CORBY SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2023 AND 2022

Q2

CORBY SPIRIT AND WINE LIMITED
Management's Discussion and Analysis
December 31, 2023

The following Management's Discussion and Analysis ("MD&A") dated February 7, 2024 should be read in conjunction with the interim condensed consolidated financial statements and accompanying notes as at and for the three-month period ended December 31, 2023 ("second quarter", "the quarter", or "Q2") and the six-month period ended December 31, 2023 ("H1"), prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). These unaudited interim condensed consolidated financial statements do not contain all disclosures required by IFRS Accounting Standards ("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, 2023.

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", "Outlook", "Liquidity, Contractual Obligations and Capital Resources", "Recent Accounting Pronouncements" and "Risks & 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; geopolitical events, including disputes between nations, war and international sanctions; 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 "Risks 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 7, 2024. 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, can be found under the Company's profile on the System of Electronic Document Analysis and Retrieval (SEDAR+) at www.sedarplus.ca.

Unless otherwise indicated, all comparisons of results for the second quarter of fiscal 2024 (three months ended December 31, 2023) are against results for the second quarter of fiscal 2023 (three months ended December 31, 2022). All dollar amounts are in Canadian dollars unless otherwise stated.

This MD&A includes references to "Adjusted Earnings from Operations", "Adjusted Net Earnings", "Adjusted Basic Earnings per Share" and "Adjusted Diluted Earnings per Share", which are financial measures that are not calculated in accordance with IFRS. For a reconciliation of these non-IFRS measures to the most directly comparable IFRS financial measures, see the "Non-IFRS Financial Measures" and "Non-IFRS Financial Ratios" section of this MD&A.

Business Overview

Corby is a leading Canadian manufacturer, marketer and importer of spirits, wines and ready-to-drink cocktails. 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, Cottage Springs®, Ace Hill®, Cabana Coast®, and Liberty Village® ready-to-drink ("RTD") beverages (collectively, the "Ace Beverage Group Brands"), 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, Olmeca Altos® and Código 1530® tequilas, Jefferson's™ and Rabbit Hole® bourbons, 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, the parties provide certain services to each other.

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"). Corby's 90%-owned subsidiary, Ace Beverage Group Inc. ("ABG"), develops product recipes in-house at its innovation lab in Toronto, Ontario and partners with various third-party manufacturers across Canada for its production requirements. The Company's remaining production requirements have been outsourced to various third-party manufacturers, including 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, Ontario, Manitoba 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 typically are 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 could be affected by timing of key holidays and LBs’ reporting calendars. With lingering effects of the COVID-19 pandemic and its impacts on the global supply chain, LBs’ order phasing, inventory management and global supply chain challenges have contributed to an alteration of our typical sales trends (impacting year over year comparability).

Strategies

Corby is a leading diversified beverage alcohol company in Canada. Our strategy is designed to strengthen our position with responsible, sustainable and profitable growth through targeted brand investment that the Company believes will also produce strong and consistent cash flows to sustain an on-going dividend payment to shareholders.

The Company believes that Corby’s iconic Canadian brand portfolio provides a route to sustainable value creation, complemented by its exclusive representation of a broad portfolio of international brands. Operating in the mature yet growing Canadian spirits and wines market as well as the growing RTD category, brand performance is driven by evolving consumer trends, the deep understanding of which is the foundation for market success.

Active brand management is the foundation of Corby’s strategy, driving growth through volume, price and mix, with passionate teams dedicated to developing and executing plans with rigor and agility. The Company believes that providing offerings across different price points will provide Corby the opportunity to capture the long-term trend toward premiumization and help it maintain relevance across all occasions.

Improving profitability through the pursuit of efficiencies is another important lever as we work to maximize revenue growth management, cost optimization and advertising and promotion effectiveness. The Company has been pursuing a cross-functional digital transformation to build competitive advantage in the mid-term.

Consumer insight-led innovations are essential to Corby’s strategy to capture growth in the ever-changing environment. These innovations will target different activities encompassing the entirety of the consumer proposition including new product development to bring to life new-to-world products and range extensions or limited editions that expand a brand’s footprint to new consumers and occasions. Related to innovation, to ensure the portfolio continues to provide relevant consumer propositions, M&A remains a strategic option. This can encompass the acquisition of brands to develop the portfolio or adjacent businesses to complement our current business, such as the recent acquisition of ABG on July 4, 2023 to become a leading RTD player in Canada.

Export provides a clear growth opportunity, and the Company intends to continue actively developing its export business.

The Company believes its unique position in Canada, as well as its arrangement with its ultimate parent, the world’s number two spirits company, PR, enables Corby to leverage both local and global expertise. The relationship with PR provides an important revenue stream through Commissions with a complementary premium international portfolio that expands Corby’s market presence and sustains an organization able to bring world class expertise.

The Company is of the view that expertise is provided through world class talents, beginning with consumer insights, encompassing commercial teams with national route to market coverage, and leveraging PR for its production expertise at the Hiram Walker distillery, home of our flagship brand J.P. Wiser’s Canadian whisky.

Having access to national sales data through our membership in the ACD, combined with our investments in promotion management tools, provides Corby with a data-rich foundation from which to drive its strategy.

Our strategy is founded on our values. Being a consumer-centric company means reflecting in our own organization the society that we operate in. The Company's diversity and inclusion pillar is a strategic focus and part of the Company's ongoing journey to have highly engaged and performing teams.

Sustainability and Responsibility ("S&R") initiatives are an important part of how we connect with our communities, partner with our customers, and support our employees. Through our partnership with our ultimate parent, PR, the Company believes that it is able to leverage the global best practices, expertise and resources of PR's S&R programs in order to enhance the positive impact of Corby's own activities.

SIGNIFICANT EVENT – ABG ACQUISITION

On July 4, 2023, Corby acquired 90% of the outstanding shares of ABG. The purchase price of $148.5 million, which has been adjusted, as contemplated in the share purchase agreement, to $136.3 million to reflect estimated working capital and debt of ABG assumed as at the purchase date, was paid using available cash and financing from PR. The financing was provided on arm's-length terms at market rates and, as a related party transaction, was approved by Corby's independent directors, with external financial and legal advice (please refer to the "Related Party Transactions" section of this MD&A). Further, Corby entered into an agreement with the minority shareholders of ABG which provides Corby with the option to purchase 5% of the remaining outstanding shares of ABG in 2025 and then to purchase the final 5%, or 10% if the 2025 option is not exercised, of the remaining outstanding shares in 2028. Should Corby decide not to exercise the options to buy the outstanding minority shares, ABG is obligated to declare and pay an annual dividend equal to the cash balance, less an amount to satisfy the anticipated working capital and investment needs of ABG for the following fiscal year. This dividend would be subject to applicable law and Board approval addressing the ability of ABG to declare and pay. In connection with the closing of the transaction, Corby also signed a guarantee in favour of a Canadian chartered bank for payments of amounts owing under ABG's continuing operating loan.

ABG is a leader in the RTD and better-for-you beverages market in Canada. ABG's portfolio includes its flagship brand, Cottage Springs, and other innovative RTD offerings, adding significant scale to Corby's portfolio as well as expertise in the high-growth RTD category.

Brand Performance Review

Corby's portfolio of owned brands accounts for over 85% of the Company's total 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, McGuinness and Meaghers, Cottage Springs from the Ace Beverage Group Brands, and the Ungava Spirits Brands. The sales performance of these key brands significantly impacts Corby's net earnings.

Shipment Volume and Shipment Value Performance

See below a table summary of the performance of Corby's owned-brands 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, 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*	
	Dec. 31,	*Dec. 31,*	*Volume*	*Value*	***Dec. 31,***	*Dec. 31,*	*Volume*	*Value*
(Volumes in 000's of 9L cases)	***2023***	*2022*	*%*	*%*	***2023***	*2022*	*%*	*%*
Brand								
J.P. Wiser's Canadian whisky	**239**	242	(1%)	(1%)	**428**	449	(5%)	0%
Polar Ice vodka	**89**	86	4%	(2%)	**170**	172	(1%)	2%
Lamb's rum	**112**	123	(9%)	2%	**207**	223	(7%)	3%
Mixable liqueurs	**50**	49	1%	7%	**90**	93	(3%)	1%
Ungava Spirits Brands	**50**	47	7%	(6%)	**101**	96	5%	3%
Ace Beverage Group Brands	**345**	-	N/A	N/A	**955**	-	N/A	N/A
Other Corby-owned brands	**45**	46	(1%)	7%	**90**	94	(4%)	8%
Total Corby brands	**930**	594	57%	27%	**2,041**	1,126	81%	42%

Corby's owned brands grew 57% in volume and 27% in value compared to the three months ended December 31, 2022. Performance in the second quarter reflects the inclusion of the Ace Beverage Group Brands portfolio, whose Cottage Springs product line contributed over 85% of Ace Beverage Group Brands' total volume and value. J.P. Wiser's and other Corby-owned brands declined in volume as liquor boards normalized their inventory levels after supply disruptions affecting the comparative period. Performance of Ungava Gin RTDs (included in the Ungava Spirits Brands in the above chart) delivered strong volume growth in the quarter, but was offset in value from the softer shipments of Ungava Gin in a very competitive landscape. Cabot Trail maple cream liqueur was affected by inventory normalization while commercial trends remained positive. Polar Ice Vodka delivered strong volume during the three-month period ended December 31, 2023 in the on-premise channel while value declined from deeper promotional activity to sustain sell-outs. Mixable Liqueurs have reflected premiumization in value. The decline in Lamb's rum shipments continued to be driven by underlying consumer trends, while value growth represented pricing initiatives in export markets and promotional optimization.

Year-to-date shipments of Corby's owned brands grew 81% in shipment volume and 42% in shipment value, when compared to the six-month period ended December 31, 2022. The portfolio grew in value across all brand groupings, benefitting from the aforementioned inclusion of the Ace Beverage Group Brands portfolio, as well as overall price increases, while volumes were impacted by inventory level normalization at liquor boards.

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

	Three Months Ended				*Six Months Ended*			
			Shipment Change				*Shipment Change*	
	Dec. 31,	*Dec. 31,*	*Volume*	*Value*	***Dec. 31,***	*Dec. 31,*	*Volume*	*Value*
(Volumes in 000's of 9L cases)	***2023***	***2022***	*%*	*%*	***2023***	*2022*	*%*	*%*
Domestic	**864**	523	65%	29%	**1,916**	997	92%	43%
International	**66**	70	(6%)	18%	**125**	130	(4%)	27%
Total Corby brands	**930**	594	57%	27%	**2,041**	1,126	81%	42%

In the second quarter, domestic shipments increased by 65% in volume and 29% in value compared to the same period last year, while fiscal year-to-date domestic shipments increased 92% in volume and 43% in value compared to the same period last year. Domestic sales benefitted from the inclusion of the Ace Beverage Group Brands, portfolio pricing initiatives, optimization of trade promotional spend while being offset by unfavourable product mix from the growth of RTDs in the portfolio.

Regarding our international markets' performance, shipment volumes declined 6% though shipment value grew 18% on a quarter over quarter comparable basis, while fiscal year to date international shipments declined 4% in volume but grew 27% in value compared to the same period last year. Performance in both the quarter and year-to-date shipments was negatively impacted by high inventory levels in the US market resulting in decreased orders, as well as supply chain constraints on wet goods used in the production of Lamb's rum in the UK market. Value in both the quarter and year-to-date periods grew despite this overall volume decline as result of favourable market mix with shipments of premium products to new markets, as well as pricing initiatives in the UK market.

Retail Sales Performance / Spirits and RTD Market Trends

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

In the six-months ended December 31, 2023, the Canadian spirits industry retail sales declined 3% in volume and 1% in retail value when compared to the same six-month period in the prior year. Retail sales for the period were impacted by on-premise channel normalization from last year while off-premise purchases have reversed previous growth and are now normalizing. Industry trends were led by retail sales value decline in Liqueurs, Canadian Whisky, and Rum categories.

In the six-months ended December 31, 2023, the Canadian RTD category retail sales volume remained flat while retail value grew 5% when compared to the same six-month period in the prior year. Although value growth remains strong, some deceleration was observed when compared to the full calendar year trend. Retail sales for the period were driven by innovation and premiumization.

Corby's diversified portfolio includes products in many categories, the majority of which are within the RTD, Canadian whisky, rum and vodka categories. Corby's overall retail value in the six-months ended December 31, 2023 remained flat, despite retail volume declining 1% compared to the same period in the prior year, sustained by broad-based price increases. Retail value performance was largely driven by the continued strong momentum of ABG Brands, as well as Mixable liqueurs lapping a low comparison basis after last year's production challenges which led to stock unavailability. Corby's flagship brand, J.P. Wiser's, declined 1% in volume and remained flat in value, though remained ahead of the category.

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 and LBs, 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, 2023***	*Dec 31, 2022*	*% Retail Volume Growth*	*% Retail Value Growth*	***Dec 31, 2023***	*Dec 31, 2022*	*% Retail Volume Growth*	*% Retail Value Growth*	***Dec 31, 2023***	*Dec 31, 2022*	*% Retail Volume Growth*	*% Retail Value Growth*
Brand												
J.P. Wiser's Canadian whisky	**236**	240	(2%)	(1%)	**415**	420	(1%)	(0%)	**762**	774	(1%)	0%
Polar Ice vodka	**94**	97	(3%)	(1%)	**177**	183	(3%)	(1%)	**334**	335	(0%)	3%
Lamb's rum	**69**	75	(9%)	(6%)	**128**	141	(10%)	(6%)	**232**	255	(9%)	(6%)
Mixable liqueurs	**56**	56	(1%)	4%	**98**	101	(3%)	3%	**169**	157	7%	14%
Ace Beverage Group Brands	**455**	438	4%	11%	**1,153**	1,152	0%	11%	**1,910**	1,813	5%	12%
Ungava Spirits Brands	**58**	59	(2%)	(2%)	**95**	95	0%	(2%)	**151**	152	(1%)	(1%)
Other Corby-owned brands	**44**	47	(5%)	(3%)	**83**	88	(6%)	(4%)	**159**	168	(5%)	(4%)
Total	**1,011**	**1,012**	(0%)	0%	**2,149**	2,180	(1%)	(0%)	**3,718**	3,654	2%	2%

[1] Refers to sales at the retail store level in Canada, as provided by the Association of Canadian Distillers.

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 volume declined 1% while retail value remained flat with pricing favourability and portfolio premiumization offsetting some of the volume impact, while overall performance was better than the category in the six-month period ended December 31, 2023. Retail sales volumes for the Canadian whisky category declined 4%, while retail value for the category declined 2% over the same comparable period.

Polar Ice Vodka

Polar Ice vodka is among the top-selling vodka brands in Canada with a strong presence in the on-premise channel. Polar Ice vodka declined in retail volume by 3% and retail value by 1% in the six-months ended December 31, 2023 compared to the same period in the prior year, as the performance is being impacted by a competitive economy vodka market, particularly in Alberta. The overall vodka category in Canada declined 2% in retail volume and 1% in retail value on a comparable basis. The standard vodka category, where Polar Ice vodka competes, grew 5% in retail volume and 3% in value compared to the same period in the prior year driven by the popularity of local brands in Alberta.

Lamb's Rum

Lamb's rum, a top-selling rum family in Canada, continued to be impacted by changing consumer trends for standard rum, particularly in regional strongholds. Retail volume for the overall rum category declined 5% for the six-months ended December 31, 2023, while retail value declined 2%. The economy rum category, where Lamb's rum competes, saw retail volumes decline 6% while retail value declined 3% compared to the same period last year. Lamb's rum declined 10% in retail volume and 6% in retail value for the six months ended December 31, 2023 compared to the same period in the prior year.

Mixable Liqueurs

Corby's mixable liqueur brands consist of McGuinness liqueurs (Canada's largest mixable liqueur brand family) and Meaghers liqueurs (available in Quebec). Retail volumes declined 3% while retail value grew 3% for the six-months ended December 31, 2023 compared to the same period last year. Performance was driven by mix premiumization, lapping last year's production constraints impacting certain premium products in this portfolio. Retail volume for the liqueurs category overall declined 4% while value declined by 1% for the six-months ended December 31, 2023 compared to the same period last year.

Ace Beverage Group Brands

Retail volume for the Ace Beverage Group Brands portfolio remained flat in volume but grew 11% in retail value for the six-months ended December 31, 2023, when compared to the same period last year when Ace Beverage Group Brands was not owned by the Company. The flagship brand Cottage Springs grew 3% in retail volume and 11% in retail value driven by price optimization and successful innovation. Cottage Springs growth was driven in part by successful innovations, with the #1 seasonal RTD product in Ontario, more than doubling the performance of all other seasonal RTD products in Ontario. Retail volume for the RTD category remained flat while value grew by 7% for the six-months ended December 31, 2023, compared to the same period last year.

Ungava Spirits Brands

Retail volume remained flat for the Ungava Spirits Brands, while retail value declined 2% in for the six-months ended December 31, 2023, compared to the same period last year.

The flagship brand, Ungava gin, declined 18% in retail volume and 17% in retail value driven by intense competition in the Ontario and Quebec markets as well as category trends. The gin category declined 7% in retail volume and 5% in retail value. RTD innovations launched in the Quebec market are growing rapidly, but resulted in a dilutive effect on the overall volume to value conversion of the Ungava Spirits Brands portfolio.

Cabot Trail maple-based liqueurs (in Quebec, Coureur des Bois) maintained interest from consumers, emphasized by Maple Whisky Excellence innovation successful launch. Retail volume declined 2% but retail value grew 3% in value in the six-months ended December 31, 2023, compared to the same period last year.

Other Corby-Owned Brands

Other Corby-Owned Brands include premium offerings in Canadian whisky such as Lot No. 40, Pike Creek, and Gooderham & Worts (collectively known as the Northern Border Collection), Royal Reserve and the Foreign Affair Brands. Collectively this group of brands declined 6% in retail volume and 4% in retail value for the six-months ended December 31, 2023 compared to the same period in the prior year.

The Northern Border collection declined 15% in volume and 14% in value as performance cycled strong sales from innovation launches last year.

Royal Reserve® declined 4% in retail volume and 2% in retail value during the six-months ended December 31, 2023 compared to the same period last year.

Foreign Affair Brands are available through several channels including e-commerce, direct delivery (on-premise and wine club) and the on-site winery visitor centre. Retail performance is typically impacted by customer ordering patterns and does not capture e-commerce, direct delivery and on-site sales to consumers.

Selected Financial Information

To help understand the underlying business performance, Corby uses certain Non-IFRS financial measures which Management believes are important supplemental measures of operating performance and highlight trends in the core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management believes that these measures allow for assessment of the Company's operating performance and financial condition on a basis that is more consistent and comparable between reporting periods. As a result of the acquisition of ABG, finished goods inventory acquired was recorded at fair value as at the acquisition date, in accordance with IFRS 3, "Business Combinations". This fair value adjustment has resulted in a charge to costs of goods sold of $3.0 million in the six-month period ending December 31, 2023 and $0.2 million for the second quarter FY24. This quarter also saw several expenses incurred in relation to the acquisition of Ace, distributor transition and restructuring. These Non-IFRS financial measures exclude the costs related to the adjustment of ABG's inventory to its fair market value and are described as "Adjusted." Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. See the "Non-IFRS Financial Measures" section of this MD&A.

"Adjusted Earnings from Operations" is equal to earnings from operations before interest and taxes for the period adjusted to remove the costs incurred for business combination inventory fair value adjustments, costs and termination fees related to distributor transitions and restructuring provisions.

"Adjusted Net Earnings" is equal to net earnings for the period adjusted to remove the costs incurred for business combination inventory fair value adjustments, costs and termination fees related to distributor transitions and restructuring provisions, net of tax calculated using the effective tax rate. Adjusted net earnings per share and adjusted diluted net earnings per share are computed in the same way as basic net earnings per share and diluted net earnings per share, respectively.

The following table presents selected key performance metrics of the Company for the three and six-months ended December 31, 2023 and 2022 which should be read in conjunction with the financial statements of the Company.

	Three months ended				Six months ended			
(in millions of Canadian dollars, except per share amounts)	***Dec. 31, 2023***	*Dec. 31, 2022*	*$ Change*	*% Change*	***Dec. 31, 2023***	*Dec. 31, 2022*	*$ Change*	*% Change*
Earnings from Operations	**$ 11.4**	$ 11.2	$ 0.1	1%	**$ 22.8**	$ 21.7	$ 1.1	5%
Adjusted Earnings from Operations[1]	**12.0**	11.2	0.7	7%	**26.2**	21.7	4.5	21%
Net earnings	**7.3**	8.6	(1.3)	-15%	**14.8**	16.4	(1.6)	-10%
Adjusted Net Earnings[1]	**7.8**	8.6	(0.8)	-9%	**17.3**	16.4	0.9	6%
Per common share								
- Basic net earnings per share	**$ 0.26**	$ 0.30	$ (0.04)	-15%	**$ 0.52**	$ 0.58	$ (0.06)	-10%
- Adjusted Basic net earnings per share	**$ 0.27**	$ 0.30	$ (0.03)	-9%	**$ 0.61**	$ 0.58	$ 0.03	6%
- Diluted net earnings	**$ 0.26**	$ 0.30	$ (0.04)	-15%	**$ 0.52**	$ 0.58	$ (0.06)	-10%
- Adjusted diluted net earnings	**$ 0.27**	$ 0.30	$ (0.03)	-9%	**$ 0.61**	$ 0.58	$ 0.03	6%

1) See "Non-IFRS Financial Measures" & "Non-IFRS Financial Ratios".

Financial and Operating Results

The following table presents a summary of certain selected consolidated financial information of the Company for the three-and-six months period ended December 31, 2023 and 2022:

(in millions of Canadian dollars, except per share amounts)	Three Months Ended Dec. 31, 2023	Dec. 31, 2022	$ Change	% Change	Six Months Ended Dec. 31, 2023	Dec. 31, 2022	$ Change	% Change
Revenue	**$ 56.0**	$ 45.4	$ 10.6	23%	**$ 114.7**	$ 86.5	$ 28.2	33%
Cost of sales	**(27.1)**	(20.4)	(6.7)	33%	**(54.1)**	(36.3)	(17.8)	49%
Cost of sale related to business combinations fair value adjustments to inventory	**(0.2)**	-	(0.2)	n.a.	**(3.0)**	-	(3.0)	n.a.
Marketing, sales and administration	**(17.5)**	(13.9)	(3.6)	26%	**(34.5)**	(28.4)	(6.0)	21%
Other income (expense)	**0.1**	0.1	0.0	62%	**(0.2)**	(0.0)	(0.2)	n.a.
Earnings from operations	**11.4**	11.2	0.1	1%	**22.8**	21.7	1.1	5%
Adjusted Earnings from operations[1]	**12.0**	11.2	0.7	7%	**26.2**	21.7	4.5	21%
Financial income	**0.0**	0.5	(0.5)	-95%	**0.5**	0.7	(0.3)	-36%
Financial expenses	**(1.6)**	(0.1)	(1.5)	n.a.	**(3.3)**	(0.1)	(3.2)	n.a.
Net financial income (expense)	**(1.6)**	0.4	(2.0)	-476%	**(2.8)**	0.6	(3.4)	n.a.
Earnings before income taxes	**9.8**	11.6	(1.9)	-16%	**20.0**	22.3	(2.3)	-10%
Income taxes	**(2.5)**	(3.1)	0.0	0%	**(5.2)**	(5.9)	0.8	-13%
Net earnings	**$ 7.3**	$ 8.6	$ (1.3)	-15%	**$ 14.8**	$ 16.4	$ (1.6)	-10%
Adjusted Net earnings[1]	**$ 7.8**	$ 8.6	$ (0.8)	-9%	**$ 17.3**	$ 16.4	$ 0.9	6%
Per common share								
- Basic net earnings	**$ 0.26**	$ 0.30	$ (0.04)	-15%	**$ 0.52**	$ 0.58	$ (0.06)	-10%
- Diluted net earnings	**$ 0.26**	$ 0.30	$ (0.04)	-15%	**$ 0.52**	$ 0.58	$ (0.06)	-10%
- Adjusted Basic net earnings[1]	**$ 0.27**	$ 0.30	$ (0.03)	-9%	**$ 0.61**	$ 0.58	$ 0.03	6%
- Adjusted Diluted net earnings[1]	**$ 0.27**	$ 0.30	$ (0.03)	-9%	**$ 0.61**	$ 0.58	$ 0.03	6%

1) See "Non-IFRS Financial Measures" & "Non-IFRS Financial Ratios".

Overall Financial Results

Net earnings decreased $1.3 million or 15% for the three months ended December 31, 2023 and decreased $1.6 million or 10% for the H1 period or, six months ended December 31, 2023, compared to the same periods last year. Second quarter and H1 net earnings were affected by the impact of the fair value adjustment to inventory acquired in the ABG acquisition recorded in cost of sales ($0.2 million and $2.2 million after taxes respectively), as well as $3.1 million of interest charges as a result of credit facilities and term loan payable linked to the ABG acquisition, respectively. See the “Selected Financial Information” and “Net Financial Expense” sections of this MD&A.

Since the completion of the acquisition on July 4, 2023, ABG brands have contributed $27.8 million to revenue and $4.3 million to net earnings, adjusted down to $2.1 million when considering the costs incurred for business combination inventory fair value adjustments, net of tax.

In addition to the impact of the inclusion of ABG, the overall Q2 revenue trend was driven by the resumed growth of PR commissions and strong export sales to new markets, offset by soft domestic shipment trends consistent with market trends and declining agency commissions. H1 revenue was affected by a high comparison basis with the lapping of high inventory levels from liquor boards seen last year to mitigate the supply chain disruption in the market, combined with agency sales decline and inventory normalization at LBs this year. Our sales, marketing and administration expenses were optimized and focused on impactful promotional activity to efficiently support sell-outs growth behind our key Corby-owned brands while being affected by the inclusion of ABG marketing activities and overhead costs.

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, 2023**	Dec. 31, 2022	*$ Change*	*% Change*	**Dec. 31, 2023**	Dec. 31, 2022	*$ Change*	*% Change*
Revenue streams:								
Case goods	**$ 47.6**	$ 37.3	$ 10.3	28%	**$ 98.8**	$ 69.8	$ 29.0	42%
Net Commissions	**7.3**	7.3	-	0%	**13.9**	15.2	(1.3)	-9%
Other services	**1.1**	0.8	0.3	38%	**2.0**	1.5	0.5	33%
Revenue	**$ 56.0**	**$ 45.4**	$ 10.6	23%	**$ 114.7**	$ 86.5	$ 28.2	33%

Case Goods revenue increased $10.3 million, or 28% and increased 29.0 million, or 42% for the three-month and six-months period ended December 31, 2023, respectively, when compared to the same periods last year. In addition to the inclusion of ABG in the results, performance during the three and six-month periods was attributable to the Company's overall pricing initiatives and strong international markets sales through new market opportunities and enhanced by pricing in the UK, partially offset by domestic market general slow down and high inventory levels in the US.

Net commissions remained flat and decreased $1.3 million, or 9% for the three-month and six-months periods ended December 31, 2023, respectively, when compared to the same periods last year. Second quarter performance was a result of PR commissions recovering in shipments, combined with lapping a low comparison basis due to the timing of LB orders, mostly offset by declining agency commissions lapping sales from certain brands no longer represented. H1 commissions declined lapping a high comparison basis due to high inventory levels from liquor boards seen last year to mitigate the supply chain disruption in the market, combined with agency sales decline. Retail performance on PR brands continued to grow as the portfolio benefitted from its positioning within growing 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, merchandise sales, and occasional bulk whisky sales. Revenue from other services increased $0.3 million in the three-month comparative period and increased $0.5 million for the six-month period ended December 31, 2023, when compared to the same periods last year and are attributable to increased non-core business freight revenues.

As a result, total revenue increased $10.6 million, or 23% and increased $28.2 million, or 33% for the three and six-month periods ended December 31, 2023, respectively, when compared to the same periods last year.

Cost of sales

Cost of sales increased $6.9 million or 34%, and increased $20.9 million, or 57% for the three-month and six-month periods ended December 31, 2023 when compared to the same periods last year. Performance in both the three and six-month periods are primarily driven by inclusion of ABG's cost of sales and rising input costs due to high inflation on production lines salaries and on raw materials. In addition, the cost of sales includes the accounting impact of the fair value adjustment to inventory acquired in the ABG acquisition. Cost increases have been partially offset by continued broad-based price increases and trade promotion optimization.

Marketing, sales and administration

Marketing, sales and administration expenses increased $3.6 million, or 26% for the quarter ended December 31, 2023. For the six-month period ended December 31, 2023, marketing, sales and administration expenses increased $6.0 million, or 21% when compared to the same period last year. Marketing and promotional investment for the second quarter and H1's results included the promotional activities incurred by ABG, coupled with the J.P. Wiser's family's package redesign, Polar Ice media campaigns and stronger investments to sustain our holiday season sell-outs. Overhead expenses remained very well-controlled, growing with the inclusion of ABG.

Net financial expense

Net financial expense was impacted by the ABG acquisition during the quarter and six-months ended December 31, 2023. On June 12, 2023, with the purpose to provide financing for the completion of the ABG acquisition, Corby entered into a loan agreement with PR with a total available credit amount of $120 million, of which the full amount of credit available under the term loan agreement was utilized as of December 31, 2023. Corby incurred interest charges of $1.4 million and $2.7 million on this loan agreement during the three and six-months periods ended December 31, 2023, respectively. Furthermore, Corby assumed ABG's existing debt facilities effective as of the acquisition date of July 4, 2023, which incurred interest charges of $0.4 million. Net financial expense also reflects interest earned on deposits in cash management pools as well as interest expense associated with the Company's pension and post-retirement benefit plans and interest charges on leased assets.

In the comparative periods, financial income and expense resulted in net financial income as interest earned from deposits in cash management pools exceeded interest charges associated with the Company's pension and post-retirement benefit plans and leased assets.

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, 2023	*Dec. 31, 2022*	***Dec. 31, 2023***	*Dec. 31, 2022*
Combined basic Federal and Provincial tax rates	**26.3%**	26.4%	**26.3%**	26.4%
Other	**-1.0%**	0.0%	**-0.5%**	0.1%
Effective tax rate	**25.3%**	26.4%	**25.8%**	26.5%

Liquidity, Contractual Obligations and Capital Resources

Corby's sources of liquidity are its deposits in cash management pools of $38.0 million as at December 31, 2023, cash generated from its operating activities, and remaining credit available under its revolving operating credit facility of $20 million. On June 12, 2023, Corby entered into a loan agreement with PR with a total available credit amount of $120 million. The loan provided Corby with the required funding to complete the ABG acquisition which closed on July 4, 2023 (see the ***"****Significant Event – ABG acquisition****"*** section of this MD&A for further information). At December 31, 2023, the balance payable under this term loan was $120 million. The term loan is due in full at maturity on June 30, 2033, with early repayment options available without penalty.

In connection with the closing of the ABG acquisition on July 4, 2023, Corby signed a guarantee in favour of a Canadian Chartered Bank for payment amounts owing under ABG's continuing operating loan; this guarantee is limited to $31.9 million. Amounts drawn on ABG's demand facilities totaled $7.5 million.

During the three-month and six-month periods ended Decembers 31, 2023, Corby paid a total of $1.5 million and $3.1 million in interest, respectively, related to its total debt of $131.1 million, which includes bank indebtedness and credit facilities payable, lease liabilities and long-term debt.

A summary of the maturity of the Company's contractual obligations as at December 31, 2023 are represented in the table below:

	Less than 1 year	1 to 5 years	5 years and thereafter	Total
Credit facility payable	$ 7.5	$ -	$ -	$ 7.5
Trade payables and accrued liabilities	56.3	-	-	56.3
Lease liabilities	1.4	2.2	-	3.6
Long-term debt	-	-	120.0	120.0
Provision for employee benefits	-	-	8.0	8.0
Non-controlling interest obligation	-	-	15.1	15.1
	$ 65.2	$ 2.2	$ 143.1	$ 210.5

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 & 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, 2023***	*Dec. 31, 2022*	*$ Change*	***Dec. 31, 2023***	*Dec. 31, 2022*	*$ Change*
Operating activities						
Net earnings, adjusted for non-cash items	**$ 14.8**	$ 14.9	$ (0.1)	**$ 30.1**	$ 29.0	1.1
Net change in non-cash working capital	**15.3**	5.9	9.4	**(1.1)**	(10.4)	9.3
Net payments for interest and income taxes	**(4.1)**	(0.8)	(3.3)	**(7.8)**	(3.4)	(4.4)
	26.0	20.0	6.0	**21.2**	15.2	6.0
Investing activities						
Additions to property and equipment	**(0.5)**	(0.7)	0.2	**(1.1)**	(1.6)	0.5
Additions to intangible assets	**(0.0)**	(0.1)	0.1	**-**	(0.1)	0.1
Proceeds from disposition of property and equipment	**-**	0.3	(0.3)	**-**	0.3	(0.3)
Business acquisition	**(0.3)**	-	(0.3)	**(136.3)**	-	(136.3)
(Deposits in)/Withdrawals from cash management pools	**(36.2)**	(12.8)	(23.3)	**117.0**	-	117.0
	(37.0)	(13.4)	(23.6)	**(20.4)**	(1.4)	(19.0)
Financing activities						
Payment of lease liabilities	**(0.3)**	(0.3)	-	**(0.7)**	(0.7)	-
Payments on credit facility	**(0.3)**	-	(0.3)	**(0.5)**	-	(0.5)
Decrease in bank indebtedness	**(3.9)**	-	(3.9)	**(9.6)**	-	(9.6)
Net proceeds on long-term debt	**21.5**	-	21.5	**22.0**	-	22.0
Dividends paid	**(6.0)**	(6.3)	0.3	**(12.0)**	(13.1)	1.1
	11.0	(6.6)	17.6	**(0.8)**	(13.8)	13.0
Net change in cash	**$ -**	$ -	$ -	**$ -**	$ -	$ -

Operating activities

Net cash from operating activities was $26.0 million during the quarter ended December 31, 2023, compared to $20.0 million for the same three-month period last year. Favourable working capital changes were partially offset by increased interest and tax payments. Working capital benefitted from phasing of customer sales during the quarter, resulting in higher collections on a year over year basis. Net payments for interest and income taxes has increased as a result of higher interest given the recent addition of long-term debt used to partially fund the ABG acquisition.

For the six-month period ended December 31, 2023, net cash from operating activities was $21.2 million, reflecting an increase of $6.0 million compared to the same six-month period last year. Cash flows were impacted by favourable working capital changes when compared to the same six-month period last year, offset by higher interest and tax payments. Working capital reflects beneficial customer sales phasing compared to the prior year as well as reduction in inventory levels.

Investing activities

Investing activities used $37.0 million of cash during the quarter compared to $13.4 million during the same three-month period last year. Net cash used in investing activities for the six-months ended December 31, 2023, was $20.4 million, compared to $1.4 million in the same six-month period last year. Most significantly, during the six-month period ending December 31, 2023, investing activities includes a $136.3 million payment for the acquisition of ABG on July 4, 2023. Investing activities also includes payments related to additions to property plant and equipment and intangible assets in all periods.

Cash management pools represent cash on deposit with Citibank NA via Corby's Mirror Netting Service Agreement (defined below) 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. The $117.0 million withdrawal from cash management pools during the six-month period ended December 31, 2022 reflects the use of funds to acquire ABG ($136.3 million) offset by cash generated during normal business operations (See the *"Significant Event - ABG Acquisition"* section of the MD&A for further information). For more information related to these deposits and the definition of "Mirror Netting Service Agreement", please refer to the "Related Party Transactions" section of this MD&A.

Financing activities

Financing activities includes such items as dividend payments, payments on lease obligations and proceeds from the term loan payable. On June 12, 2023 Corby entered into a loan agreement with PR with a total available credit amount of $120 million, of which $98 million was drawn as at June 30, 2023 and included in Corby's deposits in cash management pools. During the three- and six-month periods ended December 31, 2023, Corby received proceeds on the remaining credit available in the term loan agreement in the amount of $21.5 million and $22 million, respectively. As previously noted, the loan provides Corby with the required funding to complete the acquisition of ABG which closed on July 4, 2023.

For the six-months ended December 31, 2023, cash used in financing activities totalled $0.8 million which included the above mentioned $22 million in proceeds from the term loan payable, payments made to reduce bank indebtedness of $9.6 million, dividend payments of $12.0 million and payments on Corby's lease obligations of $0.7 million. Comparatively, cash used in financing activities for the six-month period ended December 31, 2022, was $13.8 million and reflected dividend payments of $13.1 million and payments on lease obligations of $0.7 million.

On February 7, 2024, subsequent to the quarter ended December 31, 2023, Corby's Board of Directors declared its regular quarterly dividend of $0.21 per common share, consistent with the amount of the last dividend payment. This dividend is payable on March 13, 2024 to shareholders of record as at the close of business on February 27, 2024.

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

For	Declaration date	Record Date	Payment date	$ / Share
2024 - Q2	February 7, 2024	February 27, 2024	March 13, 2024	$ 0.21
2024 - Q1	November 8, 2023	November 24, 2023	December 8, 2023	0.21
2023 - Q4	August 23, 2023	September 15, 2023	September 29, 2023	0.21
2023 - Q3	May 8, 2023	May 23, 2023	June 6, 2023	0.21
2023 - Q2	February 8, 2023	February 23, 2023	March 3, 2023	0.21
2023 - Q1	November 9, 2022	November 25, 2022	December 9, 2022	0.22
2022 - Q4	August 24, 2022	September 16, 2022	September 30, 2022	0.24
2022 - Q3	May 12, 2022	May 27, 2022	June 10, 2022	0.24
2022 - Q2	February 10, 2022	February 24, 2022	March 4, 2022	0.24
2022 - Q1	November 10, 2021	November 26, 2021	December 10, 2021	0.24
2021 - Q4	August 25, 2021	September 15, 2021	September 29, 2021	0.21
2021 - Q3	May 13, 2021	May 27, 2021	June 11, 2021	0.21

Outstanding Share Data

As at February 7, 2024, 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 initially 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, as well as providing for the continuing production of certain Corby brands by PR at its production facility in Windsor, Ontario. 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.

These agreements were amended and renewed, as follows:

- 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 entered into an administrative services agreement, under which Corby agreed to continue to manage certain of PR's business interests in Canada, with a similar term and commencement date. Corby's role managing the HWSL production facility ended on June 30, 2020 but the rest of the services contemplated by the administrative services agreement continue to be provided and are governed by that agreement.

On September 24, 2020, Corby renewed its exclusive right to represent PR's brands in Canada for a further five years and three months, effective July 1, 2021 until September 29, 2026, with a potential for automatic renewal for a further three years thereafter, subject to the achievement of performance criteria (the "2021 Agreement"). The end of the term of the 2021 agreement aligns with those of existing production and administrative services agreements with PR, renewed in 2016. The 2021 Representation Agreement required a payment of an up-front fee of $54.5 million which was paid September 28, 2021, which Corby funded through its deposits in cash management pools. Since the 2021 Representation 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 extensive review and with external financial and legal advice.

On June 12, 2023, Corby entered into a loan agreement with PR with a total available credit amount of $120 million, of which the full amount of credit available under the term loan agreement was utilized as of December 31, 2023. The loan provided Corby with the required funding to complete the acquisition of ABG which closed on July 4th, 2023. The loan bears interest at a market competitive, fixed rate of 5.43% per annum and matures June 30, 2033. Interest is payable on a quarterly basis. The term loan along with any accrued interest is due in full at the maturity date, June 20, 2033, while Corby has the option to make partial or total repayment at any time before the maturity date. The loan agreement is on arm's-length terms and, as a related party transaction, was approved by Corby's independent directors, with external financial and legal advice.

PR also represents certain Corby-owned brands in the United Kingdom. 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. The agreement provides Lamb's with access to PRUK's extensive distribution network throughout Great Britain. On March 28, 2019 the agreement was amended to include Ungava gin, and was amended again on March 21, 2021 to modify the list of products represented by PRUK and to extend the term of the agreement for a five-year period ending June 30, 2026.

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"). 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 7, 2024, 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

Seasonality factors cause Corby's operating results to fluctuate from quarter to quarter. 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. Notably, the COVID-19 pandemic continues to have a lingering effect on consumption and shipment patterns as well as sales, marketing and administrative expenses, impacting quarter over quarter comparability.

The following table provides selected historical information and other data, which should be read in conjunction with the financial statements of the Company.

(in millions of Canadian dollars, except per share amounts)	**Q2 2024**	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Revenue	**$ 56.0**	$ 58.6	$ 44.2	$ 32.2	$ 45.4	$ 41.1	$ 41.2	$ 34.5
Earnings from operations	**11.4**	11.4	1.8	4.8	11.2	10.5	5.0	6.0
Adjusted Earnings from Operations(1)	**12.0**	14.3	5.9	4.8	11.2	10.5	7.1	6.0
Basic EPS	**0.26**	0.26	0.06	0.14	0.30	0.28	0.11	0.15
Diluted EPS	**0.26**	0.26	0.06	0.14	0.30	0.28	0.11	0.15
Adjusted Net earnings(1)	**7.8**	9.6	4.9	3.9	8.6	7.8	5.3	4.4
Adjusted Basic EPS(1)	**0.27**	0.33	0.18	0.14	0.30	0.28	0.18	0.15
Adjusted Diluted EPS(1)	**0.27**	0.33	0.18	0.14	0.30	0.28	0.18	0.15

(1) See "Non-IFRS Financial Measures" and "Non-IFRS Financial Ratios".

Critical Accounting Estimates

These interim condensed consolidated financial statements have been prepared in accordance with IFRS using the accounting policies described in Note 4 of the annual audited consolidated financial statements for the year ended June 30, 2023 as well as in the Company's annual MD&A. The preparation of the interim condensed consolidated financial statements in conformity with IFRS requires management to make certain judgments, 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. Critical judgements, estimates and assumptions used in applying the Company's accounting policies are outlined in Note 2 of the annual audited consolidated financial statements for the year ended June 30, 2023.

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 change 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. These accounting policies and accounting estimates are critical to the understanding of the business and to the results of operations. For the three-month and six-month periods ended December 31, 2023, there were no material changes to the critical accounting estimates used by the Company from those reported in the annual MD&A and annual financial statements for the year ended June 30, 2023.

Recent Accounting Pronouncements

(i) 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, 2023, and accordingly, have been applied in preparing these interim condensed consolidated financial statements:

a) IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" ("IAS 8"). The amendment replaces the definition of a change in accounting estimates with a definition of accounting estimates. The amendment also clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendment is effective for annual reporting periods beginning on or after January 1, 2023. For Corby, the amendment became effective July 1, 2023 and did not have a significant impact on the Company's interim condensed consolidated financial statements and disclosures.

b) IAS 1, Presentation of Financial Statements

In February 2021, the IASB issued an amendment to IAS 1 regarding the disclosure of accounting policies. The amendment clarifies that an entity will be required to disclose its material accounting policy information instead of its significant accounting policies. This amendment is effective for annual periods beginning on or after January 1, 2023. For Corby, the amendment became effective July 1, 2023 and did not have a significant impact on the Company's interim condensed consolidated financial statements and disclosures.

c) IAS 12, Income Taxes

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"). The amendment requires companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendment is effective for annual reporting periods beginning on or after January 1, 2023. For Corby, the amendment became effective July 1, 2023 and did not have a significant impact on the Company's interim condensed consolidated financial statements and disclosures.

In May 2023, the IASB issued amendments to IAS 12 – "Income Taxes". The amendments require entities to disclose information relating to income tax arising from implementation of Pillar Two Model Rules published by the Organization for Economic Co-operation and Development which are expected to be enacted in local tax jurisdictions. The amendments are effective for Corby's annual reports for the year ended June 30, 2024. The Company is assessing the potential impact of these amendment to our annual disclosures.

The following standards and amendments to standards are also effective for the financial reporting period but were not applicable to Corby:

New or Revised Pronouncement		Effective Date	Company Effective Date
IFRS 17	*Insurance Contracts*	January 1, 2023	July 1, 2023
Amendments to IFRS 17	*Insurance Contracts*	January 1, 2023	July 1, 2023

Recent accounting pronouncements not in effect

The below standards and amendments to standards have been issued but are not yet effective for the fiscal year ending June 30, 2024, and accordingly, have not been applied in preparing these interim condensed consolidated financial statements:

a) Environmental, Social and Governance ("ESG") and climate reporting

Emissions, carbon and other regulations impacting climate and climate related matters are constantly evolving. With respect to Environmental, Social and Governance ("ESG") and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the goal to develop sustainability disclosure standards that are globally consistent, comparable and reliable. The Canadian Securities Administrators have also issued a proposed National Instrument 51-107 Disclosure of Climate-related Matters which details the additional reporting requirements for Canadian Public Companies. The Company continues to monitor progress on these reporting requirements and assess their impact on the Company's financial statements.

b) IAS 1, Presentation of Financial Statements

In January 2020, the IASB issued an amendment to IAS 1, “Presentation of Financial Statements” (“IAS 1”). The amendment clarifies the classification of liabilities as current or non-current depending on the rights that exist at the end of the reporting period. The amendment also clarifies the meaning of settlement of a liability. This amendment is effective for annual periods beginning on or after January 1, 2024. For Corby, the amendment will become effective July 1, 2024 and is not expected to have a material impact on Corby’s financial statements or disclosures.

Other upcoming standards and amendments to standards that are not expected to have an impact on the Company’s disclosures and financial results are as follows:

New or Revised Pronouncement		Effective Date	Company Effective Date
Amendments to IAS 1	*Non-current liabilities with covenants*	January 1, 2024	July 1, 2024
Amendments to IAS 7	*Supplier financing arrangements*	January 1, 2024	July 1, 2024
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*	January 1, 2024	July 1, 2024
Amendments to IAS 21	*Lack of exchangeability of currencies*	January 1, 2025	July 1, 2025

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.

Acquisition of Ace Beverage Group

In accordance with the provisions of National Instrument 52-109 – *Certification of disclosure in Issuers’ Annual and Interim Filings*, the Company has limited the design of its disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of ABG. Corby acquired 90% ownership of ABG on July 4, 2023.

Further details related to the acquisition of ABG is disclosed under “Significant event – ABG acquisition” in this MD&A and in Note 4 in the Notes to the Company’s interim condensed consolidated financial statements for the three -month and six-months periods ended December 31, 2023.

Since the completion of the acquisition of ABG on July 4, 2023, the acquired brands and assets have contributed $27.8 million to revenue and $4.3 million to adjusted net earnings, or net earnings of $2.1 million when considering the costs incurred for business combination inventory fair value adjustments, net of tax. The purchase price has been preliminarily allocated as described in Note 4 to the interim condensed consolidated financial statements for the three-month and six-months periods ended December 31, 2023.

The scope limitation discussed under this section is primarily based on the time required to assess ABG’s disclosure controls and procedures and internal controls over financial reporting in a manner that is consistent with the Company’s other operations.

Non-IFRS Financial Measures

In addition to using financial measures prescribed under IFRS, references are made in this MD&A to “Adjusted Earnings from Operations”, “Adjusted Net Earnings”, “Adjusted Basic Net Earnings per Share” and “Adjusted Diluted Net Earnings per Share” which are non-IFRS financial measures. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

“Adjusted Earnings from Operations” is equal to earnings from operations before interest and taxes for the period adjusted to remove the costs incurred for business combination inventory fair value adjustments, costs and termination fees related to distributor transitions and restructuring provisions.

“Adjusted Net Earnings” is equal to net earnings for the period adjusted to remove the costs incurred for business combination inventory fair value adjustments, costs and termination fees related to distributor transitions and restructuring provisions, net of tax calculated using the effective tax rate.

Management believes the non-IFRS measures defined above are important supplemental measures of operating performance and highlight trends in the core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management believes that these measures allow for assessment of the Company’s operating performance and financial condition on a basis that is more consistent and comparable between reporting periods.

Reconciliation Tables

The following table presents a reconciliation of Adjusted Earnings from Operations and Adjusted Net Earnings to their most directly comparable financial measures for the three months and six-month periods ended December 31, 2023, and 2022:

	Three months ended				*Six months ended*			
(in millions of Canadian dollars, except per share amounts)	***Dec. 31, 2023***	*Dec. 31, 2022*	*$ Change*	*% Change*	***Dec. 31, 2023***	*Dec. 31, 2022*	*$ Change*	*% Change*
Earnings from Operations	**$ 11.4**	$ 11.2	$ 0.1	1%	**$ 22.8**	$ 21.7	$ 1.1	5%
Adjusted for transaction costs related to ACE acquisition	**$ 0.1**	-	$ 0.1	n/a	**$ 0.1**	-	$ 0.1	n/a
Adjusted for restructuring provisions	**0.6**	-	$ 0.6	n/a	**0.6**	-	0.6	n/a
Adjusted for fees related to distributor transition	**(0.3)**	-	$ (0.3)	n/a	**(0.3)**	-	(0.3)	n/a
Adjustment for cost of sale related to business combinations fair value adjustments to inventory	**0.2**	-	0.2	n/a	**3.0**	-	3.0	n/a
Adjusted Earnings from Operations[1]	**12.0**	11.2	0.7	7%	**26.2**	21.7	4.5	21%
Net earnings	**7.3**	8.6	(1.3)	-15%	**14.8**	16.4	(1.6)	-10%
Adjusted for transaction costs related to ACE acquisition	**0.1**	-	0.1	n/a	**0.1**	-	0.1	n/a
Adjusted for restructuring provisions	**0.4**	-	0.4	n/a	**0.4**	-	0.4	n/a
Adjusted for fees related to distributor transition	**(0.2)**	-	(0.2)	n/a	**(0.2)**	-	(0.2)	n/a
Adjustment for cost of sale related to business combinations fair value adjustments to inventory	**0.2**	-	0.2	n/a	**2.2**	-	2.2	n/a
Adjusted Net Earnings[1]	**7.8**	8.6	(0.8)	-9%	**17.3**	16.4	0.9	6%

1) See "Non-IFRS Financial Measures" & "Non-IFRS Financial Ratios".

Non-IFRS Financial Ratios

In addition to using financial ratios prescribed under IFRS, references are made in this MD&A to “Adjusted Basic Net Earnings Per Share” and “Adjusted Diluted Net Earnings Per Share” which are non-IFRS financial ratios. Non-IFRS financial ratios do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar ratios presented by other issuers.

“Adjusted Basic Net Earnings Per Share” is computed in the same way as basic net earnings per share and diluted net earnings per share, respectively, using the aforementioned Adjusted Net Earnings non-IFRS financial measure in place of reported Net Earnings.

“Adjusted Diluted Earnings Per Share” is computed in the same way as basic net earnings per share and diluted net earnings per share, respectively, using the aforementioned Adjusted Net Earnings non-IFRS financial measure in place of reported Net Earnings.

Management believes the non-IFRS ratios defined above are important supplemental measures of operating performance and highlight trends in the core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management believes that these measures allow for assessment of the Company’s operating performance and financial condition on a basis that is more consistent and comparable between reporting periods.

Reconciliation Tables

The following table presents a reconciliation Adjusted Basic Net Earnings Per Share and Adjusted Diluted Net Earnings Per Share to their most directly comparable financial measures for the three months and six-month period ended December 31, 2023, and 2022:

	Three months ended				*Six months ended*			
(in millions of Canadian dollars, except per share amounts)	***Dec. 31, 2023***	*Dec. 31, 2022*	*$ Change*	*% Change*	***Dec. 31, 2023***	*Dec. 31, 2022*	*$ Change*	*% Change*
Basic net earnings per share	**$ 0.26**	$ 0.30	$ (0.04)	-15%	**$ 0.52**	$ 0.58	$ (0.06)	-10%
Adjusted for transaction costs related to ACE acquisition	**0.00**	-	0.00	n/a	**0.00**	-	0.00	n/a
Adjusted for restructuring provisions	**0.01**	-	0.01	n/a	**0.01**	-	0.01	n/a
Adjusted for fees related to distributor transition	**(0.01)**	-	(0.01)	n/a	**(0.01)**	-	(0.01)	n/a
Adjustment for cost of sale related to business combinations fair value adjustments to inventory	**0.01**	-	0.01	n/a	**0.08**	-	0.08	n/a
Adjusted Basic, net earnings per share[1]	**0.27**	0.30	(0.03)	-9%	**0.61**	0.58	0.03	6%
Diluted net earnings per share	**$ 0.26**	$ 0.30	$ (0.04)	-15%	**$ 0.52**	$ 0.58	$ (0.06)	-10%
Adjusted for transaction costs related to ACE acquisition	**0.00**	$ -	0.00	n/a	**0.00**	$ -	0.00	n/a
Adjusted for restructuring provisions	**0.01**	$ -	0.01	n/a	**0.01**	$ -	0.01	n/a
Adjusted for fees related to distributor transition	**(0.01)**	$ -	(0.01)	n/a	**(0.01)**	$ -	(0.01)	n/a
Adjustment for cost of sale related to business combinations fair value adjustments to inventory	**0.01**	$ -	0.01	n/a	**0.08**	$ -	0.08	n/a
Adjusted Diluted, net earnings per share[1]	**0.27**	0.30	(0.03)	-9%	**0.61**	0.58	0.03	6%

1) See "Non-IFRS Financial Measures" & "Non-IFRS Financial Ratios".

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.

Geo-Political Risk

Geo-political and other events, such as the ongoing situation in Ukraine, and the sanctions imposed in connection therewith, and the situation in the Middle East, have led, and in the future may lead, to disruptions in Canadian and global economies and markets generally. The political and civil situations both domestically and in other countries cannot be accurately predicted. National and international political activities remain fluid and beyond our control. While we continue to monitor economic and political situations in Canada and other countries closely, any new, prolonged or expanded unrest, military activities, or sanctions, could increase financial market volatility and have significant adverse direct or indirect effects on global economies and on our business, results of operations or financial results. Such events may indirectly impact the performance of the Company due to increased cost of inputs and supply chain volatility.

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, health trends and government alcohol consumption guidelines, as well as overall consumer confidence in the stability of the economy as a whole. Uncertainty and adverse changes in general economic conditions including high inflation, fuel and energy costs and interest rates may negatively impact consumer spending and consumer demand for the Company's products and services which could adversely affect the Company's operations or financial performance.

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 or pandemic) 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 or regional or global disruptions, can 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.

The Company closely monitors the changing global environment to ensure LBs' order fulfillment is achieved across the various markets. Consumer traffic from worldwide ports continues to be affected by shipping container availability issues and port disruptions. Global supply chains continue to be a potential risk, both for the supply of finished goods, and for raw materials.

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. See Note 21, "Contingencies" in the Company's interim condensed financial statements for related information.

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 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, considering their financial position, past experience and other factors. As the 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
Interest rate risk exists, as Corby earns market rates of interest on its deposits in cash management pools, and pays interest expenses on long-term debt. 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 and Inflation Risk
Commodity risk exists, as the manufacture of Corby's products requires the procurement of several known commodities, such as grains, sugar and natural gas. Inflation as well as other economic factors including demand, global events and supply chain challenges could impact the cost of production inputs and negatively impact the Company's results from operations. 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 supply of GBP outpaces demand, as Corby's sales into the UK market are denominated in GBP, while having only certain production inputs denominated in GBP. Therefore, 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 provides more than 90% of the Company's spirits production requirements, among other services including administration and information technology. The Company is also reliant upon certain third-party service providers in respect of certain of its operations. It is possible that negative events affecting HWSL and these third-party service providers could, in turn, negatively impact the Company. While the Company has no direct control over how HWSL and 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 service providers.

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 Indefinite-life Intangible Assets
Goodwill and indefinite-life intangible assets account for a significant amount of the Company's total assets. Indefinite-life intangible assets are included in Corby's consolidated balance sheet in intangible assets (which also includes finite-lived intangible assets such as software and representation rights).

Goodwill and indefinite-lived 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 indefinite-life intangible assets and details the amounts associated with each of the Company's reportable segments as at December 31, 2023:

		Carrying Values as at Dec. 31, 2023		
Segment	Associated Market	Goodwill	Intangibles	Total
Case Goods - Domestic	Canada	113.9	49.7	163.6
Case Goods - International	United Kingdom[1]	1.3	11.8	13.1
		$ 115.2	$ 61.5	$ 176.7

[1] The Case Goods - International segment relates to Lamb's rum which 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.

Therefore, economic factors (such as consumer consumption patterns) specific to these segments and markets are primary drivers of the risk associated with their respective goodwill and indefinite-life 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. 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. In fiscal year 2020 the Company underwent a pension de-risking strategy for its defined benefit salaried pension plan by purchasing a buy-in annuity for retirees and deferred vested plan members. Future cash flows from the annuity will match the amount and timing of benefits payable under the portion of the plan for these groups, substantially mitigating the exposure to future volatility in the related pension obligations. For further details related to Corby's defined benefit pension plans, please refer to Note 9 of the annual audited consolidated financial statements for the year ended June 30, 2023.

CORBY SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands of Canadian dollars)

As at	Notes	**Dec. 31, 2023**	**Dec. 31, 2022**	June 30, 2023
ASSETS				
Deposits in cash management pools		**$ 37,989**	$ 52,445	$ 155,014
Accounts receivable	5	**39,403**	39,785	39,565
Income taxes recoverable		**-**	862	-
Inventories	6	**91,168**	66,926	75,241
Prepaid expenses		**1,457**	958	694
Total current assets		**170,017**	160,976	270,514
Other assets		**7,011**	6,874	6,954
Right-of-use assets		**3,521**	3,924	3,559
Property, plant and equipment		**21,798**	20,132	21,635
Goodwill	7	**115,184**	8,757	8,757
Intangible assets	8	**92,348**	55,669	51,182
Total assets		**$ 409,879**	$ 256,332	$ 362,601
LIABILITIES				
Accounts payable and accrued liabilities	10	**$ 56,309**	$ 52,376	$ 67,112
Income and other taxes payable		**168**	-	1,299
Credit facility payable	11	**7,500**	-	-
Current lease liabilities		**1,408**	1,310	1,286
Total current liabilities		**65,385**	53,686	69,697
Provision for employee benefits		**7,991**	7,712	8,047
Long-term debt	12	**120,000**	-	98,014
Deferred income taxes		**16,356**	5,691	4,514
Long-term lease liabilities		**2,187**	2,678	2,334
Non-controlling interest obligation	4	**15,147**	-	-
Total liabilities		**227,066**	69,767	182,606
Shareholders' equity				
Share capital		**14,304**	14,304	14,304
Accumulated other comprehensive income		**5,072**	5,294	5,127
Retained earnings		**163,437**	166,967	160,564
Total equity		**182,813**	186,565	179,995
Total liabilities and shareholders' equity		**$ 409,879**	**$ 256,332**	**$ 362,601**

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)

	Notes	*For the Three Months Ended* **Dec. 31, 2023**	Dec. 31, 2022	*For the Six Months Ended* **Dec. 31, 2023**	Dec. 31, 2022
Revenue	13	**$ 56,029**	$ 45,433	**$ 114,670**	$ 86,496
Cost of sales		**(27,116)**	(20,403)	**(54,145)**	(36,324)
Cost of sale related to business combinations fair value adjustments to inventory		**(212)**	-	**(3,047)**	-
Marketing, sales and administration		**(17,455)**	(13,871)	**(34,465)**	(28,432)
Other income (expense)	14	**105**	65	**(214)**	(22)
Earnings from operations		**11,351**	11,224	**22,799**	21,718
Financial income	15	**23**	485	**468**	728
Financial expense	15	**(1,591)**	(68)	**(3,287)**	(127)
		(1,568)	417	**(2,819)**	601
Earnings before income taxes		**9,783**	11,641	**19,980**	22,319
Current income taxes		**(1,538)**	(2,701)	**(3,996)**	(5,721)
Deferred income taxes		**(938)**	(377)	**(1,154)**	(193)
Income taxes		**(2,476)**	(3,078)	**(5,150)**	(5,914)
Net earnings		**$ 7,307**	$ 8,563	**$ 14,830**	$ 16,405
Basic earnings attributable to each share		**$ 0.26**	$ 0.30	**$ 0.52**	$ 0.58
Diluted earnings attributable to each share		**$ 0.26**	$ 0.30	**$ 0.52**	$ 0.58
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, 2023	Dec. 31, 2022	**Dec. 31, 2023**	Dec. 31, 2022
Net earnings	**$ 7,307**	$ 8,563	**$ 14,830**	$ 16,405
Other Comprehensive Income:				
Amounts that will not be subsequently reclassified to earnings:				
Net actuarial (losses) gains	**(36)**	34	**(72)**	69
Income taxes	**9**	(9)	**17**	(18)
	(27)	25	**(55)**	51
Total comprehensive income	**$ 7,280**	$ 8,588	**$ 14,775**	$ 16,456

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)
(in thousands of Canadian dollars)

	Share Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance as at June 30, 2023	$ 14,304	$ 5,127	$ 160,564	$ 179,995
Total comprehensive income	-	(55)	14,830	14,775
Dividends	-	-	(11,957)	(11,957)
Balance as at December 31, 2023	**$ 14,304**	**$ 5,072**	**$ 163,437**	**$ 182,813**
Balance as at June 30, 2022	$ 14,304	$ 5,243	$ 163,658	$ 183,205
Total comprehensive income	-	51	16,405	16,456
Dividends	-	-	(13,096)	(13,096)
Balance as at December 31, 2022	$ 14,304	$ 5,294	$ 166,967	$ 186,565

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)

	Notes	For the Three Months Ended Dec. 31, 2023	Dec. 31, 2022	For the Six Months Ended Dec. 31, 2023	Dec. 31, 2022
Operating activities					
Net earnings		**$ 7,307**	$ 8,563	**$ 14,830**	$ 16,405
Adjustments for:					
Amortization and depreciation	16	**3,711**	3,712	**7,565**	7,374
Net financial expense (income)	15	**1,568**	(417)	**2,819**	(601)
Loss on disposal of property and equipment		**-**	64	**-**	64
Income tax expense		**2,476**	3,078	**5,150**	5,914
Provision for employee benefits		**(257)**	(79)	**(298)**	(140)
		14,805	14,921	**30,066**	29,016
Net change in non-cash working capital balances	17	**15,349**	5,945	**(1,138)**	(10,358)
Interest paid (received)		**(1,462)**	461	**(2,640)**	690
Income taxes paid		**(2,711)**	(1,304)	**(5,127)**	(4,142)
Net cash from operating activities		**25,981**	20,023	**21,161**	15,206
Investing activities					
Additions to property and equipment		**(553)**	(743)	**(1,074)**	(1,556)
Additions to intangible assets		**-**	(91)	**-**	(149)
Proceeds from disposition of property and equipment		**-**	271	**-**	271
Business acquisition	4	**(278)**	-	**(136,321)**	-
Withdrawals from (deposits in) cash management pools		**(36,173)**	(12,835)	**117,025**	14
Net cash used in investing activities		**(37,004)**	(13,398)	**(20,370)**	(1,420)
Financing activities					
Payment of lease liabilities		**(350)**	(362)	**(703)**	(690)
Payments on credit facility payable		**(250)**	-	**(500)**	-
Decrease in bank indebtedness		**(3,898)**	-	**(9,631)**	-
Draws from long-term debt		**21,500**	-	**22,000**	-
Dividends paid		**(5,979)**	(6,263)	**(11,957)**	(13,096)
Net cash from (used in) financing activities		**11,023**	(6,625)	**(791)**	(13,786)
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, wines and ready to drink offerings ("RTDs"). 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, 2023.

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 2023 annual consolidated financial statements.

These interim condensed consolidated financial statements were approved by the Company's Board of Directors on February 7, 2024.

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 applicable 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 statement or 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 circumstances 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.

The Company has assessed significant accounting judgements and estimates in preparing these interim condensed consolidated financial statements for the three and six months ended December 31, 2023 and December 31, 2022. 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 and have been applied consistently in the preparation of these condensed consolidated interim 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, 2023, and accordingly, have been applied in preparing these interim condensed consolidated financial statements:

a) IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" ("IAS 8"). The amendment replaces the definition of a change in accounting estimates with a definition of accounting estimates. The amendment also clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendment is effective for annual reporting periods beginning on or after January 1, 2023. For Corby, the amendment became effective July 1, 2023 and did not have a significant impact on the Company's interim condensed consolidated financial statements and disclosures.

b) IAS 1, Presentation of Financial Statements

In February 2021, the IASB issued an amendment to IAS 1 regarding the disclosure of accounting policies. The amendment clarifies that an entity will be required to disclose its material accounting policy information instead of its significant accounting policies. This amendment is effective for annual periods beginning on or after January 1, 2023. For Corby, the amendment became effective July 1, 2023 and did not have a significant impact on the Company's interim condensed consolidated financial statements and disclosures.

c) IAS 12, Income Taxes

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"). The amendment requires companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendment is effective for annual reporting periods beginning on or after January 1, 2023. For Corby, the amendment became effective July 1, 2023 and did not have a significant impact on the Company's interim condensed consolidated financial statements and disclosures.

In May 2023, the IASB issued amendments to IAS 12 – "Income Taxes". The amendments require entities to disclose information relating to income tax arising from implementation of Pillar Two Model Rules published by the Organization for Economic Co-operation and Development which are expected to be enacted in local tax jurisdictions. The amendments are effective for Corby's annual reports for the year ended June 30, 2024. The Company is assessing the potential impact of these amendment to our annual disclosures.

The following standards and amendments to standards are also effective for the financial reporting period but were not applicable to Corby:

New or Revised Pronouncement		Effective Date	Company Effective Date
IFRS 17	*Insurance Contracts*	January 1, 2023	July 1, 2023
Amendments to IFRS 17	*Insurance Contracts*	January 1, 2023	July 1, 2023

Recent accounting pronouncements not in effect

The below standards and amendments to standards have been issued but are not yet effective for the fiscal year ending June 30, 2024, and accordingly, have not been applied in preparing these interim condensed consolidated financial statements:

a) Environmental, Social and Governance ("ESG") and climate reporting

Emissions, carbon and other regulations impacting climate and climate related matters are constantly evolving. With respect to Environmental, Social and Governance ("ESG") and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the goal to develop sustainability disclosure standards that are globally consistent, comparable and reliable. The Canadian Securities Administrators have also issued a proposed National Instrument 51-107 Disclosure of Climate-related Matters which details the additional reporting requirements for Canadian Public Companies. The Company continues to monitor progress on these reporting requirements and assess their impact on the Company's financial statements.

b) IAS 1, Presentation of Financial Statements

In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("IAS 1"). The amendment clarifies the classification of liabilities as current or non-current depending on the rights that exist at the end of the reporting period. The amendment also clarifies the meaning of settlement of a liability. This amendment is effective for annual periods beginning on or after January 1, 2024. For Corby, the amendment will become effective July 1, 2024 and is not expected to have a material impact on Corby's financial statements or disclosures.

Other upcoming standards and amendments to standards that are not expected to have an impact on the Company's disclosures and financial results are as follows:

New or Revised Pronouncement		Effective Date	Company Effective Date
Amendments to IAS 1	*Non-current liabilities with covenants*	January 1, 2024	July 1, 2024
Amendments to IAS 7	*Supplier financing arrangements*	January 1, 2024	July 1, 2024
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*	January 1, 2024	July 1, 2024
Amendments to IAS 21	*Lack of exchangeability of currencies*	January 1, 2025	July 1, 2025

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.

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), fair value approximates their carrying value at each balance sheet date due to their short-term maturities. The carrying amount of the non-revolving credit facility payable approximates fair value on a discounted cash flow since this obligation bears interest at market rates.

Long-term debt was originally measured at fair value and subsequently measured at amortized cost. Fair value was 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. BUSINESS COMBINATION

On July 4, 2023, Corby acquired 90% of the outstanding shares of Ace Beverage Group Inc. ("ABG"). The purchase price of $136,321, which has been adjusted to reflect estimated working capital and debt assumed as at the purchase date, was paid using available cash and financing from PR, Corby's ultimate parent in the form of a 10-year term loan which bears interest at 5.43% per annum and reduced by the final amount of debt acquired. In connection with the closing of the transaction, Corby also signed a guarantee in favour of a Canadian chartered bank for payments of amounts owing under ABG's continuing operating loan. This guarantee is limited to $31,850. Further, Corby recognized a Non-controlling Interest Obligation of $15,147 on its balance sheet as it entered into an agreement with the minority shareholders of ABG which provides Corby with the option to purchase 5% of the remaining outstanding shares of ABG in 2025 and then to purchase the final 5%, or 10% if the 2025 option is not exercised, of the remaining outstanding shares in 2028. Should Corby decide not to exercise the options to buy the outstanding minority shares, ABG is obligated to declare and pay an annual dividend equal to the cash balance, less an amount to satisfy the anticipated working capital and investment needs of ABG for the following fiscal year. This dividend would be subject to applicable law and Board approval addressing the ability of ABG to declare and pay.

ABG holds a leading position in the ready-to-drink ("RTD") and better-for-you beverages market in Canada. ABG's portfolio includes its flagship brand "Cottage Springs" and other innovative RTD offerings adding significant scale to Corby's portfolio as well as expertise in the high-growth RTD category.

The Company has accounted for this acquisition using the acquisition method in accordance with IFRS 3, Business Combinations ("IFRS 3"), and the results of ABG have been consolidated with those of the Company from the date of acquisition. IFRS 3 provides that for each transaction to apply either the proportionate or full goodwill methods. The Company has applied the proportionate method to this transaction. The total purchase consideration has been preliminarily allocated to identifiable assets acquired, including trademarks, based on their estimated fair values of $45,041 and goodwill $106,427. The preliminary fair values of the trademark were based on the discounted cash flow method, using level 3 inputs within the fair value hierarchy, which included forecasted future cash flows, long-term revenue growth rates, royalty rates and discount rates. Preliminary fair values of consideration paid, identifiable assets and goodwill are estimates at December 31, 2023 and are subject to adjustments.

Details of the preliminary fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

Purchase consideration	**136,321**
Accounts receivable	11,438
Inventories	19,222
Prepaid expenses	573
Property, plant and equipment	513
Right-of-use assets	437
Intangible assets	46,691
Cash	4
Bank indebtedness	(9,631)
Accounts payable and accrued liabilities	(4,206)
Non-revolving bank debt and other debt like items	(8,805)
Lease liabilities	(455)
Deferred income taxes, net	(10,740)
Total identifiable net assets acquired	**45,041**

Goodwill arising from the acquisition has been recognized as follows:

Purchase consideration	**$**	**136,321**
Non-controlling interest obligation		15,147
Fair value of identifiable net assets acquired including brands		(45,041)
Goodwill	**$**	**106,427**

Goodwill is attributable to the expertise of the ABG's team within the RTD segment as well as synergies expected to be achieved from integrating ABG's products into the Company's existing portfolio. Goodwill arising from this transaction is not expected to be deductible for tax purposes.

Acquisition related costs totaled $5,288, of which $1,659 was reimbursed by PR. Corby recognized $2,953 in acquisition related costs in earnings from operations during the year-ended June 30, 2023, and an additional $676 during the three- and six- month periods ended December 31, 2023. Since the transaction date of July 4th, 2023, the acquired brands and net assets have contributed $10,188, and $27,782 to revenues and $875, and $2,110 to net earnings of the consolidated results of the Company's three- and six-month periods ended December 31, 2023. Proforma earnings information has not been provided as the acquisition occurred July 4th, 2023, which approximates the start of Corby's fiscal year and thus would not be materially different. Revenues are reported in Case Goods sales in Note 13.

5. ACCOUNTS RECEIVABLE

		Dec. 31, 2023		Dec. 31, 2022		June 30, 2023
Trade receivables	**$**	**19,218**	$	21,685	$	22,363
Due from related parties		**16,990**		16,092		14,320
Other		**3,195**		2,008		2,882
	$	**39,403**	$	39,785	$	39,565

6. INVENTORIES

		Dec. 31, 2023		Dec. 31, 2022		June 30, 2023
Raw materials	**$**	**15,863**	$	4,540	$	5,997
Work-in-progress		**57,150**		51,314		56,201
Finished goods		**18,155**		11,072		13,043
	$	**91,168**	$	66,926	$	75,241

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, 2023 were $21,604 and $49,077 (2022 - $18,431 and $32,876). During the three- and six-month periods ended December 31, 2023, there were write-downs of $129 and $129 (2022 - $106 and $151) on inventory as a result of net realizable value being lower than cost. No inventory write-downs recognized in previous periods were reversed.

7. GOODWILL

		Dec. 31, 2023		Dec. 31, 2022		June 30, 2023
Goodwill, beginning of period	**$**	**8,757**	$	8,757	$	8,757
Impact of acquisitions during the period (Note 4)		**106,427**		-		-
Goodwill, end of period	**$**	**115,184**	$	8,757	$	8,757

8. INTANGIBLES

			Movements in the period							
		Opening Book Value		Business Combination (Note 4)		Additions		Amortization		Ending Book Value
Long-term representation rights	**$**	**33,708**	**$**	**330**	**$**	**-**	**$**	**(5,186)**	**$**	**28,852**
Trademarks and licences		**15,331**		**46,210**		**-**		**-**		**61,541**
IT Software		**2,143**		**151**				**(339)**		**1,955**
	$	**51,182**	**$**	**46,691**	**$**	**-**	**$**	**(5,525)**	**$**	**92,348**

9. BANK INDEBTEDNESS

The Company, through its subsidiary ABG, has available a revolving operating facility authorized to a maximum of $20,000. At December 31, 2023 the balance was $nil.

The facility bears interest at prime plus the applicable prime rate margin, determined with reference to the Total Leverage Ratio of the Company, and ranges from 0% to 1.45%. At December 31, 2023, the applicable margin is 0.00%.

The facility is secured by a general security agreement constituting a first-priority encumbrance on select present and future property and assignment of all proceeds under ABG's insurance policies. In connection with the closing of its acquisition of ABG, Corby signed a guarantee, limited to $31,850, with respect to amounts owing under this operating loan and the non-revolving credit facilitated described in Note 11.

ABG is subject to covenants and was in compliance with all covenants as of December 31, 2023.

During the three- and six- month periods ended December 31, 2023, interest expense on this revolving operating facility amounted to $22 and $117, respectively.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		Dec. 31, 2023		Dec. 31, 2022		June 30, 2023
Trade payables and accruals	$	40,458	$	37,368	$	48,098
Due to related parties		12,526		13,203		16,061
Other		3,325		1,805		2,953
	$	56,309	$	52,376	$	67,112

11. CREDIT FACILITY PAYABLE

The credit facility payable is a non-revolving facility and due on demand. The facility is held by a Canadian chartered bank and accrues interest at a variable rate using methodologies based on the Canadian Dealer Offered Rate plus the applicable banker's acceptance margin, or prime plus the applicable prime rate margin. The applicable banker's acceptance margin and the applicable prime rate margin, are determined with reference to the Total Leverage Ratio of ABG. The Company has the discretion to choose the most favourable interest calculation methodology. During the three- and six-month periods ended December 31, 2023, the Company paid interest of $132 and $283, respectively, with respect to this non-revolving credit facility.

The Company is required to pay mandatory quarterly principal instalments based on the following schedule.

Less than one year	$	1,000
1 - 5 years		6,500
Total principal outstanding	$	7,500

The Company may prepay amounts outstanding under the non-revolving credit facility, at any time, without penalty.

The non-revolving credit facility is secured and guaranteed on the same basis as the revolving operating facility described in Note 9.

12. LONG-TERM DEBT

On June 12, 2023, Corby entered into a loan agreement with PR with a total available credit amount of $120,000. The loan provided Corby with the required funding to complete the ABG acquisition which closed on July 4th, 2023 (Refer to Note 4 "Business Combination" for further information).

Details of the term loan payable to PR are as follows:

	Maturity Date	Rate		Dec. 31 2023		Dec. 31 2022		June 30, 2023
Term loan payable	June 20, 2033	5.430%	$	120,000	$	-	$	98,000
Accrued interest				-		-		14
Total			$	120,000	$	-	$	98,014

As at December 31, 2023, the full amount of credit available under the term loan agreement was utilized. Interest is payable on a quarterly basis at the end of each quarter. The term loan along with any accrued interest is due in full at the maturity date, June 30, 2033. Corby has the option to voluntarily make partial or total repayment at any time before the maturity date. During the three- and six-month periods ended December 31, 2023, the Company incurred interest of $1,348 and $2,735 (2022 - $nil) on this term loan payable.

13. REVENUE

The Company's revenue consists of the following streams:

	Three months ended		*Six months ended*	
	Dec. 31, 2023	Dec. 31, 2022	**Dec. 31, 2023**	Dec. 31, 2022
Case goods sales	**$ 47,606**	$ 37,386	**$ 98,868**	$ 69,835
Gross commissions	**9,909**	9,857	**19,050**	20,346
Amortization of representation rights	**(2,593)**	(2,593)	**(5,186)**	(5,186)
Commissions, net	**7,316**	7,264	**13,864**	15,160
Other services	**1,107**	783	**1,938**	1,501
	$ 56,029	$ 45,433	**$ 114,670**	$ 86,496

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.

14. OTHER INCOME AND EXPENSES

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

	Three months ended		*Six months ended*	
	Dec. 31, 2023	Dec. 31, 2022	**Dec. 31, 2023**	Dec. 31, 2022
Foreign exchange gain	**$ 292**	$ 146	**$ 223**	$ 40
Loss on disposal of property, plant and equipment	**-**	(64)	**-**	(64)
Transaction costs related to business combination (Note 4)	**(676)**	-	**(676)**	-
Other	**489**	(17)	**239**	2
	$ 105	$ 65	**$ (214)**	$ (22)

15. NET FINANCIAL INCOME AND EXPENSE

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

	Three months ended		*Six months ended*	
	Dec. 31, 2023	Dec. 31, 2022	**Dec. 31, 2023**	Dec. 31, 2022
Interest income	**$ 23**	485	**$ 468**	$ 728
Interest expense on bank indebtedness, loans and lease liabilities	**(1,534)**	(24)	**(3,174)**	(38)
Net financial impact of provisions for employee benefits	**(57)**	(44)	**(113)**	(89)
	$ (1,568)	$ 417	**$ (2,819)**	$ 601

16. 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, 2023	Dec. 31, 2022	**Dec. 31, 2023**	Dec. 31, 2022
Depreciation of property, plant and equipment	**$ 688**	$ 628	**$ 1,362**	$ 1,242
Depreciation of right-of-use assets	**312**	360	**678**	695
Amortization of intangible assets	**2,711**	2,724	**5,525**	5,437
Salary and payroll costs	**8,452**	7,156	**16,341**	14,345
Expenses related to pensions and benefits	**179**	168	**358**	335

17. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	Three months ended		Six months ended	
	Dec. 31, 2023	Dec. 31, 2022	**Dec. 31, 2023**	Dec. 31, 2022
Accounts receivable	**$ 10,191**	$ (491)	**$ 11,600**	$ (3,940)
Inventories	**1,786**	(1,212)	**3,295**	(5,836)
Prepaid expenses	**(253)**	(125)	**(190)**	(311)
Accounts payable and accrued liabilities	**3,625**	7,773	**(15,843)**	(271)
	$ 15,349	$ 5,945	**$ (1,138)**	$ (10,358)

18. DIVIDENDS

On February 7, 2024, subsequent to the quarter ended December 31, 2023, the Board of Directors declared its regular quarterly dividend of $0.21 per common share, to be paid on March 13, 2024, to shareholders of record as at the close of business on February 27, 2024. The Board of Directors has exercised their discretion to declare a dividend beyond the Company's dividend policy which 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, or $0.60 per share.

19. 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.

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 the Canadian market. Furthermore, Corby outsources the large majority of its distilling, maturing, storing, blending, bottling and related production activities to its parent company, HWSL. A significant portion of Corby's bookkeeping, recordkeeping services, data processing and other administrative services are also outsourced to its parent company, HWSL. Significant 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 initially 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, as well as providing for the continuing production of certain Corby brands by PR at its production facility in Windsor, Ontario. 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.

The 2006 Agreements have been amended and renewed, as follows:

- 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 entered into an administrative services agreement, under which Corby agreed to continue to manage certain of PR's business interests in Canada, with a similar term and commencement date. Corby's role managing the HWSL production facility ended on June 30, 2020 but the rest of the services contemplated by the administrative services agreement continue to be provided and are governed by that agreement.

On September 24, 2020, Corby renewed its exclusive right to represent PR's brands in Canada for a further five years and three months, effective July 1, 2021 until September 29, 2026, with a potential for automatic renewal for a further three years thereafter, subject to the achievement of performance criteria (the "2021 Agreement"). The end of the term of the 2021 Agreement aligns with those of existing production and administrative services agreements with PR, renewed in 2016. The 2021 Agreement required a payment of an up-front fee of $54.5 million which was paid September 28, 2021, which Corby funded through its deposits in cash management pools. The up-front fee was recorded in intangible assets and will be amortized over the term of the agreement. Since the 2021 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.

On June 12, 2023, Corby entered into a loan agreement with PR with a total available credit amount of $120,000, of which was full drawn as at December 31, 2023. The loan provided Corby with the required funding to complete the ABG acquisition which closed on July 4th, 2023. The loan bears interest at a fixed rate of 5.43% per annum and matures June 30, 2033. Interest is payable on a quarterly basis. The term loan along with any accrued interest is due in full at the maturity date, June 30, 2033, with Corby provided the option to voluntarily make partial or total repayment at any time before the maturity date. The loan agreement is on arm's-length terms at market rates and, as a related party transaction, was approved by Corby's independent directors, with external financial and legal advice. (See Note 12 "Long-term debt" for further information)

PR also represents certain Corby-owned brands in the United Kingdom. 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. On March 28, 2019 the agreement was amended to include Ungava Gin. The agreement was amended again on March 21, 2021 to modify the list of products represented by PRUK and to extend the term of the agreement for a five-year period ending June 30, 2026.

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

	Three months ended		Six months ended	
	Dec. 31, 2023	Dec. 31, 2022	**Dec. 31, 2023**	Dec. 31, 2022
Sales to related parties				
Commissions - parent, ultimate parent and affiliated companies	**$ 10,005**	$ 9,195	**$ 18,791**	$ 19,380
Products for resale at an export level - affiliated companies	**3,182**	2,152	**6,487**	3,769
Bulk spirits - parent	**18**	-	**18**	-
	$ 13,205	$ 11,347	**$ 25,296**	$ 23,149
Cost of goods sold, purchased from related parties				
Distilling, blending, and production services - parent	**$ 5,630**	$ 8,148	**$ 13,229**	$ 16,428
Administrative services purchased from related parties				
Marketing, selling and administration services - parent	**$ 925**	$ 848	**$ 1,850**	$ 1,757

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

In connection with Corby's acquisition of ABG, PR reimbursed Corby for $1,659 of the associated transaction costs (Refer to Note 4 "Business Combination" for further information).

During the three- and six-month periods ended December 31, 2023, the Company paid interest of $1,348 and $2,735 (2022 - $nil) on its long-term debt payable to PR.

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 7, 2024, 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, 2023, Corby earned interest income of $37 and $497 from PR (2022 – $503 and $773). Corby has the right to terminate its participation in the Mirror Netting Services Agreement at any time, subject to five days' written notice.

20. 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, McGuinness liqueurs, and Cottage Springs RTD beverages.

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 Scotch whiskies, 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 13 of the interim condensed consolidated financial statements. Commission revenue is reported net of the amortization of the Long-term Representation Rights which are included in Intangible assets. Amortization for the three- and six- month periods ended December 31, 2023 was $2,593 and $5,186 (2022 – $2,593 and $5,186). Therefore, a table detailing operational results by segment has not been provided as no additional meaningful information would result.

21. CONTINGENCY

On June 16, 2021, a claim was filed regarding a proposed class action against Corby related to black discoloration near aging warehouses owned by our Parent company, for which Corby acted as manager until June 30, 2020, pursuant to an agreement with our Parent company, HWSL. On December 21, 2023, the court declined to certify the class action and the plaintiffs have since filed a notice of appeal. Corby believes the claim is without merit and intends to vigorously defend itself. Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of this class action, or determine the amount of any potential losses resulting therefrom, if any, therefore has not recorded a provision in its financial results.

Affiliated with Pernod Ricard

OFFICES

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

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

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

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

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

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

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

111 Robert Bourassa Bvld.
Montreal, Quebec
H3C 2M1

320 - 23 Avenue SW
Suite 300
Calgary, Alberta
T2S 0J2

395 Park Street
Unit 14
Regina, Saskatchewan
S4N 5B2

520 - 1122 Mainland St.
Vancouver, British Columbia
V6B 5L1

FOR MORE INFORMATION

Corby Spirit and Wine Limited

Nicolas Krantz
President and Chief Executive Officer

Juan Alonso
Vice-President and Chief Financial Officer

Tel: 416.479.2400
www.corby.ca

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