CORBY

CORBY SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2019 AND 2018

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CORBY SPIRIT AND WINE LIMITED
Management's Discussion and Analysis
December 31, 2019

The following Management's Discussion and Analysis ("MD&A") dated February 12, 2020 should be read in conjunction with the interim condensed consolidated financial statements and accompanying notes as at and for the three and six-month period ended December 31, 2019, prepared in accordance with International Financial Reporting Standards ("IFRS"). These unaudited interim condensed financial statements do not contain all disclosures required by IFRS for annual financial statements and, accordingly, should also be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended June 30, 2019.

This MD&A contains forward-looking statements, including statements concerning possible or assumed future results of operations of Corby Spirit and Wine Limited ("Corby" or the "Company"), including the statements made under the headings "Strategies and Outlook", "Liquidity and Capital Resources", "Recent Accounting Pronouncements" and "Risks and Risk Management." Forward-looking statements typically are preceded by, followed by or include the words "believes", "expects", "anticipates", "estimates", "intends", "plans" or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks and uncertainties, including, but not limited to: the impact of competition; the impact, and successful integration of, acquisitions; business interruption; trademark infringement; consumer confidence and spending preferences; regulatory changes; general economic conditions; and the Company's ability to attract and retain qualified employees. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These factors are not intended to represent a complete list of the factors that could affect the Company and other factors could also affect Corby's results. For more information, please see the "Risk and Risk Management" section of this MD&A.

This document has been reviewed by the Audit Committee of Corby's Board of Directors and contains certain information that is current as of February 12, 2020. Events occurring after that date could render the information contained herein inaccurate or misleading in a material respect. Corby will provide updates to material forward-looking statements, including in subsequent news releases and its interim management's discussion and analyses filed with regulatory authorities as required under applicable law. Additional information regarding Corby, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

Unless otherwise indicated, all comparisons of results for the second quarter of fiscal 2020 (three months ended December 31, 2019) are against results for the second quarter of fiscal 2019 (three months ended December 31, 2018). All dollar amounts are in Canadian dollars unless otherwise stated.

Business Overview

Corby is a leading Canadian manufacturer, marketer and importer of spirits and wines. Corby's national leadership is sustained by a diverse brand portfolio that allows the Company to drive profitable organic growth with strong, consistent cash flows. Corby is a publicly traded company, with its shares listed on the Toronto Stock Exchange under the symbols "CSW.A" (Voting Class A Common Shares) and "CSW.B" (Non-Voting Class B Common Shares). Corby's Voting Class A Common Shares are majority-owned by Hiram Walker & Sons Limited ("HWSL") (a private company) located in Windsor, Ontario. HWSL is a wholly-owned subsidiary of international spirits and wine company Pernod Ricard S.A. ("PR") (a French public limited company), which is headquartered in Paris, France. Therefore, throughout the remainder of this MD&A, Corby refers to HWSL as its parent, and to PR as its ultimate parent. Affiliated companies are those that are also subsidiaries of PR.

The Company derives its revenues from the sale of its owned-brands ("Case Goods"), as well as earning commission income from the representation of selected non-owned brands in Canada ("Commissions"). The Company also supplements these primary sources of revenue with other ancillary activities incidental to its core business, such as logistics fees and from time to time bulk whisky sales to rebalance its maturation inventories.

Revenue from Corby's owned-brands predominantly consists of sales made to each of the provincial liquor boards ("LBs") in Canada, and also includes sales to international markets.

Corby's portfolio of owned-brands includes some of the most renowned brands in Canada, including J.P. Wiser's® Canadian whisky, Lamb's® rum, Polar Ice® vodka, McGuinness® liqueurs, and Ungava® gin, Chic Choc® Spiced rum, and Cabot Trail® maple cream liqueur (Coureur des Bois®, in Quebec) (collectively, the "Ungava Spirit Brands,") and the Foreign Affair® wine brands (the "Foreign Affair Brands"). Through its affiliation with PR, Corby also represents leading international brands such as ABSOLUT® vodka, Chivas Regal®, The Glenlivet® and Ballantine's® Scotch whiskies, Jameson® Irish whiskey, Beefeater® gin, Malibu® rum, Kahlúa® liqueur, Mumm® champagne, and Jacob's Creek®, Wyndham Estate®, Stoneleigh®, Campo Viejo®, and Kenwood® wines. In addition to representing PR's brands in Canada, Corby also provides representation for certain selected, unrelated third-party brands ("Agency brands") when they fit within the Company's strategic direction and, thus, complement Corby's existing brand portfolio.

PR produces the majority of Corby's owned-brands under a distillate agreement and a co-pack agreement, each expiring September 30, 2026 at HWSL's production facility in Windsor, Ontario. Under an administrative services agreement which also expires September 30, 2026, Corby manages PR's business interests in Canada, including HWSL's production facility.

Corby sources more than 90% of its spirits production requirements from HWSL at its production facility in Windsor, Ontario. Corby's wholly-owned subsidiary, Ungava Spirits Co. Ltd. ("Ungava Spirits") produces the Ungava Spirits Brands and operates the Cowansville, Quebec production facility. Corby's wholly-owned subsidiary, the Foreign Affair Winery Ltd., produces the Foreign Affair Brands and operates the winery and vineyard, based in Ontario's Niagara region (the "Foreign Affair Winery"). The Company's remaining production requirements have been outsourced to various third-party vendors including a third-party manufacturer in the United Kingdom ("UK"). The UK site blends and bottles Lamb's products destined for sale in countries located outside North America.

In most provinces, Corby's route to market in Canada entails shipping its products to government-controlled LBs. The LBs then sell directly, or control the sale of, beverage alcohol products to end consumers. Exceptions to this model include Alberta, where the retail sector is privatized. In this province, Corby ships products to a bonded warehouse that is managed by a government-appointed service provider who is responsible for warehousing and distribution into the retail channel. Other provinces have aspects of both government-controlled and private retailing, including British Columbia, Saskatchewan and Quebec.

Corby's shipment patterns to the LBs will not always exactly match short-term consumer purchase patterns. However, given the importance of monitoring consumer consumption trends over the long term, the Company stays abreast of consumer purchase patterns in Canada through its member affiliation with the Association of Canadian Distillers ("ACD"), which tabulates and disseminates consumer purchase information it receives from the LBs to its industry members. Corby refers to this data throughout this MD&A as "retail sales", which are measured in volume (measured in nine-litre case equivalents). Current retail value information as discussed in this MD&A is based on available pricing information as provided by the ACD and the LBs.

In addition to a focus on efforts to open new international markets, Corby's international business is concentrated in the United States ("US") and UK and the Company has a different route-to-market for each. For the US market, Corby manufactures its products in Canada and ships to third party US distributors. The market in the US operates a three-tier distribution system which often requires a much longer and larger inventory pipeline than in other markets, resulting in a disconnect between quarterly shipment performance, as reported in the financial statements, and the true underlying performance of the brands at retail level during the same quarter.

For the other international markets, Corby products are distributed by PR affiliates or third parties (more information is provided in the "Related Party Transactions" section of this MD&A).

Corby's operations are subject to seasonal fluctuations: sales are typically strong in the first and second quarters, while third-quarter sales usually decline after the end of the retail holiday season. Fourth-quarter sales typically increase again with the onset of warmer weather as consumers tend to increase their purchasing levels during the summer season. In addition, retail sales comparisons can be affected by timing of key holidays and LB reporting calendars.

Strategies and Outlook

Corby's business strategies are designed to maximize sustainable long-term value growth and deliver enhanced margin quality and profit, while continuing to produce strong and consistent cash flows from operating activities.

Management believes its focused brand prioritization strategy will permit Corby to capture market share in the segments and markets that are expected to deliver the most long-term value growth. Brand prioritization requires a consumer insight and data driven assessment of each brand's potential. This facilitates resource allocation of Corby's marketing and sales efforts, ensuring optimal value creation through revenue management and investment return maximization.

Therefore, the Company's strategy is to concentrate its endeavors to deliver relevant consumer offerings and invest to leverage the growth potential of its key strategic brands, while continuing to exploit new routes-to-market and channel opportunities.

Pursuing new growth opportunities outside of Canada is also a key strategic priority. Our goal is to leverage our Canadian whisky and gin expertise and expand our business into markets where we believe there is growth potential in both volume and margin.

Of importance to the implementation of our brand strategies is an effective route-to-market and an optimized organizational structure. Corby continues to invest in its trade marketing expertise, ensuring that commercial resources are specialized to meet the unique needs of its customers and their selling channels. In all areas of the business, management believes setting clear strategies and increasing efficiencies is key to Corby's overall success and creating value for Corby shareholders.

The Company's portfolio of owned and represented brands provides an excellent platform from which to achieve its objectives. Innovation is also essential to capture incremental growth opportunities. Successful innovation is delivered through a structured evaluation process powered by consumer insight and ongoing research and development. Corby benefits from having access to PR North America's leading-edge production technologies, through HWSL's Windsor, Ontario facility, where most of its products are manufactured and developed. In addition, acquisitions can provide access to further growth opportunities. Potential acquisitions are assessed against specific criteria including the Company's core competencies, portfolio of brands and strategic priorities.

Finally, Corby is a strong advocate of social responsibility, especially with respect to its sales and promotional activities. Corby promotes responsible consumption of its products in collaboration with local partners.

Brand Performance Review

Corby's portfolio of owned brands accounts for approximately 80% of the Company's total annual revenue. Included in this portfolio are its key brands: J.P. Wiser's Canadian whisky, Lamb's rum, Polar Ice vodka, Corby's mixable liqueur brands and the Ungava Spirits Brands. The sales performance of these key brands significantly impacts Corby's net earnings. Therefore, understanding each key brand is essential to understanding the Company's overall performance.

Shipment Volume and Shipment Value Performance

The following table summarizes the performance of Corby's owned-brands (i.e., Case Goods) in terms of both shipment volume (as measured by shipments to customers in equivalent nine-litre cases) and shipment value (as measured by the change in net sales revenue). The table includes results for sales in both Canada and international markets. Specifically, J.P. Wiser's, Lamb's, Polar Ice, Lot No. 40, Pike Creek, and the Ungava Spirits Brands are also sold to international markets, particularly in the US and UK.

BRAND PERFORMANCE CHART - INCLUDES BOTH CANADIAN AND INTERNATIONAL SHIPMENTS

	Three Months Ended				*Six Months Ended*			
			Shipment Change				*Shipment Change*	
(Volumes in 000's of 9L cases)	***Dec. 31, 2019***	*Dec. 31, 2018*	*Volume %*	*Value %*	***Dec. 31, 2019***	*Dec. 31, 2018*	*Volume %*	*Value %*
Brand								
J.P. Wiser's Canadian whisky	**235**	249	(6%)	(6%)	**456**	451	1%	0%
Polar Ice vodka	**97**	88	10%	8%	**192**	183	5%	3%
Lamb's rum	**123**	115	6%	6%	**232**	217	7%	3%
Mixable liqueurs	**47**	51	(8%)	(9%)	**88**	91	(3%)	(2%)
Ungava Spirits Brands	**42**	37	14%	16%	**80**	66	21%	26%
Other Corby-owned brands [1]	**58**	56	4%	14%	**112**	111	1%	(5%)
Total Corby brands	**602**	596	1%	1%	**1,160**	1,119	4%	2%

(1) For presentation purposes, Foreign Affair Winery has been grouped with other Corby-owned brands as full comparable periods have been attained.

Corby's owned-brands experienced strong 4% shipment volume growth, resulting in value growth of 2% when compared to the six-month period ended December 31, 2018 and 1% growth in both volume and value compared to the three months ended December 31, 2018. Revenue was driven by the performance of Ungava Spirits brands, Polar Ice, Lamb's rum as well as premium innovations and strategic price management.

Trends in Canada differ from international markets as highlighted in the following table:

	Three Months Ended				*Six Months Ended*			
			Shipment Change				*Shipment Change*	
(Volumes in 000's of 9L cases)	***Dec. 31, 2019***	*Dec. 31, 2018*	*Volume %*	*Value %*	***Dec. 31, 2019***	*Dec. 31, 2018*	*Volume %*	*Value %*
Domestic	**543**	539	1%	0%	**1,044**	1,018	3%	2%
International	**59**	57	3%	8%	**116**	101	14%	4%
Total Corby brands	**602**	596	1%	1%	**1,160**	1,119	4%	2%

Fiscal year to date domestic shipments grew 3% in volume and 2% in value compared to the same time last year. Second quarter domestic shipments grew 1% in volume and were flat in value. Performance on the more premium Ungava Spirits Brands delivered strong growth, while Polar Ice responded well to tactical regional strategies. J.P. Wiser's Deluxe and Wiser's Special Blend boosted domestic performance for the fiscal year to date but was impacted by year over year shipment timing in the second quarter. Innovations, such as J.P. Wiser's Manhattan and J.P. Wiser's Old Fashioned and the Alumni Whisky Series, a collaboration with the NHL® Alumni Association, are performing well in market. See "Retail Sales Performance/ Summary of Corby's Key Brands" below for additional information.

On international performance, second quarter shipment volumes improved 3%, while shipment value grew 8% compared to the same period last year. Improvement in volume was impacted primarily by new Lamb's rum opportunities in the UK market, which was partially offset by timing of prior year J.P. Wiser's pipeline shipments to US distributors. Value was impacted by product and market mix. For the six months ended December 31, 2019, shipment volumes improved 14% on a year over year comparable basis, driven by UK market performance and a more direct and optimized route to market, while value grew 4% compared to the prior period.

Retail Sales Performance / Spirit Market Trends

It is of critical importance to understand the performance of Corby's brands at the retail level in Canada. Analysis of performance at the retail level provides insight with regards to consumers' current purchase patterns and trends.

To provide context for the following analysis, the Canadian spirits industry exhibited second quarter retail sales volume growth of 2%, while retail sales value improved 4%. Retail sales volumes grew 3% for the six months ended December 31, 2019 compared to the prior year, while retail sales value grew 5%. Industry trends were led by retail sales volume and value growth in the gin, tequila, Irish whiskey, and bourbon categories.

In the six-month period ended December 31, 2019, the vodka category grew 3% in retail volume and 4% in retail value. Canadian whisky category volumes were flat but grew 2% in value. The rum category dipped 1% in volume but grew 1% in value. Gin, a growing priority within the Corby portfolio, increased volumes by 12% and value by 17% through growth of premium and super-premium brands.

Corby's portfolio is heavily weighted in the Canadian whisky, rum and vodka categories; together they make up about 86% of the Company's total retail volumes.

The following brand discussion provides a more detailed analysis of the performance of each of Corby's key brands relative to its respective industry category. Retail sales volume and value data, as provided by the ACD, is set out in the following table and is discussed throughout this MD&A.

It should be noted that the retail information presented does not include international retail sales of Corby-owned brands and on-site winery sales.

Retail Sales Performance / Summary of Corby's Key Brands

RETAIL SALES FOR THE CANADIAN MARKET ONLY (AS PROVIDED BY THE ACD[(1)])

	Three Months Ended				*Six Months Ended*				*Twelve Months Ended*			
(Volumes in 000's of 9L cases)	***Dec 31, 2019***	*Dec 31, 2018*	*% Retail Volume Growth*	*% Retail Value Growth*	***Dec 31, 2019***	*Dec 31, 2018*	*% Retail Volume Growth*	*% Retail Value Growth*	***Dec 31, 2019***	*Dec 31, 2018*	*% Retail Volume Growth*	*% Retail Value Growth*
Brand												
J.P. Wiser's Canadian whisky	**235**	241	(3%)	(1%)	**420**	418	0%	2%	**750**	750	0%	2%
Polar Ice vodka	**102**	99	3%	3%	**198**	193	3%	4%	**361**	353	2%	3%
Lamb's rum	**86**	95	(9%)	(7%)	**166**	177	(6%)	(5%)	**302**	322	(6%)	(6%)
Mixable liqueurs	**50**	53	(6%)	(3%)	**90**	93	(3%)	(1%)	**152**	159	(5%)	(3%)
Ungava Spirits Brands	**52**	44	17%	18%	**80**	66	22%	22%	**124**	105	18%	18%
Other Corby-owned brands [(2)]	**55**	54	2%	0%	**104**	102	2%	1%	**196**	191	2%	1%
Total	**580**	586	(1%)	0%	**1,058**	1,049	1%	2%	**1,885**	1,880	0%	1%

[(1)] *Refers to sales at the retail store level in Canada, as provided by the Association of Canadian Distillers.*
[(2)] *For presentation purposes, Foreign Affair Brands been grouped with other Corby-owned brands as full comparable periods have been attained.*

J.P. Wiser's Canadian Whisky

J.P. Wiser's Canadian whisky is Corby's flagship brand and one of Canada's best-selling Canadian whiskies. The brand's retail volumes (excluding Special Blend) grew 2% in the six months ended December 31, 2019, while retail value (excluding Special Blend) grew 3% compared to the same period last year. Retail sales volumes for the Canadian whisky category were flat, while retail value for the category improved 2% over the same period.

Corby has strategically separated the premium variants of J.P. Wiser's from its standard offering of Special Blend, differentiating the J.P. Wiser's premium range with revised and enhanced packaging, an award-winning media campaign and premium innovations. Within the range, organic growth in both retail volume and value was posted by J.P. Wiser's Deluxe and J.P. Wiser's Apple Whisky. Value growth was also driven through a series of new J.P. Wiser's products launched in fiscal 2019 which include a range of super-premium, limited edition Canadian whiskies created in partnership with the NHL® Alumni Association, a ready-to serve J.P. Wiser's Old-Fashioned Whisky Cocktail and the new J.P. Wiser's Manhattan Whisky Cocktail innovation. J.P. Wiser's Old-Fashioned has quickly become the #2 performing Canadian whisky innovation launched in the past twelve months.

The brand is being supported nationally with a new "Drinks Soon?" campaign in a range of media channels and continues to receive prestigious accolades that speak to the quality of the brand. J.P. Wiser's 35-Year-Old was awarded *World's Best Canadian Blended Whisky* and J.P. Wiser's Vanilla Whisky was awarded *World's Best Canadian Flavoured Whisky* at the 2019 World Whiskies Awards. Yvan Cournoyer and Dave Keon Alumni Whisky Series, and J.P. Wiser's Seven Rebels were awarded Gold at the 2020 Canadian Whisky Awards.

Wiser's Special Blend retail volume dipped 2%, with flat retail value in the six-month comparable period ended December 31, 2019. Results were impacted by the conclusion of a series of reporting period changes in a key regional market.

Polar Ice Vodka

Polar Ice vodka is among the top-selling vodka brands in Canada. Retail volume grew 3% and value grew 4% in the six-month period ended December 31, 2019. The overall vodka category in Canada grew 3% in retail volume and 4% in value on a comparable basis driven by the premium vodka segment. The standard vodka category, where Polar Ice Vodka competes, improved 1% in retail volume and 2% in value compared to the same period in the prior year.

The brand is responding to a combination of strategic price repositioning, a new targeted marketing campaign, and has benefited from new packaging launched this fiscal year.

Lamb's Rum

Lamb's rum, one of the top-selling rum families in Canada, continued to be impacted by ongoing changes in consumer trends for standard rum particularly in regional strongholds. Retail volumes for the overall rum category decreased 1% for the six months ended December 31, 2019, while retail values improved 1% compared to the same period last year driven by the premium rum segment. The economy rum category, however, declined 4% in retail volumes and 3% in value. Lamb's experienced a 6% decline in retail volumes and a 5% decline in retail value.

The Lamb's rum product line is heavily weighted in the dark and white segments, which have faced evolving consumer preferences in recent years and increased competitor pressure in key markets. Our strategy remains to defend regional strongholds with targeted campaigns, focus on the most differentiated variants and to launch new flavour variants and format innovations to help recruit new drinkers.

Mixable Liqueurs

Corby's portfolio of mixable liqueur brands consists of McGuinness liqueurs (which is Canada's largest mixable liqueur brand family) and Meaghers liqueurs. Retail volume for Corby's mixable liqueurs portfolio decreased 3% for the six months ended December 31, 2019, and a retail value decreased 1%. The liqueurs category grew 4% in retail value and 2% in retail volume for the six months ended December 31, 2019 with category growth driven by traditional coffee and cream liqueurs.

Our strategy has been to expand innovation and focus on strong programming in the retail environment, ensuring that our flavour offering is aligned to consumer trends. For example, an expanded range of flavour offerings in a convenient 375mL format is designed to encourage consumer trial. McGuinness also benefited from co-branded programs activated in retail and on-premise and through social media.

Ungava Spirits Brands

Retail volume and value for the Ungava Spirits Brands increased 22% in volume and 22% in value, for the six months ended December 31, 2019. The flagship brand, Ungava gin, grew 19% in retail volume and 20% in retail value, outperforming the Canadian gin category, which grew 12% in retail volume while retail value grew 17%. Ungava gin is the market value leader in the super-premium gin category.

Cabot Trail maple-based liqueurs (in Quebec, Coureur des Bois) continued to perform well, benefiting from increased distribution and successful recruitment through retail tastings. Retail volume increased 21% in the current fiscal year while retail value grew 22%.

Other Corby-Owned Brands

Premium offerings in Canadian whisky such as Lot No. 40, Pike Creek, and Gooderham & Worts (collectively known as the Northern Border Collection) lost momentum in the six months ended December 31, 2019, declining 9% in retail volume and 12% in retail value.

Pike Creek 21-Year-Old Oloroso Cask Finish won *Whisky of the Year* at the 2020 Canadian Whisky Awards where Lot No. 40, Pike Creek, and Gooderham & Worts were all awarded medals. Lot No. 40 has consistently won top awards in the most prestigious Canadian and International competitions including Silver at the 2018 San Francisco World Spirits Competition. In addition, Pike Creek Rum Barrel Finish was awarded *Sipping Whisky of the Year.*

Pike Creek 21-Year-Old European Oak Finish won *World's Best Corn Whisky* at the 2019 World Whiskies Awards, while Lot No. 40 11-Year-Old Cask Strength won *World's Best Canadian Rye Whisky.*

Royal Reserve® grew 4% in both retail volume and value during the six months ended December 31, 2019 compared to the same period last year.

Foreign Affair Brands are available through several channels including direct delivery (on-premise and wine club) and the on-site winery visitor centre, where the majority of sales are conducted. Retail performance is typically impacted by customer ordering patterns and does not capture direct delivery and on-site sales to consumers. The Foreign Affair Brands won top awards, including Silver and Gold medals at the Ontario Wine Awards and has recently launched the inaugural Whisky Barreled Cabernet Sauvignon, aged in Pike Creek whisky barrels.

Financial and Operating Results

The following table presents a summary of certain selected consolidated financial information of the Company for the three and six-month periods ended December 31, 2019 and 2018.

	Three Months Ended				*Six Months Ended*			
(in millions of Canadian dollars, except per share amounts)	***Dec. 31, 2019***	*Dec. 31, 2018*	*$ Change*	*% Change*	***Dec. 31, 2019***	*Dec. 31, 2018*	*$ Change*	*% Change*
Revenue	**$ 43.4**	$ 41.9	$ 1.5	4%	**$ 82.1**	$ 79.7	$ 2.4	3%
Cost of sales	**(17.1)**	(16.7)	(0.4)	3%	**(32.2)**	(30.7)	(1.5)	5%
Marketing, sales and administration	**(15.8)**	(16.2)	0.4	(2%)	**(30.7)**	(31.3)	0.6	(2%)
Other income (expense)	**0.1**	0.1	-	(30%)	**-**	0.1	(0.1)	(79%)
Earnings from operations	**10.6**	9.1	1.5	16%	**19.2**	17.8	1.4	8%
Financial income	**0.3**	0.4	(0.1)	(13%)	**0.7**	0.7	-	(8%)
Financial expenses	**(0.2)**	(0.1)	(0.1)	75%	**(0.3)**	(0.2)	(0.1)	60%
Net financial income	**0.1**	0.3	(0.2)	(43%)	**0.4**	0.5	(0.1)	(37%)
Earnings before income taxes	**10.7**	9.4	1.3	14%	**19.6**	18.3	1.3	7%
Income taxes	**(2.9)**	(2.5)	(0.4)	14%	**(5.3)**	(4.9)	(0.4)	6%
Net earnings	**$ 7.8**	$ 6.9	$ 0.9	14%	**$ 14.3**	$ 13.4	$ 0.9	7%
Per common share								
- Basic net earnings	**$ 0.28**	$ 0.24	$ 0.04	17%	**$ 0.50**	$ 0.47	$ 0.03	6%
- Diluted net earnings	**$ 0.28**	$ 0.24	$ 0.04	17%	**$ 0.50**	$ 0.47	$ 0.03	6%

Overall Financial Results

Net earnings grew $0.9 million or 14%, and increased $0.9 million and 7%, respectively for the three and six months ended December 31, 2019. Robust case good performance in both domestic and export markets, strong second quarter PR Brand commission revenue and timing of key brand marketing and sales promotional activities drove favourable results. This was partially offset by increased overhead expenses and a decrease in net financial income.

Revenue
The following highlights the key components of the Company's revenue streams:

	Three Months Ended				*Six Months Ended*			
(in millions of Canadian dollars)	***Dec. 31, 2019***	*Dec. 31, 2018*	*$ Change*	*% Change*	***Dec. 31, 2019***	*Dec. 31, 2018*	*$ Change*	*% Change*
Revenue streams:								
Case goods	**$ 33.8**	$ 33.6	$ 0.2	1%	**$ 64.9**	$ 63.5	$ 1.4	2%
Commissions	**8.4**	7.5	0.9	11%	**14.8**	14.5	0.3	2%
Other services	**1.2**	0.8	0.4	54%	**2.4**	1.7	0.7	40%
Revenue	**$ 43.4**	$ 41.9	$ 1.5	4%	**$ 82.1**	$ 79.7	$ 2.4	3%

Case Goods revenue increased $0.2 million, or 1% and increased $1.4 million, or 2%, respectively, for the three and six-month periods ended December 31, 2019, when compared to the same period last year. Growth during the six-month period was attributable to strong shipments resulting from LB orders, UK market performance, premium innovations, and robust performance of Ungava Spirits Brands.

Commissions increased $0.9 million, or 11% and $0.3 million, or 2%, respectively, for the three and six-month period ended December 31, 2019. Strong second quarter PR Spirits performance helped to offset softness in the PR and agency wine portfolios as industry-wide softness in wine consumption continued. The PR brand portfolio benefitted from its positioning within premium categories along with PR's investment to build these brands in Canada.

Other services represent ancillary revenue incidental to Corby's core business activities, such as logistical fees, on-premise spirit, wine and merchandise sales, and occasional bulk whisky sales. Revenue from other services grew in the three- and six-month periods ended December 31, 2019 attributable to bulk whisky sales.

Cost of sales
Cost of sales was $17.1 million, an increase of $0.4 million, or 3% when compared to the same quarter last year. The overall increase in cost of sales is the result of product and market mix as well as increased bulk sales. On a case rate basis our costs have increased 0.6%. Cost increases have been partially offset by price initiatives and adjustments and the launch of premium innovation resulting in overall gross margin of 51%; a decrease from 52% realized in the same period last year (note: Commissions are not included in this calculation).

Cost of sales increased by $1.5 million, or 5%, for the six-month period ended December 31, 2019 when compared to the same period last year. The increase is attributable to bulk and other ancillary costs. On a case rate basis, our case goods costs remained flat year over year. Overall gross margin was 52% compared to 53% in the same period last year (note: Commissions are not included in this calculation).

Marketing, sales and administration
Marketing, sales and administration expenses decreased $0.4 million, or 2% for the quarter ended December 31, 2019. For the six-month period ended December 31, 2019, marketing, sales and administration expenses decreased $0.6 million, or 2%. Marketing and promotional investment for the year to date was concentrated on our strategic priorities, led by J.P. Wiser's Deluxe and Ungava Spirits Brands, and export market support with favourability from timing of promotional activity on other key strategic priorities. Overhead expenses, though well-controlled, increased inline with inflation.

Net financial income
Net financial income is comprised of interest earned on deposits in cash management pools, offset by interest costs associated with the Company's pension and post-retirement benefit plans. Interest income for both the three and six-month period ended December 31, 2019 is consistent compared to the same period in the prior year.
The Company adopted IFRS 16, "Leases" ("IFRS 16") on July 1, 2019. Consequently, $0.1 million in financial expenses related to lease liabilities was recognized. Under previous accounting standards these payments were

included in marketing, sales and administration expenses (please refer to the "Recent Accounting Pronouncements" section of this MD&A).

Income taxes

A reconciliation of the effective tax rate to the statutory rates for each period is presented below.

	Three Months Ended		*Six Months Ended*	
	Dec. 31 2019	*Dec. 31 2018*	***Dec. 31 2019***	*Dec. 31 2018*
Combined basic Federal and Provincial tax rates	**27%**	27%	**27%**	27%
Other	**0%**	0%	**0%**	0%
Effective tax rate	**27%**	27%	**27%**	27%

Liquidity and Capital Resources

Corby's sources of liquidity are its deposits in cash management pools of $67.7 million as at December 31, 2019, and its cash generated from operating activities. Corby's total contractual maturities are represented by its accounts payable and accrued liabilities and the short-term lease liabilities which totalled $33.9 million as at December 31, 2019 and are all due to be paid within one year. In addition, the Company has long-term lease liabilities of $4.1 million which will be paid over the next 5 years and thereafter. Other than obligations under lease liabilities, the Company does not have any liabilities under short-term or long-term debt facilities.

The Company believes that its deposits in cash management pools, combined with its historically strong operational cash flows, provide for sufficient liquidity to fund its operations, investing activities and commitments for the foreseeable future. The Company's cash flows from operations are subject to fluctuation due to commodity, foreign exchange and interest rate risks. Please refer to the "Risks and Risk Management" section of this MD&A for further information.

Cash Flows

	Three Months Ended			*Six Months Ended*		
(in millions of Canadian dollars)	***Dec. 31, 2019***	*Dec. 31, 2018*	*$ Change*	***Dec. 31, 2019***	*Dec. 31, 2018*	*$ Change*
Operating activities						
Net earnings, adjusted for non-cash items	**$ 13.0**	$ 10.9	$ 2.1	**$ 24.2**	$ 20.6	$ 3.6
Net change in non-cash working capital	**4.2**	7.8	(3.6)	**1.5**	5.6	(4.1)
Net payments for interest and income taxes	**(2.0)**	(2.6)	0.6	**(4.8)**	(4.8)	-
	15.2	16.1	(0.9)	**20.9**	21.4	(0.5)
Investing activities						
Additions to property and equipment	**(0.9)**	(1.0)	0.1	**(1.1)**	(1.1)	-
Proceeds from disposition of property and equipment	**0.1**	-	0.1	**0.1**	-	0.1
Deposits in cash management pools	**(7.8)**	(8.8)	1.0	**(6.6)**	(7.8)	1.2
	(8.6)	(9.8)	1.2	**(7.6)**	(8.9)	1.3
Financing activities						
Payment of lease liabilities	**(0.3)**	-	(0.3)	**(0.8)**	-	(0.8)
Dividends paid	**(6.3)**	(6.3)	-	**(12.5)**	(12.5)	-
	(6.6)	(6.3)	(0.3)	**(13.3)**	(12.5)	(0.8)
Net change in cash	**$ -**	$ -	$ -	**$ -**	$ -	$ -

Operating activities
Net cash generated from operating activities was $15.2 million during the quarter ended December 31, 2019 compared to $16.1 million last year, representing a decrease of $0.9 million. Under IFRS 16, $0.3 million in cash payments related to lease obligations are now included in financing activities. Under previous accounting standards these payments were included in operating activities (please refer to the "Recent Accounting Pronouncements" section of this MD&A). Cash flows from operating activities were unfavourably impacted by the timing of both collections from customers and payments to vendors.

For the six-month period ended December 31, 2019, net cash from operating activities was $20.9 million, reflecting a decrease of $0.5 million compared to the same six-month period last year; impacted by timing of customer collections and vendor payments, partially offset by a decrease in pension plan payments. With the adoption of IFRS 16, $0.8 million in cash payments related to lease obligations are now included in financing activities. These payments were included in operating activities in the comparative period ending December 31, 2018.

Investing activities
Net cash used in investing activities was $8.6 million for the three-month period ended December 31, 2019, and $7.6 million for the six-month period ended December 31, 2019, compared to $9.8 million and $8.9 million respectively for the same three and six-month periods last year. Investing activities include additions to capital assets in both the current and the prior comparable period.

Cash management pools represent cash on deposit with Citibank NA via Corby's Mirror Netting Service Agreement with PR. Corby has daily access to these funds and earns a market rate of interest from PR on its deposits. Changes in cash management pools reflect amounts either deposited in or withdrawn from these bank accounts and are simply a function of Corby's cash requirements during the period. For more information related to these deposits please refer to the "Related Party Transactions" section of this MD&A.

Financing activities
Cash used for financing activities was $6.6 million for the quarter ended December 31, 2019, compared to $6.3 million last year; $13.3 million for the six-month period ended December 31, 2019, compared to $12.5 million in the prior year. Financing activity reflects dividend payments paid to shareholders and payment of lease liabilities resulting from the adoption of new IFRS 16 accounting standard (please refer to the "Recent Accounting Pronouncements" section of this MD&A).

On February 12, 2020, subsequent to the quarter ended December 31, 2019, Corby's Board of Directors declared its regular quarterly dividend of $0.22 per common share, to be paid March 6, 2020, to shareholders of record as at the close of business on February 26, 2020. The Board of Directors decided to exercise their discretion to declare and pay a higher quarterly dividend than otherwise required under the dividend policy. The policy provides that, subject to business conditions and opportunities and appropriate adjustment for extraordinary events, regular dividends will be paid quarterly, on the basis of an annual amount equal to the greater of 90% of net earnings per share in the preceding fiscal year ended June 30, and $0.60 per share .

The following table summarizes dividends paid and payable by the Company over the last two fiscal years:

for	Declaration date	Record Date	Payment date	$ / Share
2020 - Q2	February 12, 2020	February 26, 2020	March 6, 2020	$ 0.22
2020 - Q1	November 6, 2019	November 22, 2019	December 6, 2019	0.22
2019 - Q4	August 21, 2019	September 11, 2019	September 27, 2019	0.22
2019 - Q3	May 8, 2019	May 24, 2019	June 14, 2019	0.22
2019 - Q2	February 13, 2019	February 27, 2019	March 8, 2019	0.22
2019 - special	November 7, 2018	December 14, 2018	January 11, 2019	0.44
2019 - Q1	November 7, 2018	November 23, 2018	December 7, 2018	0.22
2018 - Q4	August 22, 2018	September 12, 2018	September 28, 2018	0.22
2018 - Q3	May 9, 2018	May 25, 2018	June 13, 2018	0.22
2018 - Q2	February 7, 2018	February 23, 2018	March 9, 2018	0.22
2018 - Q1	November 8, 2017	November 24, 2017	December 8, 2017	0.22
2017 - Q4	August 23. 2017	September 15, 2017	September 29, 2017	0.21
2017 - Q3	May 10, 2017	May 26, 2017	June 14, 2017	0.21

Outstanding Share Data

As at February 12, 2020, Corby had 24,274,320 Voting Class A Common Shares and 4,194,536 Non-Voting Class B Common Shares outstanding. The Company does not have a stock option plan, and therefore, there are no options outstanding.

Related Party Transactions

Transactions with parent, ultimate parent, and affiliates

Corby engages in a significant number of transactions with its parent company, its ultimate parent and various affiliates. Specifically, Corby renders services to its parent company, its ultimate parent, and affiliates for the marketing and sale of beverage alcohol products in Canada. Furthermore, Corby outsources the large majority of its distilling, maturing, storing, blending, bottling and related production activities to its parent company. A significant portion of Corby's bookkeeping, recordkeeping services, data processing and other administrative services are also outsourced to its parent company. Transactions with the parent company, ultimate parent and affiliates are subject to Corby's related party transaction policy, which requires such transactions to undergo an extensive review and require approval from an Independent Committee of the Board of Directors.

The companies operate under the terms of agreements that became effective on September 29, 2006 (the "2006 Agreements"). These agreements provide the Company with the exclusive right to represent PR's brands in the Canadian market for 15 years, as well as providing for the continuing production of certain Corby brands by PR at its production facility in Windsor, Ontario, for 10 years. Corby also manages PR's business interests in Canada, including the Windsor production facility. Certain officers of Corby have been appointed as directors and officers of PR's North American entities, as approved by Corby's Board of Directors. On August 26, 2015, Corby entered into an agreement with PR and certain affiliates amending the September 29, 2006 Canadian representation agreements, pursuant to which Corby agreed to provide more specialized marketing, advertising and promotion services for the PR and affiliate brands under the applicable representation agreements in consideration of an increase to the rate of commission payable to Corby by such entities. On November 11, 2015, Corby and PR entered into agreements for the continued production and bottling of Corby`s owned-brands by Pernod Ricard at the HWSL production facility in Windsor, Ontario, for a 10-year term commencing September 30, 2016. On the same date, Corby and PR also entered into an administrative services agreement, under which Corby agreed to continue to manage PR's business interests in Canada, including the HWSL production facility, with a similar term and commencement date.

In addition to the 2006 Agreements, Corby signed an agreement on September 26, 2008, with its ultimate parent to be the exclusive Canadian representative for the ABSOLUT vodka and Plymouth gin brands, for a five-year term, which expired October 1, 2013 and was extended as noted below. These brands were acquired by PR subsequent to the original representation rights agreement dated September 29, 2006. Corby also agreed to continue with the mirror netting arrangement with PR and its affiliates, under which Corby's excess cash continues to be deposited to cash management pools. The mirror netting arrangement with PR and its affiliates is further described below. On November 9, 2011, Corby entered into an agreement with a PR affiliate for a new term for Corby's exclusive right to represent ABSOLUT vodka in Canada from September 30, 2013 to September 29, 2021, which is consistent with the term of Corby's Canadian representation of the other PR brands in Corby's portfolio (the "2011 Agreement"). On September 30, 2013, Corby paid $10.3 million for the additional eight years of the new term pursuant to an agreement entered into between Corby and The Absolut Company Aktiebolag, an affiliate of PR and owner of the ABSOLUT brand, to satisfy the parties' obligations under the 2011 Agreement. Since the 2011 Agreement is a related party transaction, the agreement was approved by the Independent Committee of the Corby Board of Directors, in accordance with Corby's related party transaction policy, following an extensive review and with external financial and legal advice.

On March 21, 2016, the Company entered into an agreement with Pernod Ricard UK Ltd. ("PRUK"), an affiliated company, which provides PRUK the exclusive right to represent Lamb's rum in Great Britain effective July 1, 2016. Previously, Lamb's rum was represented by an unrelated third party in this market. The agreement provides Lamb's with access to PRUK's extensive national distribution network throughout Great Britain. On March 28, 2019 the agreement was amended to include Ungava Gin. The agreement is effective for a five-year period ending June 30, 2021.

Deposits in cash management pools
Corby participates in a cash pooling arrangement under a Mirror Netting Service Agreement, together with PR's other Canadian affiliates, the terms of which are administered by Citibank N.A. effective July 17, 2014. The Mirror Netting Service Agreement acts to aggregate each participant's net cash balance for purposes of having a centralized cash management function for all of PR's Canadian affiliates, including Corby. As a result of Corby's participation in this agreement, Corby's credit risk associated with its deposits in cash management pools is contingent upon PR's credit rating. PR's credit rating as at February 12, 2020, as published by Standard & Poor's and Moody's, was BBB+ and Baa1, respectively. PR compensates Corby for the benefit it receives from having the Company participate in the Mirror Netting Service Agreement by paying interest to Corby based upon the 30-day Canadian Dealer Offered Rate plus 0.40%. Corby accesses these funds on a daily basis and has the contractual right to withdraw these funds or terminate these cash management arrangements upon providing five days' written notice.

Selected Quarterly Information

Summary of Quarterly Financial Results

(in millions of Canadian dollars, except per share amounts)	**Q2 2020**	Q1 2020	Q4 2019	Q3 2019	**Q2 2019**	Q1 2019	Q4 2018 (1)	Q3 2018 (1)
Revenue	**$ 43.4**	$ 38.6	$ 39.2	$ 31.0	**$ 41.9**	$ 37.9	$ 40.2	$ 29.3
Earnings from operations	**10.6**	8.7	10.5	5.9	**9.1**	8.7	12.6	6.5
Net earnings	**7.8**	6.5	7.8	4.5	**6.9**	6.5	9.3	4.8
Basic EPS	**0.28**	0.23	0.27	0.16	**0.24**	0.23	0.33	0.17
Diluted EPS	**0.28**	0.23	0.27	0.16	**0.24**	0.23	0.33	0.17

(1) In preparing its comparative information, in fiscal years 2018, the Company has adjusted amounts reported previously in the consolidated statement of earnings as a result of the retrospective application of IFRS 15, Revenue from Contracts with Customers.

The above table demonstrates the seasonality of Corby's business, as sales are typically strong in the first and second quarters, while third-quarter sales (January, February and March) usually decline after the end of the retail holiday season. Fourth-quarter sales typically increase again with the onset of warmer weather, as consumers tend to increase their purchasing levels during the summer season.

Recent Accounting Pronouncements

A number of new standards, amendments to standards and interpretations are effective for the financial period ended December 31, 2019, and accordingly, have been applied in preparing the interim condensed consolidated financial statements for the period ended December 31, 2019:

(i) *Leases*

In January 2016, the IASB issued a new standard IFRS 16, "Leases" ("IFRS 16"), which replaced IAS 17, "Leases" ("IAS 17"). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019 and must be applied retrospectively. For Corby, this standard became effective July 1, 2019.

The guidance permits two methods of adoption: retrospectively to each prior reporting period restated (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective method). The Company adopted this standard using the modified retrospective method. The Company has elected to set the right-of-use asset equal to the lease liability on the date of adoption. The Company has also elected not to restate prior year comparative information under the modified retrospective approach. Comparative information continues to be reported under IAS 17 and related interpretations.

In applying IFRS 16 for the first time, the Company used the following practical expedients as permitted by the standard:

- Elected to not apply the requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value;
- Elected to set the right-of-use asset equal to the lease liability on the date of adoption;
- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application;

Upon adoption of the standard, the Company recognized a right-of-use asset and a lease liability for the present value of the remaining future lease payments, discounted using the incremental borrowing rate at the date of initial application. The adoption of this standard resulted in the recognition of right-of-use assets and lease liabilities of $6,333 as at July 1, 2019.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on the date of initial application was 3%. The Company will recognize the lease payments associated with these leases on a straight-line basis, over the lease term.

Under IFRS 16, depreciation expense on the right-of-use asset and interest expense on the lease liability replaced operating lease expenses.

The reconciliation between lease liabilities recognized on July 1, 2019 and operating lease commitments disclosed using the weighted average incremental borrowing rate as at the date of initial application is as follows:

		As at July 1, 2019
Operating lease commitment as at June 30, 2019 as disclosed in the Company's notes to the consolidated financial statements	$	6,671
Discounted using the incremental borrowing rate at July 1, 2019		6,349
Short-term and low value leases excluded		(16)
Lease liabilities recognized as at July 1, 2019	**$**	**6,333**
Lease liabilities due within one year	$	1,536
Lease liabilities		4,797
Total lease liabilities	**$**	**6,333**

Right-of-use assets are measured at the initial amount of the lease liabilities plus any indirect costs, lease payments made at or before the commencement date net of lease incentives received, and decommissioning costs. Subsequent to initial measurement, the right-of-use assets will be measured at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are included as follows in the condensed interim consolidated balance sheet as at December 31, 2019:

						As at Dec. 31, 2019
		Building		**Other**		**Total**
Cost						
Balance, beginning of the period	$	4,473	$	1,860	$	6,333
Lease additions		-		-		-
Balance, end of the period	**$**	**4,473**	**$**	**1,860**	**$**	**6,333**
Accumulated Depreciation						
Balance, beginning of the period	$	-	$	-	$	-
Depreciation		449		351		800
Balance, end of the period	**$**	**449**	**$**	**351**	**$**	**800**
Carrying amount as at Dec. 31, 2019	**$**	**4,024**	**$**	**1,509**	**$**	**5,533**

Transactions involving lease liabilities as at and for the period ended December 31, 2019 were as follows:

		As at Dec. 31, 2019
Balance, beginning of the period	$	6,333
Lease additions		-
Lease payments		(863)
Interest expense on lease liabilities		82
Less: Accrued Interest on lease liabilities		(9)
Balance, end of the period	**$**	**5,543**
Lease liabilities due within one year	$	1,461
Lease liabilities		4,082
Total lease liabilities	**$**	**5,543**

The expenses related to leases with variable consideration, short term leases and low value leases amounted to $140 and $59 for the three-and six-month periods ended December 31, 2019.

(ii) Uncertainty over Income Tax Treatments

In June 2017, the IASB issued a new interpretation IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23). IFRIC 23 specifies the accounting treatment for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over the tax treatments. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. For Corby, this standard became effective July 1, 2019. The new interpretation did not have a significant impact on the Company's interim condensed consolidated financial statements.

(iii) Financial Instruments

The IASB issued amendments to IFRS 9 "Financial Instruments" ("IFRS 9"). The amendment addresses concerns about how IFRS 9 classified prepayable financial assets and clarifies an aspect of accounting for financial liabilities following a modification. The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019. For Corby, this standard became effective July 1, 2019. The new amendment did not have a significant impact on the Company's interim condensed consolidated financial statements.

(iv) Employee Benefits

The IASB published amendments to IAS 19 "Employee Benefits" ("IAS 19"). The amendment harmonizes accounting practices to provide more relevant information for decision-making. The amendments are to be applied retrospectively to plan amendments, curtailments or settlements occurring on or after January 1, 2019. For Corby, this standard became effective July 1, 2019. The new amendment did not have a significant impact on the Company's interim condensed consolidated financial statements.

(v) Income Taxes

The IASB published amendments to IAS 12 "Income Taxes" ("IAS 12"). The amendment clarifies that the income tax consequences of dividends, where transactions or events that generate distributable profits are recognized, apply to all income tax consequences of dividends. The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019. For Corby, this standard became effective July 1, 2019. The new amendment did not have a significant impact on the Company's interim condensed consolidated financial statements.

Internal Controls Over Financial Reporting

The Company maintains a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

In addition, the CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be designed effectively can provide only reasonable assurance with respect to financial reporting and financial statement preparation.

Management, with the participation of the CEO and CFO, has evaluated the effectiveness of the Company's internal controls over financial reporting as at December 31, 2019, and has concluded that internal control over financial reporting is designed and operating effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management's assessment was based on the framework established in Internal Control – Integrated Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission.

There were no changes in internal controls over financial reporting during the Company's most recent interim period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Risks & Risk Management

The Company is exposed to a number of risks in the normal course of its business that have the potential to affect its operating and financial performance.

Industry and Regulatory
The beverage alcohol industry in Canada is subject to government policy, extensive regulatory requirements and significant rates of taxation at both the federal and provincial levels. As a result, changes in the government policy, regulatory and/or taxation environments within the beverage alcohol industry may affect Corby's business operations, causing changes in market dynamics or changes in consumer consumption patterns. In addition, the Company's provincial LB customers have the ability to mandate changes that can lead to increased costs, as well as other factors that may impact financial results.

Additionally, as the Company becomes more reliant on international product sales in the US, UK and other countries, exposure to changes in the laws and regulations (including on matters such as regulatory requirements, import duties and taxation) in those countries could also adversely affect the operations, financial performance or reputation of the Company.

The Company continuously monitors the potential risk associated with any proposed changes to its government policy, regulatory and taxation environments and, as an industry leader, actively participates in trade association discussions relating to new developments.

Consumer Consumption Patterns
Beverage alcohol companies are susceptible to risks relating to changes in consumer consumption patterns. Consumer consumption patterns are affected by many external influences, not the least of which is economic outlook and overall consumer confidence in the stability of the economy as a whole. Additionally, the legalization of recreational cannabis in Canada could have the potential to impact consumer consumption patterns with respect to beverage alcohol products. Corby offers a diverse portfolio of products across all major spirits categories and at various price points. Corby continues to identify and offer new innovations in order to address consumer desires.

Distribution/Supply Chain Interruption
The Company is susceptible to risks relating to distributor and supply chain interruptions. Distribution in Canada is largely accomplished through the government-owned provincial LBs and, therefore, an interruption (e.g., a labour strike) for any length of time, or a change in business model may have a significant impact on the Company's ability to sell its products in a particular province and/or market. International sales are subject to the variations in distribution systems within each country where the products are sold.

Supply chain interruptions, including a manufacturing or inventory disruption, could impact product quality and availability. The Company adheres to a comprehensive suite of quality programmes and proactively manages production and supply chains to mitigate any potential risk to consumer safety or Corby's reputation and profitability.

Inherent to producing maturing products, there is a potential for shortages or surpluses in future years if demand and supply are materially different from long-term forecasts. Additionally, the loss through contamination, fire or other natural disaster of the stock of maturing products may result in significant reduction in supply and, as a result, Corby may not be able to meet customer demands. The Company monitors category trends and regularly reviews maturing inventory levels.

Environmental Compliance
Environmental liabilities may potentially arise when companies are in the business of manufacturing products and, thus, required to handle potentially hazardous materials. As Corby largely outsources its production, including all of its storage and handling of maturing alcohol, the risk of environmental liabilities is considered minimal. Corby currently has no significant recorded or unrecorded environmental liabilities.

Industry Consolidation
In recent years, the global beverage alcohol industry has continued to experience consolidation. Industry consolidation can have varying degrees of impact and, in some cases, may even create exceptional opportunities. Either way, management believes that the Company is well positioned to deal with this or other changes to the competitive landscape in Canada and other markets in which it carries on business.

Corby's ability to properly complete acquisitions and subsequently integrate them may affect its results
Corby monitors growth opportunities that may present themselves, including by way of acquisitions. While we believe that an acquisition may create the opportunity to realize certain benefits, achieving these benefits will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in an efficient manner, as well as our ability to realize any anticipated growth opportunities or costs savings from combining the target's assets and operations with our existing brands and operations. Integration efforts following any acquisition may require the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. In addition, Corby may be required to assume greater-than-expected liabilities due to liabilities that are undisclosed at the time of completion of an acquisition. A failure to realize, in whole or in part, the anticipated benefits of an acquisition may have a negative impact on the results or financial position of Corby.

Competition
The Canadian and international beverage alcohol industry is extremely competitive. Competitors may take actions to establish and sustain a competitive advantage through advertising and promotion and pricing strategies in an effort to maintain market share, which may negatively affect our sales, revenues and profitability. Corby constantly monitors the market and adjusts its own advertising, promotion and pricing strategies as appropriate.

Competitors may also affect Corby's ability to attract and retain high-quality employees. The Company's long heritage attests to Corby's strong foundation and successful execution of its strategies. Its role as a leading Canadian beverage alcohol company helps facilitate recruitment efforts.

Credit Risk

Credit risk arises from deposits in cash management pools held with PR via Corby's participation in the Mirror Netting Service Agreement (as previously described in the "Related Party Transactions" section of this MD&A), as well as credit exposure to customers, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the Company's financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of its counterparties, taking into account their financial position, past experience and other factors. As the large majority of Corby's accounts receivable balances are collectible from government-controlled LBs, management believes the Company's credit risk relating to accounts receivable is at an acceptably low level.

Exposure to Interest Rate Fluctuations

The Company does not have any short- or long-term debt facilities. Interest rate risk exists, as Corby earns market rates of interest on its deposits in cash management pools. An active risk management programme does not exist, as management believes that changes in interest rates would not have a material impact on Corby's financial position over the long term.

Exposure to Commodity Price Fluctuations

Commodity risk exists, as the manufacture of Corby's products requires the procurement of several known commodities, such as grains, sugar and natural gas. The Company strives to partially mitigate this risk through the use of longer-term procurement contracts where possible. In addition, subject to competitive conditions, the Company may pass on commodity price changes to consumers through pricing over the long term.

Foreign Currency Exchange Risk

The Company has exposure to foreign currency risk, as it conducts business in multiple foreign currencies; however, its exposure is primarily limited to the US dollar ("USD") and UK pound sterling ("GBP"). Corby does not utilize derivative instruments to manage this risk. Subject to competitive conditions, changes in foreign currency rates may be passed on to consumers through pricing over the long term.

USD Exposure

The Company's demand for USD has traditionally outpaced its supply, due to USD sourcing of production inputs and Advertising & Promotion expenses exceeding that of the Company's USD sales. Therefore, decreases in the value of the Canadian dollar ("CAD") relative to the USD will have an unfavourable impact on the Company's earnings.

GBP Exposure

The Company's exposure to fluctuations in the value of the GBP relative to the CAD was reduced as both sales and cost of production are denominated in GBP. While Corby's exposure has been minimized, increases in the value of the CAD relative to the GBP will have an unfavourable impact on the Company's earnings.

Third-Party Service Providers

HWSL, which Corby manages on behalf of PR, provides more than 90% of the Company's production requirements, among other services including administration and information technology. However, the Company is reliant upon certain third-party service providers in respect of certain of its operations. It is possible that negative events affecting these third-party service providers could, in turn, negatively impact the Company. While the Company has no direct control over how such third parties are managed, it has entered into contractual arrangements to formalize these relationships. In order to minimize operating risks, the Company actively monitors and manages its relationships with its third-party service providers.

Renewal of Distribution Agreements

The 2006 Agreements and the agreement regarding Absolut vodka, both described in the "Related Party Transactions" section of this MD&A, expire on September 29, 2021. Commissions from the distribution agreements represent approximately 18% of Corby's revenue. The parties continue to operate under these agreements, as well as under the production and administrative services agreements, which run until 2026, and are required to negotiate in good faith regarding renewal during the period September 29, 2020 to March 29, 2021.

Brand Reputation and Trademark Protection

The Company promotes nationally branded, non-proprietary products as well as proprietary products. Damage to the reputation of any of these brands, or to the reputation of any supplier or manufacturer of these brands, could negatively impact consumer opinion of the Company or the related products, which could have an adverse impact on the financial performance of the Company. The Company strives to mitigate such risks by selecting only those products from suppliers that strategically complement Corby's existing brand portfolio and by actively monitoring brand advertising and promotion activities.

Additionally, although the Company registers trademarks, as applicable, it cannot be certain that trademark registrations will be issued with respect to all the Company's applications. Also, while Corby constantly watches for and responds to competitive threats, as necessary, the Company cannot predict challenges to, or prevent a competitor from challenging, the validity of any existing or future trademark issued or licensed to Corby.

Information Technology and Cyber Security

The Company uses technology supplied by third parties, both related and non-related, to support operations and invests in information technology to improve route to market, reporting, analysis, and marketing initiatives. Issues with availability, reliability and security of systems and technology could adversely impact the Company's ability to compete resulting in corruption or loss of data, regulatory-related issues, litigation or brand reputation damage. With the fast-paced changing nature of the technology environment including digital marketing, the Company works with these third parties to maintain policies, processes and procedures to help secure and protect these information systems as well as consumer, corporate and employee data.

Valuation of Goodwill and Intangible Assets

Goodwill and intangible assets account for a significant amount of the Company's total assets. Goodwill and intangible assets are subject to impairment tests that involve the determination of fair value. Inherent in such fair value determinations are certain judgments and estimates including, but not limited to, projected future sales, earnings and capital investment, discount rates, and terminal growth rates. These judgments and estimates may change in the future due to uncertain competitive market and general economic conditions, or as the Company makes changes in its business strategies. Certain of the aforementioned factors affecting the determination of fair value may be impacted and, as a result, the Company's financial results may be adversely affected.

The following table summarizes Corby's goodwill and intangible assets and details the amounts associated with each brand (or basket of brands) and market as at December 31, 2019:

		Carrying Values as at December 31, 2019		
Associated Brand	Associated Market	Goodwill	Intangibles	Total
Various PR brands	Canada	$ -	$ 10.1	$ 10.1
Lamb's rum	United Kingdom[1]	1.3	11.8	13.1
Ungava brands [2]	Canada	5.1	3.2	8.3
Foreign Affair Winery brands	Canada	0.4	2.5	2.9
Other domestic brands	Canada	1.9	-	1.9
		$ 8.7	$ 27.6	$ 36.3

[1] The international business for Lamb's rum is primarily focused in the UK, however, the trademarks and licences purchased relate to all international markets outside of Canada, as Corby previously owned the Canadian rights.
[2] The Ungava brands include trademarks related to Ungava Premium Canadian Gin, Chic Choc Spiced Rum and Cabot Trail maple-based liqueurs.

Therefore, economic factors (such as consumer consumption patterns) specific to these brands and markets are primary drivers of the risk associated with their respective goodwill and intangible assets valuations.

Employee Future Benefits

The Company has certain obligations under its registered and non-registered defined benefit pension plans and other post-retirement benefit plan. There is no assurance that the Company's benefit plans will be able to earn the assumed rate of return. New regulations and market-driven changes may result in changes in the discount rates and other variables, which would result in the Company being required to make contributions in the future that differ significantly from estimates. An extended period of depressed capital markets and low interest rates could require the Company to make contributions to these plans in excess of those currently contemplated, which, in turn, could have an adverse impact on the financial performance of the Company. Somewhat mitigating the impact of a potential market decline is the fact that the Company monitors its pension plan assets closely and follows strict guidelines to ensure that pension fund investment portfolios are diversified in-line with industry best practices. For further details related to Corby's defined benefit pension plans, please refer to Note 10 of the annual audited consolidated financial statements for the year ended June 30, 2019.

CORBY SPIRIT AND WINE LIMITED
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands of Canadian dollars)

As at	Notes	**Dec. 31 2019**	Dec. 31 2018	June 30, 2019
ASSETS				
Deposits in cash management pools		**$ 67,658**	$ 77,692	$ 61,136
Accounts receivable	4	**31,467**	30,738	32,260
Inventories	5	**60,612**	60,181	61,912
Prepaid expenses		**614**	849	554
Total current assets		**160,351**	169,460	155,862
Other assets		**1,654**	2,875	1,498
Right-of-use assets	2	**5,533**	-	-
Property, plant and equipment		**21,149**	19,066	21,683
Goodwill	6	**8,757**	8,757	8,757
Intangible assets		**27,640**	33,421	30,531
Total assets		**$ 225,084**	$ 233,579	$ 218,331
LIABILITIES				
Accounts payable and accrued liabilities	7	**$ 32,443**	$ 34,748	$ 32,998
Income and other taxes payable		**229**	206	989
Dividends payable		**-**	12,526	-
Current lease liabilities	2	**1,461**	-	-
Total current liabilities		**34,133**	47,480	33,987
Provision for employee benefits		**12,864**	9,209	13,427
Deferred income taxes		**2,604**	3,423	1,820
Long-term lease liabilities	2	**4,082**	-	-
Total liabilities		**53,683**	60,112	49,234
Shareholders' equity				
Share capital		**14,304**	14,304	14,304
Accumulated other comprehensive (loss) income		**(2,704)**	914	(3,226)
Retained earnings		**159,801**	158,249	158,019
Total shareholders' equity		**171,401**	173,467	169,097
Total liabilities and shareholders' equity		**$ 225,084**	$ 233,579	$ 218,331

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

CORBY SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(in thousands of Canadian dollars, except per share amounts)

		For the Three Months Ended		*For the Six Months Ended*	
	Notes	**Dec. 31 2019**	Dec. 31 2018	**Dec. 31 2019**	Dec. 31 2018
Revenue	8	**$ 43,418**	$ 41,865	**$ 82,055**	$ 79,748
Cost of sales		**(17,136)**	(16,660)	**(32,154)**	(30,710)
Marketing, sales and administration		**(15,792)**	(16,172)	**(30,681)**	(31,290)
Other income	9	**57**	81	**12**	58
Earnings from operations		**10,547**	9,114	**19,232**	17,806
Financial income	10	**355**	406	**711**	771
Financial expense	10	**(184)**	(105)	**(370)**	(231)
		171	301	**341**	540
Earnings before income taxes		**10,718**	9,415	**19,573**	18,346
Current income taxes		**(2,663)**	(2,431)	**(4,668)**	(4,550)
Deferred income taxes		**(207)**	(88)	**(597)**	(398)
Income taxes		**(2,870)**	(2,519)	**(5,265)**	(4,948)
Net earnings		**$ 7,848**	$ 6,896	**$ 14,308**	$ 13,398
Basic earnings per share		**$ 0.28**	$ 0.24	**$ 0.50**	$ 0.47
Diluted earnings per share		**$ 0.28**	$ 0.24	**$ 0.50**	$ 0.47
Weighted average common shares outstanding					
Basic		**28,468,856**	28,468,856	**28,468,856**	28,468,856
Diluted		**28,468,856**	28,468,856	**28,468,856**	28,468,856

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

CORBY SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(in thousands of Canadian dollars)

	For the Three Months Ended		*For the Six Months Ended*	
	Dec. 31 2019	Dec. 31 2018	**Dec. 31 2019**	Dec. 31 2018
Net earnings	**$ 7,848**	$ 6,896	**$ 14,308**	$ 13,398
Other Comprehensive Income:				
Amounts that will not be subsequently reclassified to earnings:				
Net actuarial gains	**355**	293	**710**	586
Income taxes	**(93)**	(79)	**(188)**	(158)
	262	214	**522**	428
Total comprehensive income	**$ 8,110**	$ 7,110	**$ 14,830**	$ 13,826

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(in thousands of Canadian dollars)

	Share Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total
Balance as at June 30, 2019	$ 14,304	$ (3,226)	$ 158,019	$ 169,097
Total comprehensive income	-	522	14,308	14,830
Dividends	-	-	(12,526)	(12,526)
Balance as at December 31, 2019	**$ 14,304**	**$ (2,704)**	**$ 159,801**	**$ 171,401**
Balance as at June 30, 2018	$ 14,304	$ 486	$ 169,904	$ 184,694
Total comprehensive income	-	428	13,398	13,826
Dividends	-	-	(25,053)	(25,053)
Balance as at December 31, 2018	$ 14,304	$ 914	$ 158,249	$ 173,467

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

CORBY SPIRIT AND WINE LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)
(in thousands of Canadian dollars)

		For the Three Months Ended		For the Six Months Ended	
	Notes	**Dec. 31 2019**	Dec. 31 2018	**Dec. 31 2019**	Dec. 31 2018
Operating activities					
Net earnings		**$ 7,848**	$ 6,896	**$ 14,308**	$ 13,398
Adjustments for:					
Amortization and depreciation	11	**2,650**	2,154	**5,285**	4,293
Net financial income	10	**(171)**	(301)	**(341)**	(540)
Loss on disposal of property and equipment		**-**	14	**-**	-
Income tax expense		**2,870**	2,519	**5,265**	4,948
Provision for employee benefits		**(166)**	(356)	**(298)**	(1,471)
		13,031	10,926	**24,219**	20,628
Net change in non-cash working capital balances	12	**4,238**	7,784	**1,478**	5,589
Interest received		**277**	407	**622**	770
Income taxes paid		**(2,340)**	(3,035)	**(5,429)**	(5,585)
Net cash from operating activities		**15,206**	16,082	**20,890**	21,402
Investing activities					
Additions to property and equipment		**(890)**	(1,028)	**(1,116)**	(1,138)
Proceeds from disposition of property and equipment		**55**	-	**55**	-
Deposits in cash management pools		**(7,758)**	(8,790)	**(6,522)**	(7,737)
Net cash used in investing activities		**(8,593)**	(9,818)	**(7,583)**	(8,875)
Financing activity					
Payment of lease liabilities		**(350)**	-	**(781)**	-
Dividends paid		**(6,263)**	(6,264)	**(12,526)**	(12,527)
Net cash used in financing activity		**(6,613)**	(6,264)	**(13,307)**	(12,527)
Net increase in cash		**-**	-	**-**	-
Cash, beginning of year		**-**	-	**-**	-
Cash, end of year		**$ -**	$ -	**$ -**	$ -

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

1. GENERAL INFORMATION

Corby Spirit and Wine Limited ("Corby" or the "Company") is a leading Canadian manufacturer, marketer and importer of spirits and wines. The Company derives its revenues from the sale of its owned-brands in Canada and other international markets, as well as earning commissions from the representation of selected non-owned brands in the Canadian marketplace. Revenues predominantly consist of sales made to each of the provincial liquor boards in Canada. The Company also supplements these primary sources of revenue with other ancillary activities incidental to its core business, such as logistics fees.

Corby is controlled by Hiram Walker & Sons Limited ("HWSL"), which is a wholly-owned subsidiary of Pernod Ricard, S.A. ("PR"), a French public limited company that controls 51.6% of the outstanding Voting Class A Common Shares of Corby as at December 31, 2019.

Corby is a public company incorporated and domiciled in Canada, whose shares are traded on the Toronto Stock Exchange. The Company's registered address is 225 King Street West, Suite 1100, Toronto, ON M5V 3M2.

2. SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of Preparation

Statement of compliance
These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements, except for changes in accounting policies and methods described below. These interim condensed consolidated financial statements should be read in conjunction with the Company's 2019 annual financial statements.

These interim condensed consolidated financial statements were approved by the Company's Board of Directors on February 12, 2020.

Functional and presentation currency
The Company's interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's, and its subsidiaries, functional and presentation currency.

Foreign currency translation
Transactions denominated in foreign currencies are translated into the functional currency using the exchange rate applying at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies are recognized at the historical exchange rate applicable at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applying at the balance sheet date. Foreign currency differences related to operating activities are recognized in earnings from operations for the period; foreign currency differences related to financing activities are recognized within net financial income.

Basis of Measurement
These interim condensed consolidated financial statements are prepared in accordance with the historical cost model, except for certain categories of assets and liabilities, which are measured in accordance with other methods provided for by IFRS as described in the most recent annual consolidated financial statements, except for recently adopted policies and methods described below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Use of Estimates and Judgements
The preparation of these interim condensed consolidated financial statements in conformity with IFRS requires management to make certain judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

Judgement is commonly used in determining whether a balance or transaction should be recognized in the interim condensed consolidated financial statements, and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgement and estimates are often interrelated.

Estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Estimates are made on the assumption the Company will continue as a going concern and are based on information available at the time of preparation. Estimates may be revised where the circumstance on which they were based changes or where new information becomes available. Future outcomes can differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Management's most critical estimates in determining the value of assets and liabilities and the most critical judgements in applying accounting policies that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next year have been described in Note 2 of the Company's most recent annual consolidated financial statements, except for the impact of the adoption of the new and revised standards and interpretations described below.

Seasonality
The interim condensed consolidated financial statements should not be taken as indicative of the performance to be expected for the full fiscal year due to the seasonal nature of the spirits business. Corby's operations are typically subject to seasonal fluctuations in that the retail holiday season generally results in an increase in consumer purchases over the course of October, November and December. Further, the summer months traditionally result in higher consumer purchases of spirits as compared to the winter and spring months. As a result, the Company's first and second quarter of each fiscal year tend to reflect the impact of seasonal fluctuations in that more shipments are typically made during those quarters.

(ii) Adoption of New and Revised Standards and Interpretations

Recent accounting pronouncements
A number of new standards, amendments to standards and interpretations are effective for the financial period ended December 31, 2019, and accordingly, have been applied in preparing these interim condensed consolidated financial statements:

(a) Leases

In January 2016, the IASB issued a new standard IFRS 16, "Leases" ("IFRS 16"), which replaced IAS 17, "Leases" ("IAS 17"). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019 and must be applied retrospectively. For Corby, this standard became effective July 1, 2019.

The guidance permits two methods of adoption: retrospectively to each prior reporting period restated (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective method). The Company adopted this standard using the modified retrospective method. The Company has elected to set the right-of-use asset equal to the lease liability on the date of adoption. The Company has also elected to not restate prior year comparative information under the modified retrospective approach. Comparative information continues to be reported under IAS 17 and related interpretations.

In applying IFRS 16 for the first time, the Company used the following practical expedients as permitted by the standard:

- Elected to not apply the requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value;
- Elected to set the right-of-use asset equal to the lease liability on the date of adoption;
- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application;

Upon adoption of the standard, the Company recognized a right-of-use asset and a lease liability for the present value of the remaining future lease payments, discounted using the incremental borrowing rate at the date of initial application. The adoption of this standard resulted in the recognition of right-of-use assets and lease liabilities of $6,333 as at July 1, 2019.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on the date of initial application was 3%. The Company will recognize the lease payments associated with these leases on a straight-line basis, over the lease term.

Under IFRS 16, depreciation expense on the right-of-use asset and interest expense on the lease liability replaced operating lease expenses.

The reconciliation between lease liabilities recognized on July 1, 2019 and operating lease commitments disclosed using the weighted average incremental borrowing rate as at the date of initial application is as follows:

		As at July 1, 2019
Operating lease commitment as at June 30, 2019 as disclosed in the Company's notes to the consolidated financial statements	$	6,671
Discounted using the incremental borrowing rate at July 1, 2019		6,349
Short-term and low value leases excluded		(16)
Lease liabilities recognized as at July 1, 2019	**$**	**6,333**
Lease liabilities due within one year	$	1,536
Lease liabilities		4,797
Total lease liabilities	**$**	**6,333**

Right-of-use assets are measured at the initial amount of the lease liabilities plus any indirect costs, lease payments made at or before the commencement date net of lease incentives received, and decommissioning costs. Subsequent to initial measurement, the right-of-use assets will be measured at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are included as follows in the interim condensed consolidated balance sheet as at December 31, 2019:

	As at Dec. 31, 2019		
	Building	**Other**	**Total**
Cost			
Balance, beginning of the period	$ 4,473	$ 1,860	$ 6,333
Lease additions	-	-	-
Balance, end of the period	**$ 4,473**	**$ 1,860**	**$ 6,333**
Accumulated Depreciation			
Balance, beginning of the period	$ -	$ -	$ -
Depreciation	449	351	800
Balance, end of the period	**$ 449**	**$ 351**	**$ 800**
Carrying amount as at Dec. 31, 2019	**$ 4,024**	**$ 1,509**	**$ 5,533**

Transactions involving lease liabilities as at and for the period ended December 31, 2019 were as follows:

	As at Dec. 31, 2019
Balance, beginning of the period	$ 6,333
Lease additions	-
Lease payments	(863)
Interest expense on lease liabilities	82
Less: Accrued Interest on lease liabilities	(9)
Balance, end of the period	**$ 5,543**
Lease liabilities due within one year	$ 1,461
Lease liabilities	4,082
Total lease liabilities	**$ 5,543**

The expenses related to leases with variable consideration, short term leases and low value leases amounted to $140 and $59 for the three and six month periods ended December 31, 2019.

(b) Uncertainty over Income Tax Treatments

In June 2017, the IASB issued a new interpretation IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23). IFRIC 23 specifies the accounting treatment for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over the tax treatments. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. For Corby, this standard became effective July 1, 2019. The new interpretation did not have a significant impact on the Company's interim condensed consolidated financial statements.

(c) Financial Instruments

The IASB issued amendments to IFRS 9 "Financial Instruments" ("IFRS 9"). The amendment addresses concerns about how IFRS 9 classified prepayable financial assets and clarifies an aspect of accounting for financial liabilities following a modification. The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019. For Corby, this standard became effective July 1, 2019. The new amendment did not have a significant impact on the Company's interim condensed consolidated financial statements.

(d) Employee Benefits

The IASB published amendments to IAS 19 “Employee Benefits” (“IAS 19”). The amendment harmonizes accounting practices to provide more relevant information for decision-making. The amendments are to be applied retrospectively to plan amendments, curtailments or settlements occurring on or after January 1, 2019. For Corby, this standard became effective July 1, 2019. The new amendment did not have a significant impact on the Company’s interim condensed consolidated financial statements.

(e) Income Taxes

The IASB published amendments to IAS 12 “Income Taxes” (“IAS 12”). The amendment clarifies that the income tax consequences of dividends, where transactions or events that generate distributable profits are recognized, apply to all income tax consequences of dividends. The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019. For Corby, this standard became effective July 1, 2019. The new amendment did not have a significant impact on the Company’s interim condensed consolidated financial statements.

3. FAIR VALUE

The Company uses a fair value hierarchy in order to classify the fair value measurements and disclosures related to the Company’s financial assets and financial liabilities. The fair value hierarchy has the following levels:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – Unobservable inputs such as inputs for the asset or liability that are not based on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The Company has no financial instruments carried at fair value on its balance sheet. For financial assets and liabilities that are valued at other than fair value on its balance sheets (i.e., deposits in cash management pools, accounts receivable, accounts payable and accrued liabilities, and dividends payable), fair value approximates their carrying value at each balance sheet date due to their short-term maturities. Fair value is determined using Level 2 inputs. Level 3 inputs are used to determine the fair value of pension plan assets contained within the infrastructure and real estate funds.

4. ACCOUNTS RECEIVABLE

	Dec. 31 2019	Dec. 31 2018	June 30, 2019
Trade receivables	**$ 16,617**	$ 16,041	$ 18,359
Due from related parties	**13,134**	13,101	10,993
Other	**1,716**	1,596	2,908
	$ 31,467	$ 30,738	$ 32,260

5. INVENTORIES

		Dec. 31 2019		Dec. 31 2018		June 30, 2019
Raw materials	**$**	**3,554**	$	3,434	$	3,223
Work-in-progress		**48,332**		46,921		49,180
Finished goods		**8,726**		9,826		9,509
	$	**60,612**	$	60,181	$	61,912

The cost of inventory recognized as an expense and included in cost of goods sold during the three and six month periods ended December 31, 2019 were $14,923 and $28,917 (2018 – $14,018 and $26,652). During the three and six month periods ended December 31, 2019 there were write-downs of $75 (2018 - $nil) on inventory as a result of net realizable value being lower than cost. No inventory write-downs recognized in previous years were reversed.

6. GOODWILL

		Dec. 31 2019		Dec. 31 2018		June 30, 2019
Goodwill, beginning of period	**$**	**8,757**	$	8,757	$	8,757
Impact of acquisitions during the period		**-**		-		-
Goodwill, end of period	**$**	**8,757**	$	8,757	$	8,757

There have been no impairment losses recognized with respect to goodwill during the three and six month periods ended December 31, 2019 (2018 - $nil).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		Dec. 31 2019		Dec. 31 2018		June 30, 2019
Trade payables and accruals	**$**	**22,545**	$	23,881	$	23,199
Due from related parties		**8,909**		9,919		7,214
Other		**989**		948		2,585
	$	**32,443**	$	34,748	$	32,998

8. REVENUE

The Company’s revenue consists of the following streams:

	Three months ended				*Six months ended*			
		Dec. 31 2019		Dec. 31 2018		**Dec. 31 2019**		Dec. 31 2018
Case goods sales	**$**	**33,839**	$	33,546	**$**	**64,933**	$	63,542
Commissions (net of amortization of representation rights)		**8,352**		7,522		**14,767**		14,522
Other services		**1,227**		797		**2,355**		1,684
	$	**43,418**	$	41,865	**$**	**82,055**	$	79,748

8. REVENUE (CONTINUED)

Commissions for the three and six month periods are shown net of amortization of long-term representation rights of $1,445 and $2,890 (2018 - $1,445 and $2,890). Other services include revenues incidental to the manufacture of Case Goods, such as logistics fees, miscellaneous bulk spirit sales, and on-premise spirit and merchandise sales.

9. OTHER INCOME

The Company's other income (expense) consists of the following amounts:

	Three months ended		*Six months ended*	
	Dec. 31 2019	Dec. 31 2018	**Dec. 31 2019**	Dec. 31 2018
Foreign exchange gain (loss)	**$ 6**	$ 59	**$ (31)**	$ 34
Loss on disposal of property and equipment	**-**	(14)	**-**	-
Other income	**51**	36	**43**	24
	$ 57	$ 81	**$ 12**	$ 58

10. NET FINANCIAL INCOME AND EXPENSE

The Company's financial income (expense) consists of the following amounts:

	Three months ended		*Six months ended*	
	Dec. 31 2019	Dec. 31 2018	**Dec. 31 2019**	Dec. 31 2018
Interest income	**$ 355**	$ 406	**$ 711**	$ 771
Interest expense on lease liabilities	**(40)**	-	**(82)**	-
Net financial impact of pensions	**(144)**	(105)	**(288)**	(231)
	$ 171	$ 301	**$ 341**	$ 540

11. EXPENSES BY NATURE

Earnings from operations include depreciation and amortization, as well as personnel expenses, as follows:

	Three months ended		*Six months ended*	
	Dec. 31 2019	Dec. 31 2018	**Dec. 31 2019**	Dec. 31 2018
Depreciation of property and equipment	**$ 805**	$ 709	**$ 1,595**	$ 1,403
Depreciation of right-of-use assets	**400**	-	**800**	-
Amortization of intangible assets	**1,445**	1,445	**2,890**	2,890
Salary and payroll costs	**6,235**	6,364	**12,837**	12,637
Expenses related to pensions and benefits	**330**	378	**660**	707
	$ 9,215	$ 8,896	**$ 18,782**	$ 17,637

12. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	Three months ended		Six months ended	
	Dec. 31 2019	Dec. 31 2018	**Dec. 31 2019**	Dec. 31 2018
Accounts receivable	**$ (1,553)**	$ (205)	**$ 793**	$ 2,731
Inventories	**3,139**	1,571	**1,300**	(392)
Prepaid expenses	**197**	(204)	**(60)**	(256)
Accounts payable and accrued liabilities	**2,455**	6,622	**(555)**	3,506
	$ 4,238	$ 7,784	**$ 1,478**	$ 5,589

13. DIVIDENDS

On February 12, 2020 subsequent to the quarter ended December 31, 2019, the Board of Directors declared its regular quarterly dividend of $0.22 per common share, to be paid on March 6, 2020, to shareholders of record as at the close of business on February 26, 2020. This dividend is in accordance with the Company's dividend policy.

14. RELATED PARTY TRANSACTIONS

Transactions with parent, ultimate parent, and affiliates

The majority of Corby's issued and outstanding voting Class A shares are owned by HWSL. HWSL is a wholly-owned subsidiary of PR. Therefore, HWSL is Corby's parent and PR is Corby's ultimate parent. Affiliated companies are subsidiaries, which are controlled by Corby's parent and/or ultimate parent.

The companies operate under the terms of agreements that became effective on September 29, 2006. These agreements provide the Company with the exclusive right to represent PR's brands in the Canadian market for 15 years, as well as providing for the continuing production of certain Corby brands by PR at its production facility in Windsor, Ontario, for 10 years. Corby also manages PR's business interests in Canada, including the Windsor production facility. Certain officers of Corby have been appointed as directors and officers of PR's North American entities, as approved by Corby's Board of Directors. In 2015, the production and administrative agreements were each renewed for a further ten year term, commencing October 2016.

In addition to the aforementioned agreements, Corby signed an agreement on September 26, 2008, with its ultimate parent to be the exclusive Canadian representative for the ABSOLUT vodka and Plymouth gin brands, for a five-year term, which expired October 1, 2013 and was extended as noted below. These brands were acquired by PR subsequent to the original representation rights agreement dated September 29, 2006.

On November 9, 2011, Corby entered into an agreement with a PR affiliate for a new term for Corby's exclusive right to represent ABSOLUT vodka in Canada from September 30, 2013 to September 29, 2021, which is consistent with the term of Corby's Canadian representation of the other PR brands in Corby's portfolio. On September 30, 2013, Corby paid $10.3 million for the additional eight years of the new term pursuant to an agreement entered into between Corby and The Absolut Company Aktiebolag, an affiliate of PR and owner of the ABSOLUT brand, to satisfy the parties' obligations under the 2011 agreement.

On March 21, 2016, the Company entered into an agreement with Pernod Ricard UK Ltd. ("PRUK"), an affiliated company, which provides PRUK the exclusive right to represent Lamb's rum in Great Britain effective July 1, 2016. Previously, Lamb's rum was represented by an unrelated third party in this market. The agreement is effective for a five-year period ending June 30, 2021.

14. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions between Corby and its parent, ultimate parent and affiliates during the period are as follows:

	Three months ended		Six months ended	
	Dec. 31 2019	Dec. 31 2018	**Dec. 31 2019**	Dec. 31 2018
Sales to related parties				
Commissions - parent, ultimate parent and affiliated companies	**$ 9,341**	$ 8,410	**$ 16,729**	$ 16,285
Products for resale at an export level - affiliated companies	**1,498**	1,381	**3,120**	2,445
	$ 10,839	$ 9,791	**$ 19,849**	$ 18,730
Cost of goods sold, purchased from related parties				
Distilling, blending, and production services - parent	**$ 4,634**	$ 5,899	**$ 10,375**	$ 11,935
Administrative services purchased from related parties				
Marketing, selling and administration services - parent	**$ 707**	$ 523	**$ 1,415**	$ 1,046

Balances outstanding with related parties are due within 60 days, are to be settled in cash and are unsecured.

Deposits in cash management pools
Corby participates in a cash pooling arrangement under the Mirror Netting Service Agreement together with PR's other Canadian affiliates, the terms of which are administered by Citibank N.A. The Mirror Netting Service Agreement acts to aggregate each participant's net cash balance for the purposes of having a centralized cash management function for all of PR's Canadian affiliates, including Corby.

As a result of Corby's participation in this agreement, Corby's credit risk associated with its deposits in cash management pools is contingent upon PR's credit rating. PR's credit rating as at February 12, 2020, as published by Standard & Poor's and Moody's, was BBB+ and Baa1, respectively. PR compensates Corby for the benefit it receives from having the Company participate in the Mirror Netting Service Agreement by paying interest to Corby based upon the 30-day CDOR rate plus 0.40%. During the three and six months ended December 31, 2019, Corby earned interest income of $375 and $752 from PR (2018 – $427 and $811). Corby has the right to terminate its participation in the Mirror Netting Service Agreement at any time, subject to five days' written notice.

15. SEGMENT INFORMATION

Corby has two reportable segments: Case Goods and Commissions. Corby's Case Goods segment derives its revenue from the production and distribution of its owned beverage alcohol brands. Corby's portfolio of owned-brands includes some of the most renowned and respected brands in Canada, such as J. P. Wiser's Canadian whisky, Lamb's rum, Polar Ice vodka, and McGuinness liqueurs.

Corby's Commissions segment earns commission income from the representation of non-owned beverage alcohol brands in Canada. Corby represents leading international brands such as ABSOLUT vodka, Chivas Regal, The Glenlivet and Ballantine's scotches, Jameson Irish whiskey, Beefeater gin, Malibu rum, Kahlúa liqueur, Mumm champagne, and Jacob's Creek and Wyndham Estate wines.

The Commissions segment's financial results are fully reported as "Commissions" in Note 8 of the interim condensed consolidated financial statements. Therefore, a table detailing operational results by segment has not been provided as no additional meaningful information would result.

Affiliated with Pernod Ricard

OFFICES

Executive Office
225 King Street West
Suite 1100
Toronto, Ontario
M5V 3M2
Tel: 416.479.2400

Registered Office
225 King Street West
Suite 1100
Toronto, Ontario
M5V 3M2
Tel: 416.479.2400

Distillery
Hiram Walker & Sons Limited
2072 Riverside Drive East
Windsor, Ontario
N8Y 4S5
Tel: 519.254.5171

Ungava Spirits Co. Ltd.
291, rue Miner
Cowansville, QC
J2K 3Y6
Tel: 450.263.5835

Winery
The Foreign Affair Winery Limited
4890 Victoria Avenue North
Vineland Station, ON
L0R 2E0
Tel: 905.562.9898

Sales Offices
225 King Street West
Suite 1100
Toronto, Ontario
M5V 3M2
Tel: 416.479.2400

84 Chain Lake Drive
Suite 405,
Halifax, Nova Scotia
B3S 1A2
Tel: 902.445.0705

4858 Levy Street
Ville Saint-Laurent, Quebec
H4R 2P1
Tel: 514.856.4320

2816-11th Street NE
Westview Building, Suite 200
Calgary, Alberta
T2E 7S7
Tel: 403.463.3687

395 Park Street
Unit 14
Regina, Saskatchewan
S4N 5B2
Tel: 306.201.9746

13353 Commerce Parkway
Unit 2168
Richmond, British Columbia
V6V 3A1
Tel: 778.296.4500

FOR MORE INFORMATION

Corby Spirit and Wine Limited

Patrick O'Driscoll
President and Chief Executive Officer

Edward Mayle
Vice-President and Chief Financial Officer

Tel: 416.479.2400
www.corby.ca

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