including area code: (416) 203-3898

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

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

| Class<br>-----                       | Outstanding at April 1, 2006<br>----- |
|--------------------------------------|---------------------------------------|
| Common Stock, no par value per share | 71,713,630 shares                     |

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### PART I - FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS

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COTT CORPORATION  
 CONSOLIDATED STATEMENTS OF (LOSS) INCOME  
 (in millions of U.S. dollars, except per share amounts)  
 Unaudited

|  | For the three<br>months ended |                  |
|--|-------------------------------|------------------|
|  | APRIL 1,<br>2006              | APRIL 2,<br>2005 |
| SALES  | \$394.2                       | \$395.5          |
| Cost of sales  | 341.5                         | 339.5            |
| GROSS PROFIT   | 52.7                          | 56.0             |
| Selling, general and administrative expenses             | 39.9                          | 36.9             |
| Loss (gain) on disposal of property, plant and equipment | 0.1                           | (0.7)            |
| Unusual items - note 2                                   |                               |                  |
| Restructuring  | 1.6                           | --               |
| Asset impairments  | 1.4                           | (0.2)            |
| Other  | 2.0                           | --               |
| OPERATING INCOME   | 7.7                           | 20.0             |
| Other (income) expense, net                              | (0.2)                         | 0.6              |
| Interest expense, net                                    | 8.2                           | 6.5              |
| Minority interest  | 1.0                           | 0.9              |
| (LOSS) INCOME BEFORE INCOME TAXES                        | (1.3)                         | 12.0             |
| Income tax expense - note 4                              | 0.8                           | 3.7              |
| NET (LOSS) INCOME - note 5                               | \$ (2.1)                      | \$ 8.3           |
| PER SHARE DATA - note 6                                  |                               |                  |
| (LOSS) INCOME PER COMMON SHARE                           |                               |                  |
| Basic  | \$ (0.03)                     | \$ 0.12          |
| Diluted  | \$ (0.03)                     | \$ 0.12          |

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

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COTT CORPORATION  
 CONSOLIDATED BALANCE SHEETS  
 (in millions of U.S. dollars)  
 Unaudited

| APRIL 1,<br>2006 | DECEMBER 31,<br>2005 |
|------------------|----------------------|
| -----            | -----                |

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ASSETS

CURRENT ASSETS

|  |         |         |
|--|---------|---------|
| Cash                                       | \$ 10.8 | \$ 21.7 |
| Accounts receivable                        | 185.1   | 191.1   |
| Inventories - note 7                       | 171.6   | 144.2   |
| Prepaid expenses and other assets - note 8 | 12.1    | 9.5     |
| Deferred income taxes                      | 8.6     | 7.3     |
|  | -----   | -----   |
|  | 388.2   | 373.8   |

|  |       |       |
|--|-------|-------|
| PROPERTY, PLANT AND EQUIPMENT - note 9 | 384.1 | 394.2 |
|--|-------|-------|

|          |       |       |
|----------|-------|-------|
| GOODWILL | 150.5 | 150.3 |
|----------|-------|-------|

|  |       |       |
|--|-------|-------|
| INTANGIBLES AND OTHER ASSETS - note 10 | 256.6 | 260.4 |
|--|-------|-------|

|                       |     |     |
|-----------------------|-----|-----|
| DEFERRED INCOME TAXES | 0.3 | 0.4 |
|-----------------------|-----|-----|

|  |           |           |
|--|-----------|-----------|
|  | -----     | -----     |
|  | \$1,179.7 | \$1,179.1 |
|  | =====     | =====     |

LIABILITIES

CURRENT LIABILITIES

|  |          |          |
|--|----------|----------|
| Short-term borrowings - note 11          | \$ 151.6 | \$ 157.9 |
| Current maturities of long-term debt     | 0.8      | 0.8      |
| Accounts payable and accrued liabilities | 187.9    | 182.5    |
| Deferred income taxes                    | 0.2      | 0.2      |
|  | -----    | -----    |
|  | 340.5    | 341.4    |

|                |       |       |
|----------------|-------|-------|
| LONG-TERM DEBT | 272.3 | 272.3 |
|----------------|-------|-------|

|                       |      |      |
|-----------------------|------|------|
| DEFERRED INCOME TAXES | 62.5 | 61.0 |
|-----------------------|------|------|

|  |       |       |
|--|-------|-------|
|  | ----- | ----- |
|  | 675.3 | 674.7 |
|  | ----- | ----- |

|                     |      |      |
|---------------------|------|------|
| MINORITY INTEREST   | 22.4 | 22.5 |
| SHAREOWNERS' EQUITY |      |      |

CAPITAL STOCK

|  |       |       |
|--|-------|-------|
| Common shares - 71,713,630 shares issued | 273.0 | 273.0 |
|--|-------|-------|

|                            |      |      |
|----------------------------|------|------|
| ADDITIONAL PAID-IN-CAPITAL | 21.1 | 18.4 |
|----------------------------|------|------|

|                   |       |       |
|-------------------|-------|-------|
| RETAINED EARNINGS | 184.1 | 186.2 |
|-------------------|-------|-------|

|  |     |     |
|--|-----|-----|
| ACCUMULATED OTHER COMPREHENSIVE INCOME | 3.8 | 4.3 |
|--|-----|-----|

|  |           |           |
|--|-----------|-----------|
|  | -----     | -----     |
|  | 482.0     | 481.9     |
|  | -----     | -----     |
|  | \$1,179.7 | \$1,179.1 |
|  | =====     | =====     |

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

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COTT CORPORATION  
CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY  
(in millions of U.S. dollars)  
Unaudited

|  | NUMBER OF<br>COMMON<br>SHARES<br>(in thousands) | COMMON<br>SHARES | ADDITIONAL<br>PAID-IN-<br>CAPITAL | RETAINED<br>EARNINGS | AC<br>COM<br>INC |
|--|---|------------------|-----------------------------------|----------------------|------------------|
| Balance at January 1, 2005                                   | 71,440  | \$269.4          | \$17.6                            | \$161.6              |                  |
| Options exercised, including tax benefit<br>of \$0.3 million | 99  | 0.9              | 0.3                               | --                   |                  |
| Comprehensive income - note 6                                |   |                  |                                   |                      |                  |
| Currency translation adjustment                              | --  | --               | --                                | --                   |                  |
| Unrealized gains on cash flow<br>hedges                      | --  | --               | --                                | --                   |                  |
| Net income   | --  | --               | --                                | 8.3                  |                  |
| Balance at April 2, 2005                                     | 71,539  | \$270.3          | \$17.9                            | \$169.9              |                  |
| Balance at December 31, 2005                                 | 71,712  | \$273.0          | \$18.4                            | \$186.2              |                  |
| Options exercised, including tax benefit                     | 2   | --               | --                                | --                   |                  |
| Stock compensation expense                                   | --  | --               | 2.7                               | --                   |                  |
| Comprehensive income - note 5                                |   |                  |                                   |                      |                  |
| Currency translation adjustment                              | --  | --               | --                                | --                   |                  |
| Unrealized gains on cash flow hedges -<br>note 8             | --  | --               | --                                | --                   |                  |
| Net loss   | --  | --               | --                                | (2.1)                |                  |
| Balance at April 1, 2006                                     | 71,714  | \$273.0          | \$21.1                            | \$184.1              |                  |

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

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COTT CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in millions of U.S. dollars)  
Unaudited

For the three months ended  
-----  
APRIL 1,      APRIL 2,  
2006              2005  
-----

OPERATING ACTIVITIES

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|  |          |         |
|--|----------|---------|
| Net (loss) income  | \$ (2.1) | \$ 8.3  |
| Depreciation and amortization                              | 19.3     | 16.8    |
| Amortization of financing fees                             | 0.3      | --      |
| Stock compensation expense                                 | 2.7      | --      |
| Deferred income taxes                                      | 0.2      | (0.2)   |
| Minority interest  | 1.0      | 0.9     |
| Loss (gain) on disposal of property, plant and equipment   | 0.1      | (0.7)   |
| Asset impairments  | 1.4      | (0.2)   |
| Other non-cash items                                       | 0.3      | 0.6     |
| Net change in non-cash working capital - note 12           | (15.8)   | (4.2)   |
|  | -----    | -----   |
| Cash provided by operating activities                      | 7.4      | 21.3    |
|  | -----    | -----   |
| INVESTING ACTIVITIES                                       |          |         |
| Additions to property, plant and equipment                 | (8.3)    | (28.1)  |
| Proceeds from disposition of property, plant and equipment | 0.7      | 1.0     |
| Other investing activities                                 | (2.4)    | (1.5)   |
|  | -----    | -----   |
| Cash used in investing activities                          | (10.0)   | (28.6)  |
|  | -----    | -----   |
| FINANCING ACTIVITIES                                       |          |         |
| Payments of long-term debt                                 | (0.2)    | (0.2)   |
| Short-term borrowings                                      | (7.0)    | (4.9)   |
| Distributions to subsidiary minority shareowner            | (1.1)    | (1.1)   |
| Issue of common shares                                     | --       | 0.9     |
| Financing costs  | --       | (2.1)   |
| Other financing activities                                 | (0.1)    | (0.1)   |
|  | -----    | -----   |
| Cash used in financing activities                          | (8.4)    | (7.5)   |
|  | -----    | -----   |
| Effect of exchange rate changes on cash                    | 0.1      | (0.4)   |
|  | -----    | -----   |
| NET DECREASE IN CASH                                       | (10.9)   | (15.2)  |
|  | -----    | -----   |
| CASH, BEGINNING OF PERIOD                                  | 21.7     | 26.6    |
|  | -----    | -----   |
| CASH, END OF PERIOD  | \$ 10.8  | \$ 11.4 |
|  | =====    | =====   |

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

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COTT CORPORATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
Unaudited

NOTE 1  
Summary of Significant Accounting Policies

BASIS OF PRESENTATION

The interim consolidated financial statements have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all information and notes presented in the annual consolidated financial statements in conformity with U.S. GAAP. In our opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for

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the interim periods presented. All such adjustments are of a normal recurring nature. These financial statements should be read in conjunction with the most recent annual consolidated financial statements. The accounting policies used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements, except for the Stock-Based Compensation as outlined below.

The presentation of these interim consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Determining whether an impairment has occurred requires various estimates and assumptions including estimates of cash flows that are directly related to the potentially impaired asset, the useful life over which cash flows will occur and their amounts. The measurement of an impairment loss requires an estimate of fair value, which is also based on estimates of future cash flows.

Material recognition, measurement, and presentation differences between U.S. GAAP and Canadian GAAP are disclosed in note 16.

### Stock-Based Compensation

Effective January 1, 2006, we adopted Statement of Financial Accounting Standard ("SFAS") 123R, Share-Based Payments, using the modified prospective approach and therefore have not restated results for prior periods. Under this prospective approach, stock-based compensation expense for the first quarter of fiscal 2006 includes compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provision of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Stock-based compensation expense for all stock-based compensation awards granted after January 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. We recognize these compensation costs net of a forfeiture rate on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of three years. We estimated the forfeiture rate for the first quarter of fiscal 2006 based on our historical experience with forfeitures during the preceding three fiscal years. For the interim period ending April 1, 2006, net income includes compensation expense of \$2.7 million, or \$2.0 million net of tax of \$0.7 million, which equates to \$0.03 per basic and diluted share. If the change had been reported retroactively, comparative figures for the three month period ended April 2, 2005 would show income before taxes of \$9.2 million, income tax expense of \$3.0 million and net income of \$6.2 million or \$0.09 per basic and diluted share as described in note 13.

### Inventory Costs

In the first quarter of 2006, we also adopted SFAS 151, Inventory Costs. The statement requires that the allocation of fixed production overheads to inventory be based on the normal capacity of the production facilities; unallocated overheads resulting from abnormally low production and certain other costs are to be recognized as an expense in the period in which they are incurred. There was no material impact from the adoption of this standard.

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NOTE 2  
Unusual Items

| (IN MILLIONS OF U.S. DOLLARS) | For the three months ended |                  |
|-------------------------------|----------------------------|------------------|
|                               | APRIL 1,<br>2006           | APRIL 2,<br>2005 |
| Restructuring                 | \$1.6                      | \$ --            |
| Asset impairments             | 1.4                        | (0.2)            |
| Other                         | 2.0                        | --               |
|                               | ====                       | =====            |
|                               | \$5.0                      | \$(0.2)          |

In September 2005 we announced our plan to realign the management of our Canadian and U.S. businesses to a North American basis, rationalize product offerings, eliminate under performing assets and increase focus on high potential accounts. In conjunction with this plan, we closed our Lachine, Quebec juice plant in February 2006 and in March 2006 we closed our Columbus, Ohio soft drink plant to bring production capacity in line with the needs of our customers.

Restructuring

We recorded restructuring charges of \$1.6 million including \$1.1 million for severance and contract termination costs relating to the closures of our Columbus, Ohio soft drink plant and our Lachine, Quebec juice plant. The remaining restructuring cost of \$0.5 million relates to consulting fees.

Restructuring charges of \$0.8 million remain accrued as at April 1, 2006.

Asset impairments

We recorded an impairment loss of \$1.4 million related to the closure of our Columbus, Ohio soft drink plant, all relating to the writedown of property, plant and equipment and information technology software.

Other

Other unusual items are primarily legal and other fees relating to the United Kingdom ("U.K.") Competition Commission review of our acquisition of 100% of the shares of Macaw (Holdings) Limited, the parent company of Macaw (Soft Drinks) Limited (the "Macaw Acquisition") in the U.K.

We are currently evaluating various actions to reduce costs and are developing detailed plans which may result in additional exit and other costs being incurred. In the near term, we may incur additional charges relating to contract termination costs associated with the closure of our Columbus, Ohio soft drink plant and our Lachine, Quebec juice plant. These additional charges will be part of the previously announced \$60 to \$80 million total anticipated charges relating to our North American realignment plan.

We may also rationalize products and production capacity but have not yet completed our analysis nor have we completed our detailed plans. Accordingly, the ultimate amount of any asset impairment charges or change in useful lives of assets that may result is uncertain. It is reasonably possible that our



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estimates of future cash flows, the useful lives, or both related to certain equipment and intangibles will be significantly reduced in the near term. As a result, the carrying value of the related assets may also be reduced materially in the near term.

### NOTE 3

#### Business Seasonality

Our net loss for the first quarter ending April 1, 2006 is not necessarily indicative of the results that may be expected for the full year due to business seasonality. Operating results are impacted by business seasonality, which normally leads to

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### COTT CORPORATION

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### Unaudited

higher sales in the second and third quarters versus the first and fourth quarters of the year. Conversely, fixed costs such as depreciation, amortization and interest, are not impacted by seasonal trends.

### NOTE 4

#### Income Taxes

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

| (IN MILLIONS OF U.S. DOLLARS)                                     | For the three months ended |                  |
|---|----------------------------|------------------|
|   | APRIL 1,<br>2006           | APRIL 2,<br>2005 |
| Income tax (recovery) provision based on Canadian statutory rates | \$ (0.5)                   | \$ 4.2           |
| Foreign tax rate differential                                     | (1.1)                      | (0.8)            |
| Non-deductible expenses and other items                           | 1.2                        | 0.3              |
| Increase in valuation allowance                                   | 1.2                        | --               |
|   | \$ 0.8                     | \$ 3.7           |
|   | =====                      | =====            |

### NOTE 5

#### Comprehensive (Loss) Income

| (IN MILLIONS OF U.S. DOLLARS) | For the three months ended |                  |
|-------------------------------|----------------------------|------------------|
|                               | APRIL 1,<br>2006           | APRIL 2,<br>2005 |
| Net (loss) income             | \$ (2.1)                   | \$ 8.3           |
| Foreign currency translation  | (0.6)                      | (3.1)            |

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|   |          |        |
|---|----------|--------|
| Unrealized gains on cash flow hedges - note 8 | 0.1      | 0.2    |
|   | -----    | -----  |
|   | \$ (2.6) | \$ 5.4 |
|   | =====    | =====  |

### NOTE 6

#### (Loss) Income Per Share

Basic net (loss) income per common share is computed by dividing net (loss) income by the weighted average number of common shares outstanding during the period. Diluted net (loss) income per share is calculated using the weighted average number of common shares outstanding adjusted to include the effect that would occur if in-the-money stock options were exercised.

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

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### COTT CORPORATION

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

| (IN THOUSANDS)   | For the three months ended |                  |
|--|----------------------------|------------------|
|  | APRIL 1,<br>2006           | APRIL 2,<br>2005 |
| -----  | -----                      | -----            |
| Weighted average number of shares outstanding - basic            | 71,712                     | 71,504           |
| Dilutive effect of stock options                                 | 43                         | 415              |
| Adjusted weighted average number of shares outstanding - diluted | -----                      | -----            |
|  | 71,755                     | 71,919           |
|  | =====                      | =====            |

At April 1, 2006, options to purchase 4,420,764 shares of common stock at a weighted average exercise price of C\$43.53 per share were outstanding, but were not included in the computation of diluted net loss per share because the options' exercise price was greater than the average market price of our common stock during the period.

As of April 1, 2006, we had 71,713,630 common shares and 4,538,655 common share options outstanding. Of our common share options outstanding, 2,298,394 options were exercisable as of April 1, 2006.

During the first quarter ended April 1, 2006, no common share options were issued and 2,000 common share options were exercised at an exercise price of C\$5.95.

### NOTE 7

#### Inventories

APRIL 1,      DECEMBER 31,

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|                               | 2006    | 2005    |
|-------------------------------|---------|---------|
|                               | -----   | -----   |
| (in millions of U.S. dollars) |         |         |
| Raw materials                 | \$ 67.0 | \$ 63.9 |
| Finished goods                | 86.7    | 62.9    |
| Other                         | 17.9    | 17.4    |
|                               | -----   | -----   |
|                               | \$171.6 | \$144.2 |
|                               | =====   | =====   |

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COTT CORPORATION  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 Unaudited

NOTE 8  
 Derivative Financial Instruments

We enter into cash flow hedges to mitigate exposure to declines in the value of the Canadian dollar attributable to certain forecasted U.S. dollar raw material purchases of the Canadian business. The hedges consist of monthly foreign exchange options to buy U.S. dollars at fixed rates per Canadian dollar and mature at various dates through December 28, 2006. The fair market value of the foreign exchange options is included in prepaid expenses and other assets.

At April 1, 2006, the hedges consisted of foreign exchange options to buy U.S. dollars at fixed rates per Canadian dollar at a cost of \$0.6 million. The fair value of the options of \$0.2 million (\$0.9 million - April 2, 2005) has been included in prepaid expenses and other assets and the unrealized loss of \$0.4 million (\$0.2 million unrealized gain - April 2, 2005) is recorded in other comprehensive income, reflecting a \$0.1 million (\$0.2 million - April 2, 2005) change in the unrealized loss in comprehensive income in the first quarter.

NOTE 9  
 Property, Plant and Equipment

| (IN MILLIONS OF U.S. DOLLARS) | APRIL 1,<br>2006 | DECEMBER 31,<br>2005 |
|-------------------------------|------------------|----------------------|
|                               | -----            | -----                |
| Cost                          | \$ 684.1         | \$ 680.8             |
| Accumulated depreciation      | (300.0)          | (286.6)              |
|                               | -----            | -----                |
|                               | \$ 384.1         | \$ 394.2             |
|                               | =====            | =====                |

NOTE 10  
 Intangibles and Other Assets

| APRIL 1, 2006 | DECEMBER 31, 2005 |
|---------------|-------------------|
| -----         | -----             |
| ACCUMULATED   | ACCUMULATED       |

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| (IN MILLIONS OF U.S. DOLLARS) | COST    | AMORTIZATION | NET     | COST    | AMORTIZATION | NET     |
|-------------------------------|---------|--------------|---------|---------|--------------|---------|
| <b>INTANGIBLES</b>            |         |              |         |         |              |         |
| Not subject to amortization   |         |              |         |         |              |         |
| Rights                        | \$ 80.4 | \$ --        | \$ 80.4 | \$ 80.4 | \$ --        | \$ 80.4 |
| Subject to amortization       |         |              |         |         |              |         |
| Customer relationships        | 166.8   | 43.1         | 123.7   | 166.7   | 40.1         | 126.6   |
| Trademarks                    | 29.0    | 9.8          | 19.2    | 29.0    | 9.3          | 19.7    |
| Information technology        | 50.8    | 25.7         | 25.1    | 49.1    | 24.1         | 25.0    |
| Other                         | 3.6     | 1.0          | 2.6     | 3.6     | 1.0          | 2.6     |
|                               | 250.2   | 79.6         | 170.6   | 248.4   | 74.5         | 173.9   |
|                               | 330.6   | 79.6         | 251.0   | 328.8   | 74.5         | 254.3   |
| <b>OTHER ASSETS</b>           |         |              |         |         |              |         |
| Financing costs               | 4.6     | 1.5          | 3.1     | 4.6     | 1.2          | 3.4     |
| Other                         | 5.4     | 2.9          | 2.5     | 5.4     | 2.7          | 2.7     |
|                               | 10.0    | 4.4          | 5.6     | 10.0    | 3.9          | 6.1     |
|                               | \$340.6 | \$84.0       | \$256.6 | \$338.8 | \$78.4       | \$260.4 |

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COTT CORPORATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
Unaudited

Amortization expense of intangible assets was \$6.0 million for the period ended April 1, 2006 (\$4.9 million - April 2, 2005).

NOTE 11

Short-Term Borrowings

Short-term borrowings include bank overdrafts, and borrowings under our credit facilities and receivables securitization facility.

The credit facilities are collateralized by substantially all our personal property with certain exceptions including the receivables sold as part of our receivables securitization facility discussed below.

In general, borrowings under the credit facilities bear interest at either a floating or fixed rate for the applicable currency plus a margin based on our consolidated total leverage ratio. A facility fee of between 0.15% and 0.375% per annum is payable on the entire line of credit. The level of the facility fee is dependent on financial covenants.

As at April 1, 2006, credit of \$83.6 million was available after borrowings of \$136.4 million and standby letters of credit of \$5.0 million. The weighted average interest rate was 6.02% on these facilities as of April 1, 2006.

The amount of funds available under the receivables securitization facility is based upon the amount of eligible receivables and various reserves required by the facility. Accordingly, availability may fluctuate over time given changes in

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eligible receivables balances and calculation of reserves, but will not exceed the \$75.0 million program limit. This facility bears interest at a variable rate, based on the cost of borrowing of an unaffiliated entity, Park Avenue Receivables Company, LLC and certain other financial institutions (the "Purchasers"). A fee of between 0.20% and 0.40% per annum is currently payable on the unused portion of the facility. The level of the facility fee is dependent on financial covenants. As of April 1, 2006, \$43.9 million of eligible receivables, net of reserves, were available for purchase and \$5.0 million was outstanding, under this facility, at a weighted average interest rate of 5.58%.

### NOTE 12

#### Net Change in Non-Cash Working Capital

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

|  | For the three<br>months ended    |                  |
|--|----------------------------------|------------------|
|  | APRIL 1,<br>2006                 | APRIL 2,<br>2005 |
|  | (in millions of<br>U.S. dollars) |                  |
| Decrease (increase) in accounts receivable               | \$ 8.4                           | \$ (18.4)        |
| Increase in inventories                                  | (27.4)                           | (18.2)           |
| (Increase) decrease in prepaid expenses and other assets | (2.5)                            | 0.6              |
| Increase in accounts payable and accrued liabilities     | 5.7                              | 31.8             |
|  | \$ (15.8)                        | \$ (4.2)         |
|  | =====                            | =====            |

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### COTT CORPORATION

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 13

#### Stock-Based Compensation

Effective January 1, 2006, we adopted the fair value recognition provisions of SFAS 123R, using the modified prospective approach and therefore have not restated prior periods' results. Under this prospective approach, stock-based compensation expense for the first quarter of fiscal 2006 includes compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provision of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Stock-based compensation expense for all stock-based compensation awards granted after January 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. We recognize these compensation costs net of a forfeiture rate on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of three years. We estimated the forfeiture rate for the first quarter of fiscal 2006 based on our historical experience

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with forfeitures during the preceding three fiscal years. For the interim period ending April 1, 2006, net income includes compensation expense of \$2.7 million, or \$2.0 million net of tax of \$0.7 million, which equates to \$0.03 per basic and diluted share.

The pro forma table below reflects net earnings and basic and diluted net earnings per share for fiscal 2005, had we applied the fair value recognition provisions of SFAS 123, as follows:

| (IN MILLIONS OF U.S. DOLLARS,<br>EXCEPT PER SHARE AMOUNTS) | FOR THE THREE<br>MONTHS ENDED<br>APRIL 2, 2005 |
|--|--|
|  |  |
| NET INCOME   |  |
| As reported  | \$ 8.3   |
| Compensation expense                                       | (2.1)  |
|  | -----  |
| Pro forma  | \$ 6.2   |
|  | =====  |
| NET INCOME PER SHARE - BASIC                               |  |
| As reported  | \$0.12   |
| Pro forma  | \$0.09   |
| NET INCOME PER SHARE - DILUTED                             |  |
| As reported  | \$0.12   |
| Pro forma  | \$0.09   |

The pro forma compensation expense has been tax effected to the extent it relates to stock options granted in jurisdictions where the related benefits are deductible for income tax purposes.

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

|                               | FOR THE THREE<br>MONTHS ENDED<br>APRIL 2,<br>2005 |
|-------------------------------|---|
|                               |   |
| Risk-free interest rate       | 3.3% -- 3.7%                                      |
| Average expected life (years) | 4   |
| Expected volatility           | 40.0%   |
| Expected dividend yield       | --  |

There were no options granted during the first quarter of fiscal 2006.

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Option activity was as follows:

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|                               | SHARES    | WEIGHTED<br>AVERAGE<br>EXERCISE<br>PRICE | WEIGHTED AVERAGE<br>REMAINING<br>CONTRACTUAL TERM<br>(IN YEARS) |
|-------------------------------|-----------|--|---|
|                               | -----     | -----                                    | -----   |
| Balance at January 1, 2005    | 4,205,965 | \$30.90                                  |   |
| Granted                       | 142,500   | 29.67                                    |   |
| Exercised                     | (99,200)  | 13.80                                    |   |
| Forfeited                     | (93,700)  | 34.83                                    |   |
|                               | -----     | -----                                    | ---   |
| Outstanding at April 2, 2005  | 4,155,565 | 31.18                                    | 4.7   |
|                               | -----     | -----                                    | ---   |
| Exercisable at April 2, 2005  | 1,780,264 | \$23.51                                  | 4.7   |
|                               | -----     | -----                                    | ---   |
| Balance at December 31, 2005  | 4,604,655 | \$30.69                                  |   |
| Granted                       | --        | --                                       |   |
| Exercised                     | (2,000)   | 5.95                                     |   |
| Forfeited                     | (64,000)  | 30.20                                    |   |
|                               | -----     | -----                                    | ---   |
| Outstanding at April 1, 2006  | 4,538,655 | 42.59                                    | 4.5   |
|                               | -----     | -----                                    | ---   |
| -Exercisable at April 1, 2006 | 2,298,394 | \$28.09                                  | 4.5   |
|                               | -----     | -----                                    | ---   |

Outstanding options at April 1, 2006 are as follows:

| Range of Exercise Prices (C\$) | Options Outstanding |                                    |                                       | Options Exercisable |                                       |
|--------------------------------|---------------------|------------------------------------|---------------------------------------|---------------------|---------------------------------------|
|                                | Number Outstanding  | Remaining Contractual Life (Years) | Weighted Average Exercise Price (C\$) | Number Exercisable  | Weighted Average Exercise Price (C\$) |
|                                | -----               | -----                              | -----                                 | -----               | -----                                 |
| \$5.95 - \$16.10               | 124,491             | 1.9                                | \$ 9.85                               | 124,491             |                                       |
| \$16.68 - \$24.25              | 809,964             | 3.2                                | \$19.75                               | 669,438             |                                       |
| \$26.00 - \$33.30              | 2,325,050           | 4.8                                | \$29.97                               | 1,102,390           |                                       |
| \$35.21 - \$43.64              | 1,279,150           | 4.9                                | \$41.02                               | 402,075             |                                       |
|                                | -----               | -----                              | -----                                 | -----               | -----                                 |
|                                | 4,538,655           | 4.5                                | \$42.59                               | 2,298,394           |                                       |
|                                | =====               | =====                              | =====                                 | =====               | =====                                 |

Total compensation expense related to non-vested awards not yet recognized is expected to be \$16.5 million. The weighted average period over which this is expected to be recognized is 1.1 years.

NOTE 14  
Contingencies

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.

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In January 2005, we were named as one of many defendants in a class action suit alleging the unauthorized use by the defendants of container deposits and the imposition of recycling fees on customers. In February 2005 similar class action claims were filed in a number of other Canadian provinces. The litigation is at a very preliminary stage and the merits of the case have not been determined.

See also Note 17.

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COTT CORPORATION  
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NOTE 15  
Segment Reporting

We produce, package and distribute retailer brand and branded bottled and canned beverages to regional and national grocery, mass-merchandise and wholesale chains in North America, the U.K. & Europe and International business segments. The International segment includes our Mexican business, our Royal Crown International business and our business in Asia. The concentrate assets, sales and related expenses have been included in the Corporate & Other segment.

BUSINESS SEGMENTS

|  | NORTH<br>AMERICA | UNITED<br>KINGDOM<br>& EUROPE | INTERNATIONAL | CORPORATE &<br>OTHER |
|--|------------------|-------------------------------|---------------|----------------------|
| (in millions of U.S. dollars)                |                  |                               |               |                      |
| FOR THE THREE MONTHS ENDED                   |                  |                               |               |                      |
| APRIL 1, 2006                                |                  |                               |               |                      |
| External sales                               | \$309.5          | \$ 65.4                       | \$17.9        | \$ 1.4               |
| Depreciation and amortization                | 13.7             | 3.9                           | 0.4           | 1.3                  |
| Operating income (loss) before unusual items | 15.1             | 1.8                           | 2.9           | (7.1)                |
| Unusual items - note 2                       |                  |                               |               |                      |
| Restructuring                                | 1.2              | --                            | --            | 0.4                  |
| Asset impairment                             | 1.2              | --                            | --            | 0.2                  |
| Other  | --               | 2.0                           | --            | --                   |
| Additions to property, plant and equipment   | 6.5              | 1.8                           | --            | --                   |
| AS OF APRIL 1, 2006                          |                  |                               |               |                      |
| Property, plant and equipment                | 258.3            | 108.3                         | 9.9           | 7.6                  |
| Goodwill                                     | 74.0             | 66.8                          | 4.6           | 5.1                  |
| Intangibles and other assets                 | 131.8            | 25.9                          | 0.9           | 98.0                 |
| Total assets                                 | 712.3            | 300.5                         | 81.8          | 85.1                 |
|  |                  |                               |               |                      |

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 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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|  | NORTH<br>AMERICA | UNITED<br>KINGDOM<br>& EUROPE | INTERNATIONAL | CORPORATE &<br>OTHER |
|--|------------------|-------------------------------|---------------|----------------------|
| (in millions of U.S. dollars)                |                  |                               |               |                      |
| FOR THE THREE MONTHS ENDED                   |                  |                               |               |                      |
| APRIL 2, 2005                                |                  |                               |               |                      |
| External sales                               | \$335.4          | \$ 43.6                       | \$15.7        | \$ 0.8               |
| Depreciation and amortization                | 13.7             | 2.1                           | 0.3           | 0.7                  |
| Operating income (loss) before unusual items | 19.2             | 1.9                           | 2.3           | (3.6)                |
| Unusual items - asset impairments            | --               | (0.2)                         | --            | --                   |
|  |                  |                               |               |                      |
| Additions to property, plant and equipment   | 23.1             | 4.7                           | 0.2           | 0.1                  |
| AS OF DECEMBER 31, 2005                      |                  |                               |               |                      |
| Property, plant and equipment                | 266.2            | 109.4                         | 10.3          | 8.3                  |
| Goodwill                                     | 74.1             | 66.6                          | 4.5           | 5.1                  |
| Intangibles and other assets                 | 136.0            | 26.3                          | 1.1           | 97.0                 |
|  |                  |                               |               |                      |
| Total assets                                 | 710.5            | 307.7                         | 83.1          | 77.8                 |

Total assets under the Corporate & Other caption include the elimination of intersegment receivables and investments.

Credit risk arises from the potential default of a customer in meeting its financial obligations with us. Concentrations of credit exposure may arise with a group of customers which have similar economic characteristics or that are located in the same geographic region. The ability of such customers to meet obligations would be similarly affected by changing economic, political or other conditions.

For the quarter ended April 1, 2006, sales to Wal-Mart Stores, Inc. accounted for 42% (April 2, 2005 - 41%) of our total sales.

Revenues by geographic area are as follows:

| (IN MILLIONS OF U.S. DOLLARS) | For the<br>three months ended |                  |
|-------------------------------|-------------------------------|------------------|
|                               | APRIL 1,<br>2006              | APRIL 2,<br>2005 |
| United States                 | \$276.5                       | \$300.3          |
| Canada                        | 40.6                          | 41.1             |
| United Kingdom                | 63.2                          | 41.8             |
| Other countries               | 13.9                          | 12.3             |
|                               | -----                         | -----            |
|                               | \$394.2                       | \$395.5          |

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Revenues are attributed to countries based on the location of the plant.

Property, plant and equipment, goodwill, and intangibles and other assets by geographic area are as follows:

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COTT CORPORATION  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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| (IN MILLIONS OF U.S. DOLLARS) | APRIL 1,<br>2006 | DECEMBER 31,<br>2005 |
|-------------------------------|------------------|----------------------|
|                               |                  |                      |
| United States                 | \$481.4          | \$491.7              |
| Canada                        | 96.8             | 98.2                 |
| United Kingdom                | 201.0            | 202.3                |
| Other countries               | 12.0             | 12.7                 |
|                               | \$791.2          | \$804.9              |
|                               | =====            | =====                |

NOTE 16

Differences Between United States and Canadian Accounting Principles and Practices

These consolidated financial statements have been prepared in accordance with U.S. GAAP which differs in certain respects from those principles and practices that we would have followed had our consolidated financial statements been prepared in accordance with Canadian GAAP.

- (a) In fiscal 2005, under U.S. GAAP, we elected not to record compensation expense for options issued to employees with an exercise price equal to the market value of the options. Effective January 1, 2006, we adopted SFAS 123R, Share-Based Payments, which requires us to recognize compensation expense for all types of stock options, using the modified prospective approach. As a result, there was no difference in compensation expense recorded for Canadian GAAP in the first quarter of 2006. Compensation expense of \$2.8 million, \$2.1 million net of tax of \$0.7 million, was recorded in the first quarter of 2005. We recognize these compensation costs net of a forfeiture rate on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of three years. We estimated the forfeiture rate for the first quarter of fiscal 2006 based on our historical experience with forfeitures during the preceding three fiscal years. As a result, compensation expense of \$2.7 million (\$2.8 million - April 2, 2005), \$2.0 million (\$2.1 million - April 2, 2005) net of tax of \$0.7 million (\$0.7 million - April 2, 2005) was recorded in the first quarter of 2006.
- (b) Under U.S. GAAP, costs of start-up activities and organization costs are expensed as incurred. Under Canadian GAAP these costs, if they meet certain criteria, can be capitalized and amortized over the future benefit period.

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(c) Under U.S. GAAP, the adoption of the U.S. dollar in 1998 as the presentation and reporting currency was implemented retroactively, such that prior period financial statements are translated under the current rate method using the foreign exchange rates in effect on those dates. Under Canadian GAAP, the change in presentation and reporting currency was implemented by translating all prior year financial statement amounts at the foreign exchange rate on January 31, 1998. As a result, there is a difference in the share capital, retained earnings and cumulative translation adjustment amounts under Canadian GAAP as compared to U.S. GAAP.

Under Canadian GAAP, these differences would have been reported in the consolidated statements of income, consolidated balance sheets, consolidated statements of shareowners' equity and consolidated statements of cash flows as follows:

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COTT CORPORATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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CONSOLIDATED BALANCE SHEETS

| (IN MILLIONS OF U.S. DOLLARS)              | APRIL 1, 2006 |                  | December 31, 2005 |                  |
|--|---------------|------------------|-------------------|------------------|
|  | U.S.<br>GAAP  | CANADIAN<br>GAAP | U.S.<br>GAAP      | Canadian<br>GAAP |
| Property, plant & equipment (b)            | \$ 384.1      | \$ 384.1         | \$ 394.2          | \$ 394.2         |
| Goodwill (b)                               | 150.5         | 151.0            | 150.3             | 150.8            |
| Total assets                               | 1,179.7       | 1,180.2          | 1,179.1           | 1,179.6          |
| Deferred income taxes- net (a), (b)        | 53.8          | 47.3             | 53.5              | 47.0             |
| Total liabilities                          | 675.3         | 668.8            | 674.7             | 668.2            |
| Capital stock (a), (c)                     | 273.0         | 266.6            | 273.0             | 263.9            |
| Additional paid-in-capital (a)             | 21.1          | 25.2             | 18.4              | 25.2             |
| Retained earnings (a), (b), (c)            | 184.1         | 151.0            | 186.2             | 153.1            |
| Accumulated other comprehensive income (c) | 3.8           | 46.2             | 4.3               | 46.7             |
| Total shareowners' equity                  | 482.0         | 489.0            | 481.9             | 488.9            |

RECONCILIATION OF CONSOLIDATED STATEMENTS OF INCOME (LOSS)

| (IN MILLIONS OF U.S. DOLLARS)         | For the three months ended |               |
|---------------------------------------|----------------------------|---------------|
|                                       | APRIL 1, 2006              | April 2, 2005 |
| Net (loss) income under U.S. GAAP     | \$ (2.1)                   | \$ 8.3        |
| Cost of sales (b)                     | --                         | (0.1)         |
| Stock compensation expense (a)        | --                         | (2.8)         |
| Recovery of income taxes (a), (b)     | --                         | 0.7           |
| Net (loss) income under Canadian GAAP | \$ (2.1)                   | \$ 6.1        |

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|   |          |        |
|---|----------|--------|
|   | =====    | =====  |
| NET INCOME (LOSS) PER COMMON SHARE, CANADIAN GAAP |          |        |
| Basic   | \$(0.03) | \$0.09 |
| Diluted   | \$(0.03) | \$0.08 |
|   | =====    | =====  |

### RECONCILIATION OF CONSOLIDATED STATEMENTS OF CASH FLOWS

| (IN MILLIONS OF U.S. DOLLARS)                       | For the three months ended |               |
|---|----------------------------|---------------|
|   | APRIL 1, 2006              | April 2, 2005 |
| Cash provided by operating activities U.S. GAAP     | \$7.4                      | \$21.3        |
| Net income (a), (b)                                 | --                         | (2.2)         |
| Depreciation & amortization (b)                     | --                         | 0.1           |
| Deferred income taxes (a), (b)                      | --                         | (0.7)         |
| Other non-cash items (a)                            | --                         | 2.8           |
|   | ----                       | ----          |
| Cash provided by operating activities Canadian GAAP | \$7.4                      | \$21.3        |
|   | ====                       | ====          |

#### NOTE 17

##### Subsequent Events

The U.K. Office of Fair Trading ("OFT") referred the Macaw Acquisition to the U.K. Competition Commission for further investigation. On April 28, 2006, we received final clearance of the Macaw Acquisition from the Competition Commission.

#### NOTE 18

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

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

#### OVERVIEW

We are one of the world's largest suppliers of retailer brand beverages.

#### RESULTS OF OPERATIONS

|               | APRIL 1, 2006          |                     | April 2, 2005          |                     |
|---------------|------------------------|---------------------|------------------------|---------------------|
|               | MILLIONS<br>OF DOLLARS | PERCENT<br>OF SALES | MILLIONS<br>OF DOLLARS | PERCENT<br>OF SALES |
| Sales         | \$394.2                | 100.0%              | \$395.5                | 100.0%              |
| Cost of sales | 341.5                  | 86.6%               | 339.5                  | 85.8%               |

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|   |          |       |        |       |
|---|----------|-------|--------|-------|
| Gross margin  | 52.7     | 13.4% | 56.0   | 14.2% |
| SG&A  | 39.9     | 10.1% | 36.9   | 9.3%  |
| Loss (gain) on disposal of property,<br>plant and equipment | 0.1      | --    | (0.7)  | 0.2%  |
| Unusual items   | 5.0      | 1.3%  | (0.2)  | 0.1%  |
| Operating income  | 7.7      | 2.0%  | 20.0   | 5.1%  |
| Other (income) expense                                      | (0.2)    | 0.1%  | 0.6    | 0.2%  |
| Interest expense  | 8.2      | 2.1%  | 6.5    | 1.6%  |
| Minority interest   | 1.0      | 0.3%  | 0.9    | 0.2%  |
| Income taxes  | 0.8      | 0.2%  | 3.7    | 0.9%  |
| Net (loss) income   | \$ (2.1) | 0.5%  | \$ 8.3 | 2.1%  |
| Depreciation & amortization                                 | 19.3     | 4.9%  | 16.8   | 4.2%  |

We reported a net loss of \$2.1 million or \$(0.03) per diluted share for the first quarter ended April 1, 2006, compared with net income of \$8.3 million, or \$0.12 per diluted share, for the first quarter of 2005. The decrease was primarily due to:

- o increased packaging costs, primarily PET resin, not fully recovered through price increases;
- o higher fixed costs resulting from new production capacity in the U.S; and
- o changes in product and packaging mix.

SALES -Sales in the first quarter of 2006 were \$394.2 million, a decrease of 0.3% from \$395.5 million in the first quarter of 2005. The impact of foreign exchange on sales was negligible. Sales decreased 5.4% when excluding the impact of foreign exchange and our August 2005 acquisition of 100% of the outstanding shares of Macaw (Holdings) Limited, the parent company of Macaw (Soft Drinks) Limited (the "Macaw Acquisition"). Total 8-ounce equivalent case volume was 295 million cases in the first quarter of 2006, an increase of 8.3% compared to the first quarter of 2005. Excluding the impact of the Macaw Acquisition, 8-ounce equivalent case volume was up 3.3% compared with the first quarter of 2005. The sale of concentrates is a high volume but low dollar component of our overall sales, which partially explains why revenue slightly decreased but total 8-ounce equivalent volume increased in the first quarter of 2006 compared to the first quarter of 2005.

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| (IN MILLIONS OF DOLLARS)   | COTT     | NORTH<br>AMERICA | UK &<br>EUROPE | INTER-NATIONAL |
|----------------------------|----------|------------------|----------------|----------------|
| Change in sales            | \$ (1.3) | \$ (25.9)        | \$ 21.8        | \$ 2.2         |
| Impact of acquisitions     | (20.1)   | --               | (20.1)         | --             |
| Impact of foreign exchange | 0.2      | (2.5)            | 3.2            | (0.6)          |

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|   |           |           |        |        |
|---|-----------|-----------|--------|--------|
| Change excluding acquisitions & exchange            | \$ (21.2) | \$ (28.4) | \$ 4.9 | \$ 1.6 |
|   | -----     | -----     | -----  | -----  |
| Percentage change excluding acquisitions & exchange | (5)%      | (8)%      | 12%    | 10%    |
|   | -----     | -----     | -----  | -----  |

In North America, sales were \$309.5 million in the first quarter of 2006, a decrease of 7.7% from the first quarter of 2005. Excluding the impact of foreign exchange, sales decreased by 8.4%. This decline was mainly due to a structural change in our business arrangement with one of our self-manufacturing customers. The related sales are now in the form of concentrates rather than filled beverages. This lowers our revenue but has minimal earnings impact. Other factors impacting North American sales were product and customer rationalization, continued carbonated soft drink ("CSD") softness and lower bottled water sales.

In the U.K. and Europe, sales were \$65.4 million in the first quarter of 2006, an increase of 50% from the first quarter of 2005. Excluding the impact of the Macaw Acquisition, sales increased 3.9%. Excluding the impact of the Macaw Acquisition and foreign exchange, sales increased 12.1%.

The International segment includes our Mexican operations, our Royal Crown International division and our business in Asia. Sales by this segment were \$17.9 million in the first quarter of 2006, an increase of 14% when compared with the first quarter of 2005. This increase was primarily from Mexico where sales in the first quarter were \$11.8 million, an increase of \$1.3 million when compared with sales in the first quarter of 2005 primarily due to increased volume.

**GROSS PROFIT** - Gross profit as a percentage of sales decreased to 13.4% for the first quarter of 2006 from 14.2% in the first quarter of 2005. The gross margin decline was due to higher ingredient and packaging costs and increased capacity-related fixed costs, partially offset by selling price increases.

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A")** - SG&A was \$39.9 million in the first quarter of 2006, an increase of \$3 million from the first quarter of 2005, largely due to stock option expenses of \$2.7 million. The additional SG&A costs resulting from the Macaw Acquisition were largely offset by our company-wide cost control actions. As a percentage of sales, SG&A increased to 10.1% in the first quarter of 2006 from 9.3% in the first quarter of 2005.

**STOCK-BASED COMPENSATION** - Effective January 1, 2006, we adopted Statement of Financial Accounting Standard ("SFAS 123R"), Share-Based Payments, using the modified prospective approach and therefore have not restated results for prior periods. Under this prospective approach, stock-based compensation expense for the first quarter of fiscal 2006 includes compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provision of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Stock-based compensation expense for all stock-based compensation awards granted after January 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. We recognize these compensation costs net of a forfeiture rate on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of three years. We estimated the forfeiture rate for the first quarter of fiscal 2006 based on our historical experience with forfeitures during the preceding three fiscal years. For the interim period ending April 1, 2006, net income includes compensation expense of \$2.7 million, or \$2.0 million net of tax of \$0.7 million, which equates to \$0.03 per basic and diluted share. If the change had been reported retroactively, comparative figures for the three month period ended April 2, 2005 would show income before taxes of \$9.2 million, income tax expense of \$3.0 million and net income of \$6.2 million or \$0.09 per

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basic and diluted share.

UNUSUAL ITEMS - In the first quarter of 2006, we recorded charges for unusual items of \$5 million on a pre-tax basis or \$0.06 per diluted share after tax. In the first quarter of 2005, the only unusual item was a \$0.2 million gain.

Of the \$5 million of unusual items recorded in the first quarter of 2006, \$1.6 million relates to restructuring charges, \$1.4 million relates to asset impairments and \$2 million relates to legal and other fees relating to the U.K Competition Commission review of the Macaw Acquisition.

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Restructuring charges of \$1.6 million includes \$1.1 million for severance and contract termination costs relating to the closures of our Columbus, Ohio soft drink plant and our Lachine, Quebec juice plant. The remaining restructuring cost of \$0.5 million relates to consulting fees.

Asset impairments of \$1.4 million are related to the closure of our Columbus, Ohio soft drink plant, all relating to the writedown of property, plant and equipment and information technology software

OPERATING INCOME - Operating income was \$7.7 million in the first quarter of 2006 including unusual items of \$5 million, as compared with \$20 million in the first quarter of 2005 which included unusual items of \$0.2 million gain.

INTEREST EXPENSE - Net interest expense was \$8.2 million in the first quarter of 2006, up from \$6.5 million in the first quarter of 2005 primarily resulting from the Macaw Acquisition.

INCOME TAXES - We recorded an income tax provision of \$0.8 million in the first quarter of 2006. This compares with an income tax provision of \$3.7 million in the first quarter of 2005. The income tax provision was impacted primarily by our inability to recognize the tax benefit of our losses in Canada.

### FINANCIAL CONDITION

OPERATING ACTIVITIES - Cash used in operating activities in the first quarter of 2006 was \$0.9 million, after capital expenditures of \$8.3 million, as compared to the first quarter of 2005 in which cash used in operating activities was \$6.8 million, after capital expenditures of \$28.1 million.

Cash decreased from \$21.7 million to \$10.8 million in the first quarter of 2006.

CAPITAL RESOURCES AND LONG-TERM DEBT - Our sources of capital include operating cash flows, short term borrowings under current credit and receivables securitization facilities, issuance of public and private debt and issuance of equity securities. We believe we have adequate financial resources to meet our ongoing cash requirements for operations and capital expenditures, as well as our other financial obligations based on our operating cash flows and currently available credit.

Our senior secured credit facilities allow for revolving credit borrowings of up to \$225.0 million provided we are in compliance with the covenants and conditions of the agreement. As of April 1, 2006 credit of \$83.6 million was available after borrowings of \$136.4 million, standby letters of credit of \$5 million. The weighted average interest rate was 6.02% on these facilities as of April 1, 2006.

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The receivables securitization facility allows for borrowing up to \$75.0 million based on the amount of eligible receivables and various reserves required by the facility. As of April 1, 2006, \$43.9 million of eligible receivables, net of reserves, were available for purchase and \$5 million was outstanding at a weighted average interest rate of 5.58%.

As of April 1, 2006, long-term debt totaled \$273.1 million compared with \$273.1 million at the end of 2005. At the end of the first quarter of 2006, debt consisted of \$270.7 million in 8% senior subordinated notes with a face value of \$275.0 million and \$2.4 million of other debt.

CANADIAN GAAP - Under Canadian GAAP, in the first quarter of 2006, we reported a net loss of \$2.1 million and total assets of \$1,180.2 million compared to net loss and total assets under U.S. GAAP of \$2.1 million and \$1,179.7 million, respectively, in the first quarter of 2006.

There was no material U.S./Canadian GAAP differences in the first quarter of 2006.

### OUTLOOK

We continue to expect 2006 to be a challenging year. Sales of CSDs are expected to be flat as compared with 2005 as the decline in sales of regular CSDs is offset by higher sales of diet CSDs. Strong growth is expected for bottled water and non-carbonated beverages.

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To be successful, we will need to take a more disciplined, strategic approach to pricing, work to strategically reduce costs, aggressively improve the efficiency of our overall supply chain including bottled water profitability and increase our penetration into the non-carbonated beverages category.

We continue to move forward with our North American realignment plan we announced in September 2005. We are leveraging management strengths across a broader territory and maximizing opportunities and processes to improve supply chain efficiencies and financial performance. To date, we have recorded charges of \$19.9 million relating to this plan and \$20 million for customer relationship impairment and could incur additional pre-tax charges, including asset impairments, severance and other costs, of \$20 to \$40 million. The \$20 to \$40 million in charges are those remaining to be taken as part of the previously announced \$60 to \$80 million total anticipated charges and are not in addition to the previously announced \$60 to \$80 million in total anticipated charges. While we are considering various actions including product and capacity rationalization, we have not completed our detailed plans and the requisite analyses to estimate the remaining charges to specific categories. As a result, the ultimate amount and timing of the charges is uncertain.

Our business strategy also involves continuing to expand outside of North America. We continue to view Mexico as a strong long-term growth opportunity and are working closely with our customers to grow the retailer brand beverage segment in this market. Our U.K. division intends to continue to enhance its performance through product innovation and a customer-centric focus to identify opportunities. On April 28, 2006, the U.K. Competition Commission gave final approval to the Macaw Acquisition and we are integrating Macaw business into our U.K. business. This acquisition has added additional production capacity and aseptic beverage capabilities to our U.K. business unit.

FORWARD-LOOKING STATEMENTS - In addition to historical information, this report



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and the reports and documents incorporated by reference in this report contain statements relating to future events and our future results. These statements are "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995 and 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", "estimate", "expect", "intend", "may", "plan", "predict", "project", "should" and similar terms and phrases are used to identify forward-looking statements in this report and in the documents incorporated in this report by reference. These forward-looking statements are made as of the date of this report.

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 be incorrect. Our operations involve risks and uncertainties, many of which are outside of our control, and any one or any combination of these risks and uncertainties could also affect whether the forward-looking statements ultimately prove to be correct.

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

- o loss of key customers, particularly Wal-Mart, and the commitment of retailer brand beverage customers to their own retailer brand beverage programs;
- o increases in competitor consolidations and other market-place competition, particularly among branded beverage products;
- o our ability to identify acquisition and alliance candidates and to integrate into our operations the businesses and product lines that we acquire or become allied with;
- o our ability to secure additional production capacity either through acquisitions, or third party manufacturing arrangements;
- o increase in interest rates;
- o our ability to restore plant efficiencies and lower logistics costs;
- o fluctuations in the cost and availability of beverage ingredients and packaging supplies, and our ability to maintain favorable arrangements and relationships with our suppliers;
- o our ability to pass on increased costs to our customers;

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- o unseasonably cold or wet weather, which could reduce demand for our beverages;
- o our ability to protect the intellectual property inherent in new and existing products;

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- o adverse rulings, judgments or settlements in our existing litigation and regulatory reviews, and the possibility that additional litigation or regulatory reviews will be brought against us;
- o product recalls or changes in or increased enforcement of the laws and regulations that affect our business;
- o currency fluctuations that adversely affect the exchange between the U.S. dollar on one hand and the pound sterling, the Canadian dollar and other currencies on the other;
- o changes in tax laws and interpretations of tax laws;
- o changes in consumer tastes and preferences and market demand for new and existing products;
- o interruption in transportation systems, labor strikes, work stoppages and other interruptions or difficulties in the employment of labor or transportation in our markets; and
- o changes in general economic and business conditions.

Many of these factors are described in greater detail in this report and in other filings that we make with the U.S. 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.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to Item 7A: Quantitative and Qualitative Disclosures about Market Risk described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

In the first quarter of 2006, we entered into cash flow hedges to mitigate exposure to declines in the value of the Canadian dollar attributable to certain forecasted U.S. dollar raw material purchases of the Canadian business segment. The hedges consist of monthly foreign exchange options to buy U.S. dollars at fixed rates per Canadian dollar and mature at various dates through December 28, 2006. The fair market value of the foreign exchange options is included in prepaid expenses and other assets.

Changes in the fair value of the cash flow hedge instruments are recognized in accumulated other comprehensive income. Amounts recognized in accumulated other comprehensive income and prepaid expenses and other assets are recorded in earnings in the same periods in which the forecasted purchases or payments affect earnings. At April 1, 2006, the fair value of the options was \$0.2 million (\$0.9 million - April 2, 2005) and we recorded \$0.1 million unrealized gain in comprehensive income in the first quarter of 2006. See "Note 8 Derivative Financial Instruments."

Our sales outside the U.S. are concentrated principally in the U.K. and Canada. We believe that our foreign currency exchange rate risk has been immaterial given the historic stability of the U.S. dollar with respect to the foreign currencies to which we have our principal exposure. However, there can be no

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assurance that these exchange rates will remain stable or that our exposure to foreign currency exchange rate risk will not increase in the future.

### ITEM 4. CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) are effective, based on their evaluation of these controls and procedures as of the end of the period covered by this report. There have been no changes in our internal control over financial reporting or in other factors during the quarter ended April 1, 2006 that could materially affect, or are likely to materially affect, our internal control over financial reporting.

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## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Reference is made to the legal proceedings described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005. On April 28, 2006, the U.K. Competition Commission gave final clearance to the Macaw Acquisition.

### ITEM 1A. RISK FACTORS

Reference is made to the detailed description of risk factors our Annual Report on Form 10-K for the fiscal year ended December 31, 2005. Risks and uncertainties include national brand pricing strategies, commitment of major customers to retailer brand programs, stability of procurement costs for items such as sweetener, packaging materials and other ingredients, the successful integration of new acquisitions, the ability to protect intellectual property and fluctuations in interest rates and foreign currencies versus the U.S. dollar.

The Risk Factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 have not changed materially other than as set forth below.

IF THE COMPETITION COMMISSION IN THE U.K. DOES NOT APPROVE THE MACAW ACQUISITION, WE MIGHT BE REQUIRED TO SELL ALL OR PART OF THIS BUSINESS AND MAY NOT RECOVER OUR FULL COST.

This Risk Factor is no longer applicable as the Competition Commission approved the Macaw Acquisition on April 28, 2006.

Sales to our top customer (Wal-Mart Stores, Inc.) in the first three months of 2006 and 2005 accounted for 42% and 41%, respectively, of our total sales. Sales to the top ten customers in the first three months of 2006 and 2005 accounted for 63% and 68%, respectively, of our total sales. The loss of any significant customer, or customers which in the aggregate represent a significant portion of our sales, could have a material adverse effect on our operating results and cash flows.

### ITEM 6. FINANCIAL STATEMENT SCHEDULES AND EXHIBITS

#### 1. Financial Statement Schedules

Schedule III - Consolidating Financial Statements

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2. Exhibits

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| Number | Description  |
|--------|--|
| -----  | -----  |
| 3.1    | Articles of Incorporation of Cott (incorporated by reference to Exhibit 3.1 to our Form 10-K dated March 31, 2000).  |
| 3.2    | By-laws of Cott (incorporated by reference to Exhibit 3.2 to our Form 10-K dated March 8, 2002).   |
| 31.1   | Certification of the President and Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended April 1, 2006 (filed herewith).                  |
| 31.2   | Certification of the Executive Vice President & Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended April 1, 2006 (filed herewith).     |
| 32.1   | Certification of the President and Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended April 1, 2006 (furnished herewith).              |
| 32.2   | Certification of the Executive Vice President & Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended April 1, 2006 (furnished herewith). |

In accordance with SEC Release No. 33-8238, Exhibits 32.1 and 32.2 are to be treated as "accompanying" this report rather than "filed" as part of the report.

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SIGNATURES

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

COTT CORPORATION  
(Registrant)

Date: May 11, 2006

/s/ B. Clyde Preslar

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B. Clyde Preslar  
Executive Vice President &  
Chief Financial Officer  
(On behalf of the Company)

Date: May 11, 2006

/s/ Tina Dell'Aquila

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Tina Dell'Aquila  
Vice President, Controller & Assistant  
Secretary  
(Principal accounting officer)

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SCHEDULE III - CONSOLIDATING FINANCIAL STATEMENTS

Cott Beverages Inc., a wholly owned subsidiary of Cott Corporation, has entered into financing arrangements that are guaranteed by Cott Corporation and certain other wholly owned subsidiaries of Cott Corporation (the "Guarantor Subsidiaries"). Such guarantees are full, unconditional and joint and several.

The following supplemental financial information sets forth on an unconsolidated basis, balance sheets, statements of income and cash flows for Cott Corporation, Cott Beverages Inc., Guarantor Subsidiaries and Cott Corporation's other subsidiaries (the "Non-guarantor Subsidiaries"). The supplemental financial information reflects the investments of Cott Corporation and Cott Beverages Inc. in their respective subsidiaries using the equity method of accounting.

COTT CORPORATION  
CONSOLIDATING STATEMENTS OF (LOSS) INCOME  
(in millions of U.S. dollars, unaudited)

|  | FOR THE THREE MONTHS ENDED APRIL |                        |                           |                               |
|--|----------------------------------|------------------------|---------------------------|-------------------------------|
|  | COTT<br>CORPORATION              | COTT<br>BEVERAGES INC. | GUARANTOR<br>SUBSIDIARIES | NON-GUARANTOR<br>SUBSIDIARIES |
| SALES  | \$44.1                           | \$262.1                | \$77.7                    | \$27.3                        |
| Cost of sales  | 36.7                             | 229.7                  | 68.8                      | 23.3                          |
| GROSS PROFIT   | 7.4                              | 32.4                   | 8.9                       | 4.0                           |
| Selling, general and administrative expenses             | 11.4                             | 19.2                   | 7.5                       | 1.8                           |
| Loss (gain) on disposal of property, plant and equipment | --                               | 0.1                    | --                        | --                            |
| Unusual items  |                                  |                        |                           |                               |
| Restructuring and other                                  | 0.5                              | 1.1                    | 2.0                       | --                            |
| Asset impairments  | 0.2                              | 1.2                    | --                        | --                            |
| OPERATING (LOSS) INCOME                                  | (4.7)                            | 10.8                   | (0.6)                     | 2.2                           |
| Other expense (income), net                              | --                               | 0.6                    | (0.4)                     | 4.8                           |
| Interest expense (income), net                           | --                               | 8.0                    | --                        | 0.2                           |
| Minority interest  | --                               | --                     | --                        | 1.0                           |
| (LOSS) INCOME BEFORE INCOME TAXES AND EQUITY INCOME      | (4.7)                            | 2.2                    | (0.2)                     | (3.8)                         |
| Income taxes   | --                               | 0.2                    | 0.3                       | 0.3                           |
| Equity income  | 2.6                              | 0.5                    | 2.9                       | --                            |
| NET (LOSS) INCOME  | \$(2.1)                          | \$ 2.5                 | \$ 2.4                    | \$(4.1)                       |

COTT CORPORATION  
CONSOLIDATING BALANCE SHEETS  
(in millions of U.S. dollars, unaudited)

AS OF APRIL 1, 2006

|  | COTT<br>CORPORATION | COTT BEVERAGES<br>INC. | GUARANTOR<br>SUBSIDIARIES | NON-GUARANTOR<br>SUBSIDIARIES |
|--|---------------------|------------------------|---------------------------|-------------------------------|
| <b>ASSETS</b>                            |                     |                        |                           |                               |
| <b>Current assets</b>                    |                     |                        |                           |                               |
| Cash                                     | \$ 4.5              | \$ --                  | \$ 3.7                    | \$ 2.0                        |
| Accounts receivable                      | 28.3                | 27.2                   | 62.0                      | 103.0                         |
| Inventories                              | 23.2                | 92.4                   | 50.4                      | 5.0                           |
| Prepaid expenses and other assets        | 2.1                 | 2.2                    | 5.6                       | 2.0                           |
| Deferred income taxes                    | --                  | 8.1                    | 0.1                       | 0.0                           |
|  | 58.1                | 129.9                  | 121.8                     | 114.0                         |
| Property, plant and equipment            | 51.8                | 188.9                  | 133.3                     | 10.0                          |
| Goodwill                                 | 23.5                | 46.0                   | 81.0                      | --                            |
| Intangibles and other assets             | 16.6                | 162.9                  | 37.4                      | 39.0                          |
| Due from affiliates                      | 62.6                | 67.4                   | 170.8                     | 41.0                          |
| Investments in subsidiaries              | 397.7               | 73.4                   | 65.5                      | 137.0                         |
| Deferred income taxes                    | --                  | --                     | 0.3                       | --                            |
|  | \$610.3             | \$ 668.5               | \$ 610.1                  | \$344.0                       |
| <b>LIABILITIES</b>                       |                     |                        |                           |                               |
| <b>CURRENT LIABILITIES</b>               |                     |                        |                           |                               |
| Short-term borrowings                    | \$ --               | \$ 12.5                | \$ 134.1                  | \$ 5.0                        |
| Current maturities of long-term debt     | --                  | 0.8                    | --                        | --                            |
| Accounts payable and accrued liabilities | 33.1                | 118.0                  | 61.8                      | 16.0                          |
| Deferred income taxes                    | --                  | --                     | 0.2                       | --                            |
|  | 33.1                | 131.3                  | 196.1                     | 21.0                          |
| Long-term debt                           | --                  | 272.3                  | --                        | --                            |
| Due to affiliates                        | 95.2                | 117.9                  | 59.9                      | 69.0                          |
| Deferred income taxes                    | --                  | 39.4                   | 17.6                      | 5.0                           |
|  | 128.3               | 560.9                  | 273.6                     | 96.0                          |
| Minority interest                        | --                  | --                     | --                        | 22.0                          |
| <b>SHAREOWNERS' EQUITY</b>               |                     |                        |                           |                               |
| <b>Capital stock</b>                     |                     |                        |                           |                               |
| Common shares                            | 273.0               | 275.8                  | 599.5                     | 175.0                         |
| Additional paid-in-capital               | 21.1                | --                     | --                        | --                            |
| Retained earnings (deficit)              | 184.1               | (168.2)                | (179.0)                   | (8.0)                         |
| Accumulated other comprehensive income   | 3.8                 | --                     | (84.0)                    | 58.0                          |

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|         |          |          |        |
|---------|----------|----------|--------|
| 482.0   | 107.6    | 336.5    | 225.   |
| \$610.3 | \$ 668.5 | \$ 610.1 | \$344. |

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COTT CORPORATION  
CONSOLIDATING STATEMENTS OF CASH FLOWS  
(in millions of U.S. dollars, unaudited)

|   | FOR THE THREE MONTHS ENDED APRIL 30, 2011 |                     |                        |                            |
|---|---|---------------------|------------------------|----------------------------|
|   | COTT CORPORATION                          | COTT BEVERAGES INC. | GUARANTOR SUBSIDIARIES | NON-GUARANTOR SUBSIDIARIES |
| <b>OPERATING ACTIVITIES</b>                             |   |                     |                        |                            |
| Net (loss) income                                       | \$ (2.1)                                  | \$ 2.5              | \$ 2.4                 | \$ (4.1)                   |
| Depreciation and amortization                           | 3.1                                       | 9.5                 | 5.4                    | 1.3                        |
| Amortization of financing fees                          | --  | 0.1                 | 0.1                    | 0.1                        |
| Stock compensation expense                              | 2.7                                       | --                  | --                     | --                         |
| Deferred income taxes                                   | --  | 0.3                 | (0.2)                  | 0.1                        |
| Minority interest                                       | --  | --                  | --                     | 1.0                        |
| Equity (loss) income, net of distributions              | (2.6)                                     | 0.6                 | (2.9)                  | --                         |
| Loss on disposal of property, plant and equipment       | --  | 0.1                 | --                     | --                         |
| Asset impairments                                       | --  | 1.4                 | --                     | --                         |
| Other non-cash items                                    | --  | 0.3                 | --                     | --                         |
| Net change in non-cash working capital                  | (1.9)                                     | (12.9)              | (0.6)                  | 4.8                        |
| Cash provided by (used in) operating activities         | (0.8)                                     | 1.9                 | 4.2                    | 3.2                        |
| <b>INVESTING ACTIVITIES</b>                             |   |                     |                        |                            |
| Additions to property, plant and equipment              | (0.7)                                     | (5.2)               | (2.4)                  | --                         |
| Proceeds from disposal of property, plant and equipment | --  | 0.6                 | 0.1                    | --                         |
| Advances to affiliates                                  | (1.7)                                     | --                  | (2.1)                  | --                         |
| Investment in subsidiary                                | --  | --                  | --                     | --                         |
| Other investing activities                              | (1.2)                                     | (1.2)               | --                     | --                         |
| Cash used in investing activities                       | (3.6)                                     | (5.8)               | (4.4)                  | --                         |
| <b>FINANCING ACTIVITIES</b>                             |   |                     |                        |                            |
| Payments of long-term debt                              | --  | (0.2)               | --                     | --                         |
| Short-term borrowings                                   | --  | 2.1                 | (4.1)                  | (5.0)                      |
| Advances from affiliates                                | --  | 2.1                 | 1.7                    | --                         |
| Distributions to subsidiary minority shareowner         | --  | --                  | --                     | (1.1)                      |
| Issue of common shares                                  | --  | --                  | --                     | --                         |
| Financing costs   | --  | --                  | --                     | --                         |
| Dividends paid  | --  | --                  | --                     | (1.1)                      |

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|   |        |       |        |        |
|---|--------|-------|--------|--------|
| Other financing activities                      | --     | (0.1) | --     | --     |
| Cash provided by (used in) financing activities | --     | 3.9   | (2.4)  | (7.2)  |
| Effect of exchange rate changes on cash         | 0.1    | --    | --     | --     |
| NET DECREASE IN CASH                            | (4.3)  | --    | (2.6)  | (4.0)  |
| CASH, BEGINNING OF PERIOD                       | 8.8    | --    | 6.3    | 6.6    |
| CASH, END OF PERIOD                             | \$ 4.5 | \$ -- | \$ 3.7 | \$ 2.6 |

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COTT CORPORATION  
CONSOLIDATING STATEMENTS OF INCOME  
(in millions of U.S. dollars, unaudited)

FOR THE THREE MONTHS ENDED APRIL

|  | COTT CORPORATION | COTT BEVERAGES INC. | GUARANTOR SUBSIDIARIES | NON-GUARANTOR SUBSIDIARIES |
|--|------------------|---------------------|------------------------|----------------------------|
| SALES  | \$43.5           | \$274.6             | \$56.4                 | \$27.1                     |
| Cost of sales  | 38.0             | 235.7               | 48.6                   | 23.3                       |
| GROSS PROFIT   | 5.5              | 38.9                | 7.8                    | 3.8                        |
| Selling, general and administrative expenses               | 9.6              | 20.3                | 5.2                    | 1.8                        |
| Loss (gain) on disposal of property, plant and equipment   | --               | 0.1                 | (0.8)                  | --                         |
| Unusual items - asset impairments                          | --               | --                  | (0.2)                  | --                         |
| OPERATING INCOME (LOSS)                                    | (4.1)            | 18.5                | 3.6                    | 2.0                        |
| Other expense (income), net                                | 0.5              | (0.5)               | 0.6                    | --                         |
| Interest expense (income), net                             | --               | 8.5                 | (1.9)                  | (0.1)                      |
| Minority interest  | --               | --                  | --                     | 0.9                        |
| INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY INCOME (LOSS) | (4.6)            | 10.5                | 4.9                    | 1.2                        |
| Income taxes   | 1.4              | (4.1)               | (0.6)                  | (0.4)                      |
| Equity income (loss)                                       | 11.5             | 1.7                 | 7.3                    | --                         |
| NET INCOME   | \$ 8.3           | \$ 8.1              | \$11.6                 | \$ 0.8                     |

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COTT CORPORATION  
CONSOLIDATING BALANCE SHEETS  
(in millions of U.S. dollars)

AS OF DECEMBER 31, 200

|  | COTT<br>CORPORATION | COTT BEVERAGES<br>INC. | GUARANTOR<br>SUBSIDIARIES | NON-GUARANTOR<br>SUBSIDIARIES |
|--|---------------------|------------------------|---------------------------|-------------------------------|
| <b>ASSETS</b>                            |                     |                        |                           |                               |
| <b>Current assets</b>                    |                     |                        |                           |                               |
| Cash                                     | \$ 8.8              | \$ --                  | \$ 6.3                    | \$ 6.3                        |
| Accounts receivable                      | 35.6                | 26.5                   | 70.2                      | 103.3                         |
| Inventories                              | 18.8                | 76.6                   | 43.6                      | 59.0                          |
| Prepaid expenses and other               | 1.3                 | 2.2                    | 4.7                       | 1.3                           |
| Deferred income taxes                    | --                  | 7.2                    | 0.1                       | --                            |
|  | 64.5                | 112.5                  | 124.9                     | 116.9                         |
| Property, plant and equipment            | 53.0                | 195.6                  | 135.1                     | 10.0                          |
| Goodwill                                 | 23.5                | 46.0                   | 80.8                      | --                            |
| Intangibles and other assets             | 17.0                | 164.1                  | 38.4                      | 40.0                          |
| Due from affiliates                      | 60.8                | 60.0                   | 168.8                     | 41.0                          |
| Investments in subsidiaries              | 395.2               | 75.4                   | 62.6                      | 137.0                         |
| Deferred income taxes                    | --                  | --                     | 0.4                       | --                            |
|  | \$614.0             | \$ 653.6               | \$ 611.0                  | \$347.0                       |
| <b>LIABILITIES</b>                       |                     |                        |                           |                               |
| <b>Current liabilities</b>               |                     |                        |                           |                               |
| Short-term borrowings                    | \$ --               | \$ 10.4                | \$ 137.5                  | \$ 10.4                       |
| Current maturities of long-term debt     | --                  | 0.8                    | --                        | --                            |
| Accounts payable and accrued liabilities | 36.7                | 109.6                  | 63.6                      | 17.0                          |
| Deferred income taxes                    | --                  | --                     | 0.2                       | --                            |
|  | 36.7                | 120.8                  | 201.3                     | 27.4                          |
| Long-term debt                           | --                  | 272.3                  | --                        | --                            |
| Due to affiliates                        | 95.4                | 115.8                  | 58.1                      | 62.0                          |
| Deferred income taxes                    | --                  | 38.2                   | 17.7                      | 5.0                           |
|  | 132.1               | 547.1                  | 277.1                     | 94.0                          |
| Minority interest                        | --                  | --                     | --                        | 22.0                          |
| <b>SHAREOWNERS' EQUITY</b>               |                     |                        |                           |                               |
| <b>Capital stock</b>                     |                     |                        |                           |                               |
| Common shares                            | 273.0               | 275.8                  | 599.5                     | 175.0                         |
| Additional paid-in-capital               | 18.4                | --                     | --                        | --                            |
| Retained earnings (deficit)              | 186.2               | (169.3)                | (181.4)                   | (3.0)                         |
| Accumulated other comprehensive income   | 4.3                 | --                     | (84.2)                    | 59.0                          |
|  | 481.9               | 106.5                  | 333.9                     | 230.0                         |
|  | \$614.0             | \$ 653.6               | \$ 611.0                  | \$347.0                       |

COTT CORPORATION  
CONSOLIDATING STATEMENTS OF CASH FLOWS  
(in millions of U.S. dollars, unaudited)

|  | FOR THE THREE MONTHS ENDED APRIL 30, 2011 |                        |                           |                               |
|--|---|------------------------|---------------------------|-------------------------------|
|  | COTT<br>CORPORATION                       | COTT BEVERAGES<br>INC. | GUARANTOR<br>SUBSIDIARIES | NON-GUARANTOR<br>SUBSIDIARIES |
| <b>OPERATING ACTIVITIES</b>                              |   |                        |                           |                               |
| Net income (loss)  | \$ 8.3                                    | \$ 8.1                 | \$11.6                    | \$ 0.8                        |
| Depreciation and amortization                            | 3.6                                       | 8.4                    | 3.5                       | 1.3                           |
| Deferred income taxes                                    | (1.5)                                     | 1.1                    | --                        | 0.2                           |
| Minority interest  | --  | --                     | --                        | 0.9                           |
| Equity (loss) income, net of distributions               | (11.4)                                    | (0.6)                  | (7.3)                     | --                            |
| Gain (loss) on disposal of property, plant and equipment | --  | 0.1                    | (0.8)                     | --                            |
| Asset impairments  | --  | --                     | (0.2)                     | --                            |
| Other non-cash items                                     | 0.3                                       | (0.4)                  | 1.0                       | 0.2                           |
| Net change in non-cash working capital                   | 14.1                                      | 0.8                    | (9.6)                     | (10.1)                        |
| Cash provided by (used in) operating activities          | 13.4                                      | 17.5                   | (1.8)                     | (6.7)                         |
| <b>INVESTING ACTIVITIES</b>                              |   |                        |                           |                               |
| Additions to property, plant and equipment               | (4.5)                                     | (17.2)                 | (6.2)                     | (0.2)                         |
| Advances to affiliates                                   | (7.6)                                     | 10.0                   | --                        | --                            |
| Investment in subsidiary                                 | (15.0)                                    | --                     | --                        | --                            |
| Other investing activities                               | (1.5)                                     | 1.0                    | 0.1                       | (0.1)                         |
| Cash used in investing activities                        | (28.6)                                    | (6.2)                  | (6.1)                     | (0.3)                         |
| <b>FINANCING ACTIVITIES</b>                              |   |                        |                           |                               |
| Payments of long-term debt                               | --  | (0.2)                  | --                        | --                            |
| Short-term borrowings                                    | 0.1                                       | (9.8)                  | 4.8                       | --                            |
| Advances from affiliates                                 | --  | --                     | (2.4)                     | --                            |
| Distributions to subsidiary minority shareowner          | --  | --                     | --                        | (1.1)                         |
| Issue of common shares                                   | 0.9                                       | --                     | 15.0                      | --                            |
| Financing costs  | --  | (2.1)                  | --                        | --                            |
| Dividends paid   | --  | --                     | --                        | (1.1)                         |
| Other financing activities                               | --  | --                     | (0.1)                     | --                            |
| Cash provided by (used in) financing activities          | 1.0                                       | (12.1)                 | 17.3                      | (2.2)                         |
| Effect of exchange rate changes on cash                  | (0.2)                                     | --                     | (0.1)                     | (0.1)                         |
| NET INCREASE (DECREASE) IN CASH                          | (14.4)                                    | (0.8)                  | 9.3                       | (9.3)                         |
| CASH, BEGINNING OF PERIOD                                | 14.7                                      | --                     | --                        | 11.9                          |

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CASH, END OF PERIOD

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\$ 0.3                      \$ (0.8)                      \$ 9.3                      \$ 2.6  
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