Canadian Dairy Commission | Commission canadienne du lait

Quarterly Financial Report

Third quarter of 2025-2026

Contents

Third Quarter Financial Report

Management Discussion and Analysis

The following discussion and analysis of the operating results and financial position of the Canadian Dairy Commission (CDC) for the quarter ended on April 30, 2026, should be read in conjunction with the financial statements enclosed herein and the 2024-2025 Annual Report.

1. Basis of Preparation

This discussion was prepared in accordance with the *Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports*. This narrative discussion is not intended to be a full Management Discussion and Analysis (MD&A). Disclosures and information in the CDC's 2024-2025 Annual Report are assumed to apply to the current quarter unless otherwise updated below.

The interim condensed financial statements are unaudited and have been prepared in Canadian dollars in accordance with International Financial Accounting Standard 34, *Interim Financial Reporting* (IAS 34) and the *Treasury Board of Canada's Directive on Accounting Standards: GC 5200*. This narrative discussion and the accompanying financial statements were reviewed and approved by the CDC Board of directors.

2. Results of Operations and Comprehensive Income (Loss)

Domestic Sales and Cost of Sales

	For the three-months ended			For the nine-months ended		
(in thousands)	Apr 30, 2026	Apr 30, 2025	$ change	Apr 30, 2026	Apr 30, 2025	$ change
Sales revenue	$ 48,844	$ 53,476	$ (4,632)	$ 233,910	$ 184,035	$ 49,875
Cost of goods sold	$ 47,748	$ 52,674	$ (4,926)	$ 233,189	$ 181,745	$ 51,444
Transport and carrying charges	$ 1,721	$ 1,087	$ 634	$ 4,036	$ 2,801	$ 1,235
Finance costs	$ 450	$ 697	$ (247)	$ 1,582	$ 1,606	$ (24)
Gross profit (loss) on domestic sales	**$ (1,075)**	**$ (982)**	**$ (93)**	**$ (4,897)**	**$ (2,117)**	**$ (2,780)**

Domestic Seasonality Programs

The CDC purchases and sells butter to regulate the supply of dairy products in the domestic market throughout the year, while operating the Domestic Seasonality Programs, of which only the Plan B butter program involved selling activity in both reported years.

Sales revenue and cost of goods sold for the Domestic Seasonality Programs were higher year-to-date and lower in the current quarter compared to the corresponding prior-year periods, primarily reflecting changes in utilization of the Plan B butter program by processors.

The Domestic Seasonality Programs reported a gross loss on sales in all four reporting periods, which are primarily driven by the transport and carrying charges, as well as the financing costs, incurred in operating these programs. As described in Other Income below, the CDC continues to receive funding from the milk pools which offsets these program operating costs.

At year-end, any cumulative gross margin will be fully offset in the Statement of Operations and Comprehensive Income (Loss). The 2024-2025 Annual Report provides information on the end-of-year process that creates this offset.

Import butter activities

As part of Canada's commitments under the World Trade Organization (WTO) Agreement on Agriculture, the CDC imports a limited quantity of butter or butter oil, based on the TRQ (WTO TRQ butter), throughout the year. These imports are purchased by the CDC at prevailing world prices and supplied to processors for use in the further processing industry.

WTO TRQ butter activities reported lower sales revenue and cost of goods sold in the current quarter and on a year-to-date basis compared to the same periods last year. This is consistent with lower domestic demand for imported butter in the first nine months of the current year compared to last year.

Overall, on a year-to-date basis, the gross loss on all CDC butter sales was higher than in the same period last year. This increase was primarily driven by import butter activities, which generated a gross loss this year, compared to a gross profit in the prior-year period.

Other Income

	For the three-months ended			For the nine-months ended		
(in thousands)	Apr 30, 2026	Apr 30, 2025	$ change	Apr 30, 2026	Apr 30, 2025	$ change
Funding from milk pools	$ 3,945	$ 3,106	$ 839	$ 10,371	$ 8,424	$ 1,947
Funding from the Government of Canada	$ 1,366	$ 1,411	$ (45)	$ 3,910	$ 3,908	$ 2
Professional services and Other income	$ 566	$ 541	$ 25	$ 1,758	$ 1,755	$ 3
Total other income	**$ 5,877**	**$ 5,058**	**$ 819**	**$ 16,039**	**$ 14,087**	**$ 1,952**

Funding from milk pools consists of revenue for services rendered while administering the Comprehensive Agreement on Pooling and Milk Revenue, as well as funding to offset the costs incurred to carry butter under Domestic Seasonality Programs and to operate the Plan C program. It also includes additional funding received to offset other expenses incurred on behalf of the provincial milk marketing boards and agencies. The change is primarily due to higher funding received to offset the higher costs for operating the Domestic Seasonality Programs.

Funding from the Government of Canada represents funding received from parliamentary appropriations recognized as other income when government-funded administrative expenses are incurred. For additional information regarding the CDC's parliamentary appropriations, refer to section 5 below.

Professional services and Other income includes revenue from program administration services provided to Agriculture and Agri-Food Canada (AAFC), for the Dairy Direct Payment Program (DDPP) and the Dairy Innovation Investment Fund (DIIF), as well as revenue from milk utilization audits and interest income.

Operating and Administrative Expenses

(in thousands)	For the three-months ended Apr 30, 2026	Apr 30, 2025	$ change	For the nine-months ended Apr 30, 2026	Apr 30, 2025	$ change
Operating expenses						
Industry initiatives	$ 81	$ 78	$ 3	$ 258	$ 84	$ 174
Cost of production study	$ 347	$ 355	$ (8)	$ 962	$ 931	$ 31
Plan C program costs	$ 98	$ 47	$ 51	$ 448	$ 751	$ (303)
Other charges (recoveries)	$ 20	$ 618	$ (598)	$ 457	$ 575	$ (118)
Total operating expenses	**$ 546**	**$ 1,098**	**$ (552)**	**$ 2,125**	**$ 2,341**	**$ (216)**
Administrative expenses						
Salaries and employee benefits	$ 2,743	$ 2,795	$ (52)	$ 8,233	$ 7,955	$ 278
Other administrative expenses	$ 502	$ 391	$ 111	$ 1,407	$ 1,577	$ (170)
Total administrative expenses	**$ 3,245**	**$ 3,186**	**$ 59**	**$ 9,640**	**$ 9,532**	**$ 108**
Total operating and administrative expenses	**$ 3,791**	**$ 4,284**	**$ (493)**	**$ 11,765**	**$ 11,873**	**$ (108)**

Operating Expenses

Industry initiatives includes expenses relating to various CDC programs, such as the Matching Investment Fund, and projects that provide benefits to the industry. The change is due to an increased project activity.

Cost of production study includes expenses relating to the conduct of this annual survey. The CDC uses the results of the survey to inform its support prices policy.

Plan C program costs include storage, insurance and interest costs incurred in relation to the cheese held under the program's repurchase agreements. For the nine-month period, the change is primarily due to the timing of storage expense processing last year because of delayed invoicing. Program costs have also declined during the current year, as repurchase agreements mature; once settled, the CDC releases the underlying cheese held as collateral and no longer incurs costs related to the arrangement. Refer to the Plan C repurchase agreement section below for a description of the program.

Other charges (recoveries) are comprised of credits from the CDC's contribution to the cost of the production study, expenses incurred on behalf of the provincial milk marketing boards and agencies, such as interest expenses from the use of the line of credit, and any unrealized foreign exchange gains or losses. The change is primarily explained by the variation in the amount of unrealized foreign exchange gains or losses.

Administrative Expenses

Salaries and employee benefits make up most of the administrative expenses. Other administrative expenses are mainly comprised of the depreciation on the right-of-use asset related to the office lease, as well as professional and special services, and administrative support charges.

3. Key Changes in the Statement of Financial Position

Inventories

As at April 30, 2026, overall CDC butter inventory totaled 14,537 tonnes, valued at $151.26 million, a net decrease of 2,692 tonnes and $26.86 million compared to July 31, 2025, when inventory stood at 17,229 tonnes and $178.12 million. The net decrease reflects a reduction of $40.43 million in Plan B butter, partially offset by higher WTO TRQ butter of $12.43 million. The overall decrease is further offset by $1.14 million in Plan A butter held at April 30, 2026; none was held at July 31, 2025.

The CDC's Domestic Seasonality Programs (Plan A and B) experiences annual fluctuations in butter inventory levels due to normal seasonal patterns, with purchases typically higher in the spring and summer and inventory declining in the fall and early winter, when manufacturers repurchase a significant portion of Plan B butter from the CDC in response to increased consumer demand. Accordingly, typically inventory levels indirectly reflect seasonal patterns in consumer demand for butter.

Changes in WTO TRQ butter inventory do not follow a consistent pattern in the interim periods, as the timing of purchases and sales is largely driven by Canadian demand and international pricing. However, butter imported under the TRQ, whose allocation period aligns with the CDC's fiscal year, is typically fully sold within the same TRQ period.

Plan C repurchase agreement

The CDC operates the Plan C storage and buy-back program for cheese on behalf of the Canadian Milk Supply Management Committee (CMSMC). New agreements are subject to the temporary activation of the program in times of milk surplus.

When the program is active, processors may enter into repurchase agreements with the CDC relating to eligible cheese, under which they are contractually obligated to buy back the cheese at the same price by a specified date.

Under IFRS, these agreements are accounted for as financial assets rather than inventory and are therefore presented as such on the Statement of Financial Position. As a result, the related cheese is not included in inventory but instead serves as collateral for these repurchase agreements.

As at April 30, 2026, the balance of outstanding Plan C repurchase agreements is $5.72 million compared to $8.05 million as at July 31, 2025. At that same date, the collateral for these repurchase agreements consists of 635 tonnes of cheese.

Loans from the Government of Canada

Loans from the Government Canada are made available to the CDC to finance commercial operations, which includes notably butter inventory and Plan C activities. Therefore, there is a direct correlation between variations in the balance of outstanding loans from the Government of Canada and variations in the combined balance of inventory and Plan C repurchase agreements.

As at April 30, 2026, the balance of outstanding loans was $96.33 million compared to $149.20 million as at July 31, 2025. The decrease is consistent with the decrease in the combined carrying balance of inventory and Plan C repurchase agreements as well as the increase in accounts payable at quarter-end.

Cash Flows

(in thousands)	Apr 30, 2026	Apr 30, 2025	$ change
Net cash flows from (used in) operating activities	$ 51,286	$ (68,292)	$ 119,578
Net cash flows from (used in) financing activities	$ (51,234)	$ 63,044	$ (114,278)
Net cash inflows (outflows)	**$ 52**	**$ (5,248)**	**$ 5,300**
Cash (net bank overdraft) at beginning of the period	$ 4	$ (6,827)	$ 6,831
Cash (net bank overdraft) at the end of the period	**$ 56**	**$ (12,075)**	**$ 12,131**
Components of cash and net bank overdraft			
Cash	$ 56	$ 252	$ (196)
Bank overdraft	$ -	$ (12,327)	$ 12,327
Cash (net bank overdraft) at the end of the period	**$ 56**	**$ (12,075)**	**$ 12,131**

The CDC's bank cash position composition changed in the third quarter of 2024-25 when the credit facility, intended for advancing funds to provincial milk marketing boards and agencies, transitioned from a bank overdraft to a line of credit, as described in Note 6 of the Interim Condensed Financial Statements. Cash flows from the line of credit are reported under Cash flows from (used in) financing activities on the Interim Condensed Statement of Cash Flows compared to the bank overdraft which was a cash equivalent.

Cash Flows from Operating Activities

The change in net cash flows from (used in) operating activities is mainly attributable to commercial operations, specifically activity under the Domestic Seasonality Programs and WTO TRQ butter. The primary driver was higher cash receipts from processors (customers), consistent with higher butter sales in the current year compared to last year. Butter sales generate immediate cash inflows because settlement is required before any product is released to the customer. The secondary driver was lower cash paid to suppliers, specifically processors, which is ultimately attributable to lower butter purchasing activity in the current year compared to last year.

Payments made by the CDC for internal administrative functions, along with payments attributable to costs incurred in rendering services, operating the Plan C program (separate to repurchase agreements), and interest on the lease liability are fully offset by other cash receipts in the normal course of operations, ultimately resulting in no net cash impact from these activities.

Cash Flows from Financing Activities

Since the introduction of the new line of credit in the last quarter of 2024-25 (as described above), the CDC's financing activities are effectively tied to its operating activities. The primary component of financing activities tied to operating activities are the loans from the Government of Canada, which are used to support the portion of operating activities related to commercial operations. Total loans fluctuate based on the CDC's end-of-day cash position, itself driven by fluctuations in commercial operations. The secondary component of financing activities that support operating activities, specifically advances to provincial milk marketing boards and agencies, is the line of credit, which fluctuates based on the boards and agencies needs.

This alignment between financing mechanisms and operating cash flows means that the change in *Net cash flows from (used in) financing activities* move inversely to the change in *Net cash flows from (used in) operating activities*. Specifically, cash inflows from financing activities, indicating increased loan or credit requirements, arise when cash payments within operating activities exceed receipts. Conversely, cash outflows from financing activities, reflecting an overall decrease in loan or credit requirements, occur when receipts from operating activities exceed payments.

4. Outlook against the Corporate Plan Summary

Key factors that may impact the budget reported in the Corporate Plan Summary are the total butterfat production, the total requirements, the butter support price, and the world market conditions for the sale of dairy products. Any significant changes in these key assumptions would affect the budgeted results.

Total butterfat production for the most recent 12-month period ending April 2026 reached 432.3 M kg of butterfat. The April 2027 12-month total requirements are forecasted to be 464.3 M kg of butterfat. Between August 2025 and November 2025, P10 production surpassed forecasts. However, production has been closer in-line with forecasts over the last months especially between December and February. Both regional pools have recently revised their 2026 production forecasts; butterfat production for the 12-month period ending April 2027 is now anticipated to be 436.1 M kg of butterfat. Total butter stocks are expected to decrease in the fall, driven by forecasted imports and production levels projected to fall slightly short of demand.

Levels of CDC and private butter stocks were lower than anticipated and reached 42,012 tonnes on April 30, 2026.

5. Parliamentary Appropriations

Moneys appropriated by Parliament are provided to the CDC to pay for salaries, travel expenses, and other administrative expenses, as permitted under the *Canadian Dairy Commission Act* (CDC Act), supporting the internal administrative functions that enable the CDC to achieve its mandate. However, as set out in the CDC Act, administrative costs directly attributable to ensuring fair returns to producers are not covered by appropriations and are instead funded by dairy producers.

Parliamentary appropriations are granted based on the Government of Canada fiscal year of April to March, while the funding is used and reported on the CDC financial reports in accordance with the dairy year of August to July. The CDC also reports the use of appropriations in the Public Accounts of Canada at the end of each government fiscal year.

The CDC recognizes funding from the Government of Canada in the Statement of Operations and Comprehensive Income as appropriations are used to cover eligible expenses. The amount received each month equals the amount recognized as income for that month, therefore there are no receivables or deferred appropriations during the reporting periods.

The following table provides the parliamentary appropriations authorized for the Government of Canada fiscal year of April 2025 to March 2026.

(in thousands)	As at Mar 31, 2026	As at Mar 31, 2025
Parliamentary appropriations authorized	**$ 5,206**	**$ 5,149**
Portion recognized as income and received in the previous CDC fiscal year	$ 1,696	$ 1,665
Portion recognized as income and received in the current CDC fiscal year	$ 3,510	$ 3,484
Total parliamentary appropriations recognized as income and received by the CDC	**$ 5,206**	**$ 5,149**
Parliamentary appropriations available	**$ -**	**$ -**

6. Risk Management

On March 13, 2026, the CDC updated its current risk assessment and discussed the monitoring of risks identified in its 2025-2026 Corporate Risk Profile. No new risks were identified during the quarter. Risk mitigation strategies for previously identified higher risks are progressing as planned.

7. Significant Changes

Between February 1, 2026, and April 30, 2026, in comparison with the Corporate Plan Summary, no significant changes occurred in operations, industry initiatives, programs, personnel, and objectives.

Operations, industry initiatives, and programs	No significant changes occurred in this quarter.
Personnel	An employee was hired to work on Information Management.
Objectives	No significant changes occurred in this quarter.
Governing Board	No significant changes occurred in this quarter.

Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada's Directive on Accounting Standards: *GC 5200 Crown Corporations Quarterly Financial Reports,* and the requirements of International Accounting Standard: *34 Interim Financial Reporting* (IAS 34), and for such internal controls as management determines are necessary to enable the preparation of quarterly financial statements that are free from material misstatements. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.

Original signed by:

Benoit Basillais, Chief Executive Officer

Isabelle Blanchard, Acting Executive Director, Finance and Administration

Ottawa, Canada

June 23, 2026

Canadian Dairy Commission
Interim Condensed Statement of Financial Position

(unaudited)
(in thousands of Canadian dollars)

	As at April 30, 2026	As at July 31, 2025
Assets		
Current		
Cash	$ 56	$ 4
Trade and other receivables		
Trade receivables	1,032	2,557
Advances to provincial milk marketing boards and agencies (Note 6)	10,696	8,889
Milk pools	2,597	2,697
Inventory (Note 8)	151,259	178,119
Plan C repurchase agreements (Note 9)	2,433	2,195
	168,073	194,461
Non-Current		
Plan C repurchase agreements (Note 9)	3,285	5,859
Right-of-use asset	140	254
	$ 171,498	**$ 200,574**
Liabilities		
Current		
Bank line of credit (Note 6)	$ 10,696	$ 8,889
Trade and other payables		
Trade payables and accruals (Note 10)	34,206	12,843
Distribution to provincial milk marketing boards and agencies	-	750
Other payables	1,054	1,995
Deferred revenue	3,069	-
Derivative liability - foreign exchange contracts (Note 7)	42	-
Loans from the Government of Canada (Note 12)	96,326	149,203
	145,393	173,680
Non-Current		
Lease liability	126	292
Equity		
Retained earnings (Note 13)	25,979	26,602
	$ 171,498	**$ 200,574**

Commitments (Note 17)

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

These financial statements were approved and authorized for issue on June 23, 2026.

Benoit Basillais	Jennifer Hayes	Isabelle Blanchard
Chief Executive Officer	Chairperson	Acting Executive Director, Finance and Administration

Canadian Dairy Commission

Interim Condensed Statement of Operations and Comprehensive Income (Loss)

(unaudited)
(in thousands of Canadian dollars)

	For the three-months ended		For the nine-months ended	
	April 30, 2026	April 30, 2025	April 30, 2026	April 30, 2025
Domestic sales and cost of sales				
Sales revenue (Note 14)	$ 48,844	$ 53,476	$ 233,910	$ 184,035
Cost of goods sold	47,748	52,674	233,189	181,745
Transport and carrying charges	1,721	1,087	4,036	2,801
Finance costs	450	697	1,582	1,606
Gross profit (loss) on domestic sales	(1,075)	(982)	(4,897)	(2,117)
Other income				
Funding from milk pools (Note 14)	3,945	3,106	10,371	8,424
Funding from the Government of Canada (Note 14)	1,366	1,411	3,910	3,908
Professional services and Other Income (Note 14)	566	541	1,758	1,755
	5,877	5,058	16,039	14,087
Total gross profit (loss) on domestic sales and other income	**4,802**	**4,076**	**11,142**	**11,970**
Operating expenses				
Industry initiatives	81	78	258	84
Cost of production study	347	355	962	931
Plan C program costs	98	47	448	751
Other charges (recoveries)	20	618	457	575
	546	1,098	2,125	2,341
Administrative expenses				
Salaries and employee benefits (Note 15)	2,743	2,795	8,233	7,955
Other administrative expenses	502	391	1,407	1,577
	3,245	3,186	9,640	9,532
Total operating and administrative expenses	**3,791**	**4,284**	**11,765**	**11,873**
Profit (loss) before distribution to provincial milk marketing boards and agencies	**1,011**	**(208)**	**(623)**	**97**
Distribution to provincial milk marketing boards and agencies	-	-	-	-
Total comprehensive income (loss)	**$ 1,011**	**$ (208)**	**$ (623)**	**$ 97**

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

Canadian Dairy Commission
Interim Condensed Statement of Changes in Equity

(unaudited)
(in thousands of Canadian dollars)

	For the nine-months ended	
	April 30, 2026	April 30, 2025
Retained earnings, beginning of the period	$ 26,602	$ 29,782
Total comprehensive income (loss) for the period	(623)	97
Retained earnings, end of the period	**$ 25,979**	**$ 29,879**

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

Canadian Dairy Commission
Interim Condensed Statement of Cash Flows
(unaudited)
(in thousands of Canadian dollars)

	For the nine-months ended April 30, 2026	For the nine-months ended April 30, 2025
Cash flows from (used in) operating activities		
Cash received from customers and others	$ 240,333	$ 188,606
Cash paid to suppliers and others	(200,886)	(266,973)
Cash receipts from provincial milk marketing boards and agencies for pooling	8,958	2,451
Cash distributed to provincial milk marketing boards and agencies	(750)	(130)
Cash receipts from the Government of Canada	3,910	3,908
Interest income received	-	16
Cash paid for interest	(2,615)	(1,503)
Cash receipts from Plan C repurchase agreements	3,406	7,417
Cash paid for Plan C repurchase agreements	(1,070)	(2,084)
Net cash flows from (used in) operating activities	**51,286**	**(68,292)**
Cash flows from (used in) financing activities		
Proceeds from drawdowns of line of credit	100,728	-
Repayments of line of credit drawdowns	(98,921)	-
New loans from the Government of Canada	165,742	220,410
Loan repayments to the Government of Canada	(218,619)	(157,209)
Principal payments on the lease liability	(164)	(157)
Net cash flows from (used in) financing activities	**(51,234)**	**63,044**
Net cash inflows (outflows)	**52**	**(5,248)**
Cash (net bank overdraft) at beginning of the period	4	(6,827)
Cash (net bank overdraft) at the end of the period	**$ 56**	**$ (12,075)**
Components:		
Cash	$ 56	$ 252
Bank overdraft	-	(12,327)
Cash (net bank overdraft)	**$ 56**	**$ (12,075)**

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

1. Authority and objectives

The Canadian Dairy Commission (CDC) was established in 1966 through the Canadian Dairy Commission Act. It is a federal Crown corporation named in Part I, Schedule III and Schedule IV to the Financial Administration Act and is not subject to the provisions of the Income Tax Act. It is an agent of His Majesty the King in right of Canada and reports to Parliament through the Minister of Agriculture and Agri-Food.

The objectives of the CDC are to provide efficient producers of milk and cream with the opportunity of obtaining a fair return for their labour and investment and to provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality. To achieve its objectives, the CDC works closely with the Canadian Milk Supply Management Committee (CMSMC), which it chairs, as well as with provincial governments and provincial milk marketing boards and agencies. This collaboration is governed by federal-provincial agreements.

The CDC is allocated parliamentary appropriations to fund a portion of its administrative expenses. This is supplemented by funding from milk producers and the marketplace, as well as by the CDC's own commercial operations. As described in Note 1 to the CDC's annual financial statements for the year ended July 31, 2025, the CDC is subject to a directive pursuant to section 89 of the *Financial Administration Act* on travel, hospitality, conference and event expenditure policies, guidelines and practices. The CDC continues to meet the requirements of the directive.

2. Basis of preparation

Statement of compliance

These unaudited interim condensed financial statements are prepared in compliance with *IAS 34 Interim Financial Reporting* of the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, and the *Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports*. As permitted under these standards, these interim financial statements do not include all of the disclosure requirements for annual financial statements, and should be read in conjunction with the CDC's audited financial statements for the fiscal year ended July 31, 2025.

The interim condense financial statements were approved and authorized for issue by the CDC Board on June 23, 2026.

Basis of presentation

These interim condensed financial statements are prepared on a historical cost basis, as set out in the accounting policies below, except as permitted by IFRS and otherwise indicated within these notes.

Reporting period

The CDC reports on a dairy year basis which starts August 1 and ends July 31.

The reporting period for these interim financial statements, and notes thereto, is the three-month period of February 1, 2026, to April 30, 2026, and the nine-month period of August 1, 2025, to April 30, 2026.

Functional and currency

These interim financial statements are reported in Canadian dollars, which is the functional and presentation currency of the CDC.

Seasonality

The CDC's Domestic Seasonality Program experiences annual fluctuations in butter inventory levels due to a normal seasonal pattern, with purchases typically higher in spring and summer and sales peaking during fall and winter. The CDC's import butter and butter oil activities are less affected by seasonality as it is largely based on Canadian demand and international pricing. For additional details, see Note 17.

3. Material accounting policy information

The material accounting policy information applied in these interim financial statements are disclosed in Note 3 of the CDC's annual financial statements for the year ended July 31, 2025.

4. Key sources of estimation uncertainty and critical judgements

The preparation of financial statements in accordance with IFRS requires management to exercise judgement and make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Areas where management has exercised judgement and made significant use of estimates and assumptions while preparing these interim financial statements are consistent with those described in Note 4 of the CDC's audited financial statements for the year ended July 31, 2025.

5. Application of new or revised IFRS in effect

There were no amendments to the standards issued by the International Accounting Standards Board (IASB) effective for annual periods beginning on or after January 1, 2025 that were adopted by the CDC during the reporting period.

(in thousands of Canadian dollars, unless otherwise indicated)

6. Advances to provincial milk marketing boards and agencies and Bank overdraft

Advances made to provincial milk marketing boards and agencies fluctuate based on their requests and needs. These advances are financed through a bank line of credit that accrues interest at the prime rate of 4.45%. For details on the transition from a bank overdraft to a standard line of credit, refer to Note 10 of the annual financial statements for the year ended July 31, 2025.

7. Derivative asset or liability – foreign exchange contracts

Foreign exchange forward contracts are used to mitigate fluctuations in foreign exchange on purchases denominated in foreign currencies, including anticipated transactions, related to the import butter activities. Hedge accounting is not applied to these contracts. The CDC does not use foreign exchange forward contracts for trading or speculative purposes.

8. Inventory

As at April 30, 2026, inventory includes butter purchased under the Domestic Seasonality Programs, and butter imported by the CDC under a tariff rate quota relating to the World Trade Organization (WTO) Agreement on Agriculture (WTO TRQ butter).

Inventory:

	As at:			
	April 30, 2026		July 31, 2025	
	in $	in tonnes	in $	in tonnes
Plan A butter	$ 1,141	106	$ -	-
Plan B butter	131,570	12,588	171,996	16,619
WTO TRQ butter	18,548	1,843	6,123	610
Total net realizable value	$ 151,259	14,537	$ 178,119	17,229

The cost of sales line item presented on the statement of profit or loss represents all inventories recognized as an expense during the year, including inventory write-downs, none of which were material to the financial statements.

9. Plan C repurchase agreements

The current and non-current portions of Plan C repurchase agreements presented on the Interim Condensed Statement of Financial Position are determined based on the maximum repurchase dates. The non-current portion is expected to be settled by June 2027.

(in thousands of Canadian dollars, unless otherwise indicated)

10. Trade payables and accruals

	As at	
	April 30, 2026	July 31, 2025
Trade payables	$ 25,185	$ 4,025
Accruals	$ 9,021	8,818
Total	$ 34,206	$ 12,843

11. Deferred revenue

Deferred revenue is comprised of advance consideration received for butter not yet transferred to a processor as at the end of the reporting period.

12. Loans from the Government of Canada

Loans from the Government of Canada continue to be available to finance commercial operations. Interest rates and interest expense were as follows:

	Three-month period ending		Nine-month period ending	
	April 30, 2026	April 30, 2025	April 30, 2026	April 30, 2025
Interest rates				
Low	2.31%	2.71%	2.31%	2.71%
High	2.56%	3.77%	2.93%	5.05%
Interest expense	$ 466	$ 734	$ 1,699	$ 1,770

13. Capital management

There were no changes made to the capital management framework or its definition thereof during the reporting period ended April 30, 2026.

The primary components of the CDC's capital structure consist of the line of credit and the loans from the Government of Canada which are available for specific purposes as described in Note 14 of the annual financial statements for the year ended July 31, 2025. As at April 30, 2026, the borrowing capacity available through the line of credit is $14.30 million (July 31, 2025: $16.11 million), and the borrowing capacity available from the Government of Canada is $253.67 million (July 31, 2025: $200.80 million).

The CDC continues to monitor the combined outstanding balance of these borrowing to ensure compliance with the overall borrowing limit of $350 million (July 31, 2025: $350 million). The remaining combined borrowing capacity as at April 30, 2026 is $242.97 million (July 31, 2025: $191.91 million).

(in thousands of Canadian dollars, unless otherwise indicated)

Retained earnings continue to be used to fund programs and initiatives that serve to benefit the Canadian dairy industry. As at April 30, 2026, the total amount of capital available for such activities is $25.98 million (July 31, 2025: $26.60 million).

14. Disaggregation of revenue

The CDC derives its revenue from the following sources:

	Three-month period ending		Nine-month period ending	
	April 30, 2026	April 30, 2025	April 30, 2026	April 30, 2025
Domestic sales				
Plan B butter	$ 43,065	$ 46,971	$ 219,794	$ 161,404
Imported butter	5,779	6,505	14,116	22,631
Domestic sales revenue	$ 48,844	$ 53,476	$ 233,910	$ 184,035
Milk pools				
Funding for administrative expenses	$ 1,269	$ 1,165	$ 3,806	$ 3,495
Funding for Plan A and Plan B butter and Plan C repurchase agreement carrying charges	2,281	1,368	5,197	3,449
Other recoverable expenses	395	573	1,368	1,480
Funding from milk pools	$ 3,945	$ 3,106	$ 10,371	$ 8,424
Professional services and Other income				
Administrative services	$ 325	$ 325	$ 1,100	$ 1,100
Audit services	236	213	643	639
Interest income	5	3	15	16
Professional services and Other income	$ 566	$ 541	$ 1,758	$ 1,755
Funding from the Government of Canada	1,366	1,411	$ 3,910	$ 3,908
Total revenue	$ 54,721	$ 58,534	$ 249,949	$ 198,122

(in thousands of Canadian dollars, unless otherwise indicated)

15. Salaries and employee benefits

	Three-month period ending		Nine-month period ending	
	April 30, 2026	April 30, 2025	April 30, 2026	April 30, 2025
Salaries expense	$ 2,253	$ 2,303	$ 6,795	$ 6,631
Pension contributions	175	297	$ 646	$ 828
Other employee benefits	315	195	$ 792	$ 496
Total	$ 2,743	$ 2,795	$ 8,233	$ 7,955

16. *Financial instruments and Risk management*

The annual financial statements for the year ended July 31, 2025, reported on the financial risk to which the CDC is exposed to in the normal course of operation: market risk (including currency risk, interest rate risk, and other price risk), credit risk, and liquidity risk. These risks continue to be managed and mitigated with corresponding policies and procedures as described in the annual financial statements. Below are changes since July 31, 2025 that apply at the end of the current reporting period.

Credit risk

Credit risk is the risk of financial loss for one party due to another party failing to meet its financial obligations.

In addition to the credit risks described in the annual financial statements, the CDC is exposed to credit risk in relation to its foreign exchange forward contracts (refer to Note 7) to the extent of the positive fair value on the contracts, giving rise to a derivative asset. This risk is mitigated by only entering into foreign exchange forward contracts with major Canadian financial institutions. To date, no such counterparty has failed to meet its financial obligation to the CDC. Regarding settlement (timing) credit risk, the exchange of CAD and USD under these contracts occurs simultaneously, mitigating this risk.

Liquidity risk

Liquidity risk is the risk that the CDC will not be able to meet its financial obligations as they fall due.

As at April 30, 2026, other than some of the Plan C repurchase agreements, all of the CDC’s financial instruments are current and the CDC has a current ratio equal to 1.16 (July 31, 2025: 1.12). Management believes that the borrowing capacity, as described in Note 11, is sufficient to meet the CDC’s financial obligations.

17. Commitments

WTO TRQ butter

For the 2025-2026 quota year, the CDC is committed to importing 3,274 tonnes of butter under the WTO TRQ allocation (see Note 18 of the annual financial statements for the year ended July 31, 2025, for more information). As at April 30, 2026, the unused portion of the TRQ is 568 tonne, at an expected cost of $5.02 million.

Ahead of the 2026-2027 quota year, the WTO TRQ for butter has been allocated to the CDC, which is committed to importing 3,274 tonnes of butter in the next fiscal year begining August 1, 2026. The financial impact of these commitments will be affected by fluctuations in international prices, the type of butter product imported, and changes foreign exchange rates.

Domestic Seasonality Programs

As at April 30, 2026, the CDC has commitments to purchase predetermined quantities of Plan B butter totalling approximately $4.21 million, which are expected to be fulfilled in May 2026.

18. Related party transactions

Government of Canada entities

The CDC is related in terms of common ownership to all other Government of Canada departments, agencies and Crown corporations. The CDC enters into transactions with these entities in the normal course of operations and at normal trade terms.

The CDC’s transactions with government-related entities that are individually significant continue to be limited to the loans from the Government of Canada and the funding from the Government of Canada.

All other transactions with government-related entities are individually and collectively not material during the interim period ended April 30, 2026.