Canada Economic Development for Quebec Regions

Développement économique Canada pour les régions du Québec

Canada

Canada Economic Development

for Quebec Regions

Standing by businesses,
Standing by regions.

QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2026

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SECTION 1

INTRODUCTION

Introduction

This quarterly financial report has been prepared by Canada Economic Development for Quebec Regions (CED) as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board.

This report should be read in conjunction with the 2026-2027 Estimates and the 2026-2027 Departmental Plan.

This document has not been subject to external audit or review.

1.1 Authority, mandate and programs

Canada Economic Development for Quebec Regions (CED)'s mission is to promote the long-term economic development of the regions of Quebec by giving special attention to those with where slow economic growth is prevalent or opportunities for productive employment are inadequate.

CED is the key federal organization for the economic development in the regions and among small and medium-sized enterprises (SMEs) in Quebec. It aims to stimulate the start-up and growth of businesses to make the regions more innovative, productive and competitive. CED thus offers adapted services and fosters local collaboration. This support also attracts investments for greater economic prosperity in Quebec and Canada.

CED plays a crucial role in dynamizing regional economies by drawing on regional strengths. We help communities diversify their economies, especially those hit by economic shocks. We support SMEs and NPOs through strategic investments.

CED offers advisory services adapted to the needs of businesses, NPOs and communities. Specialized advisors provide personalized guidance to facilitate access to funding, establish partnerships and support the growth of Quebec businesses. CED also offers an information service to help small businesses and future entrepreneurs develop.

CED keeps abreast of the needs of Quebec's regions and businesses through its business offices across the province and through the links it establishes with other economic development stakeholders.

CED has three categories of programs to support its core responsibility:

- Regional innovation
- Community vitality
- Temporary or targeted support

Additional information on CED's authority, mandate and programs can be found in the 2026-2027 Main Estimates and the 2026-2027 Departmental Plan.

1.2 Basis of presentation

This quarterly report has been prepared by CED using an expenditure basis of accounting. The accompanying Statement of Authorities includes CED's spending authorities granted by Parliament and used by CED, consistent with the 2026-2027 Main Estimates. This quarterly financial report was prepared using a special-purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

Prior authority from Parliament is required before funds can be spent by the government. Authorities available for use are given in the form of annual limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* gives the Governor General the power, under certain conditions, to issue a special warrant authorizing the government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it was issued.

CED uses the full accrual method of accounting to prepare and present its annual financial statements that make up part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis of accounting.

1.3 Financial structure of Canada Economic Development for Quebec Regions (CED)

CED manages its expenditures under two annual votes:

- Vote 1 – Net operating expenditures, which includes CED authorities related to personnel costs and operating and maintenance expenditures
- Vote 5 – Grants and contributions, which includes all authorities related to transfer payments

Expenses under budgetary statutory authorities, for which payments are made under legislation previously approved by Parliament and which are not part of the annual appropriation bills, include items such as the employer's share of the employee benefit plan.

SECTION 2

HIGHLIGHTS OF FISCAL QUARTER AND FISCAL YEAR-TO-DATE RESULTS

Highlights of fiscal quarter and year-to-date results

This section presents various financial information as at September 30, 2026, including the authorities available for the year and expenditures incurred during the second quarter, as compared with the previous fiscal year.

The explanation of variance is based on the premise that discrepancies of less than 5% have a minimal impact on the interpretation of the results.

Details of this financial information are provided in sections 2.1 and 2.2, and in the tables in the Appendix.

2.1 Analysis of authorities

Authorities as at September 30, 2026, totalled $442.1M, compared with $332.6M as at September 30, 2025.

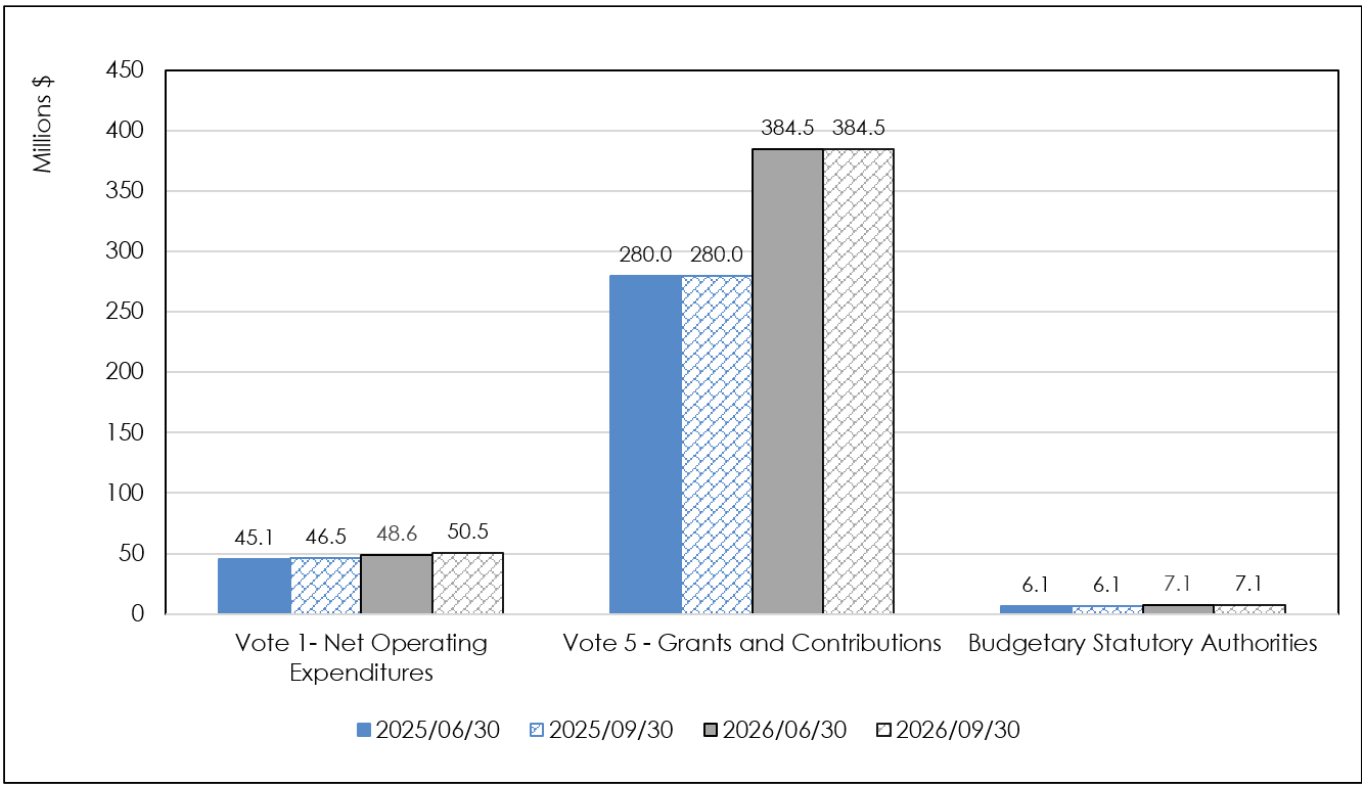
This year's variance of $109.5M (+32.9%) is due to the following changes:

- Vote 1 – Net operating expenditures: +$4.0M
- Vote 5 – Grants and contributions: +$104.5M
- Budgetary statutory authorities: +$1.0M

Note: Totals in the report may not add up because of rounding off.

The chart below shows the annual budgetary appropriation authorities as at September 30, 2026, compared with the previous fiscal year.

Annual budgetary appropriation authorities as at June 30 and September 30, fiscal year 2026-2027, compared with 2025-2026



Vote 1 authorities (Net operating expenditures)

As at September 30, 2026, authorities totalled $50.5M, compared with $46.5M as at September 30, 2025. The $4.0M variance (+8.6 %) is due to new initiatives launched in the third quarter of the 2025–2026 fiscal year. These initiatives are the Regional Tariff Response Initiative (RTRI) and the Regional Defence Investment Initiative (RDII). Also, ratified collective agreements and related salary adjustments partly explain the variance. Finally, an additional $0.5M was granted in the second quarter of 2026-2027 from the carryforward of the 2025-2026 operating budget.

Vote 5 Authorities (Grants and contributions)

As at September 30, 2026, grants and contributions (G&C) authorities totalled $384.5M, compared with $280.0M as at September 30, 2025. This represents a net increase of $104.5M (+37.3%) this year. This variance consists of several items, some of which varied upward, others downward.

The most significant variances are as follows:

- Increase in funding (+$127.7M)
  - Regional Tariff Response Initiative: +$65.6M
  - Build Communities Strong Fund: +$21.7M
  - Regional Defence Investment Initiative: +$21.6M
  - Regional Development Agencies' Bridge Funding Replacement: +$8.5M
  - Northern Isolated Community Initiatives Fund: +$4.2M
  - Regional Artificial Intelligence Initiative: +$3.0M
  - Local projects support initiative: +$2.1M
  - Other: +$1.0M

- Decrease in, or end of, funding (-$23.2M)
  - Tourism Growth Program: -$8.6M
  - Top-up for the Regional Economic Growth through Innovation program: -$8.3M
  - Regional Initiative for Innovation in Residential Construction: -$6.3M

Budgetary statutory authorities

As at September 30, 2026, authorities totalled $7.1M, compared with $6.1M as at September 30, 2025. This represents an increase of $1.0M (+16.4%). This increase is due to the rise in payroll and an adjustment to the actual effective rate for the employee benefit plan from 15.3% to 16.4%.

2.2 Analysis of expenditures

CED expenditures in the second quarter of 2026–2027 totalled $70.4M, compared with $57.9M during the same period in the previous year. This represents a net year-over-year increase of $12.5M (+21.6%).

This variance can be broken down as follows:

- Vote 1 – Net operating expenditures: -$1.3M
- Vote 5 – Grants and contributions: +$13.5M
- Budgetary statutory authorities: +$0.3 M

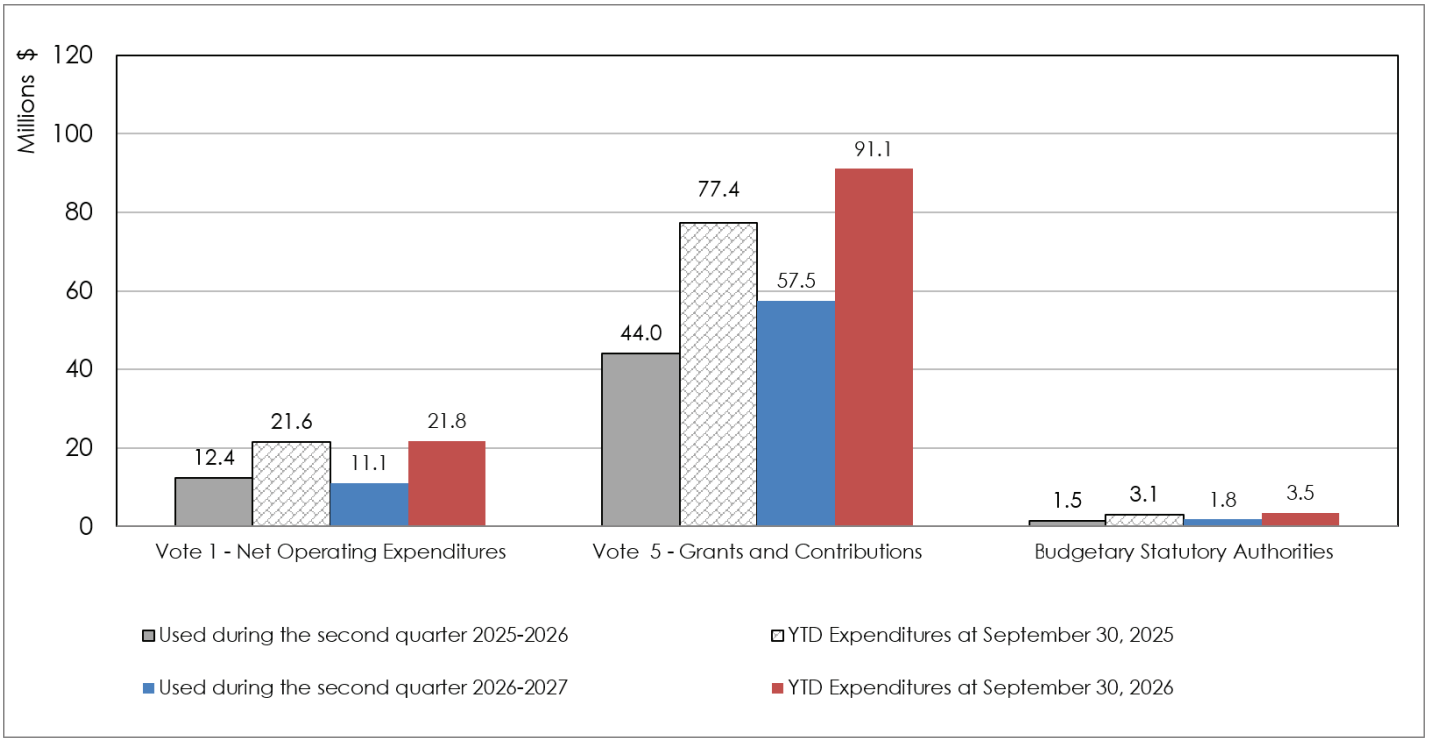
Year-to-date expenditures as at September 30, 2026, were $116.4M, compared with $102.1M for the same period in the previous year. This represents an increase of $14.3M (+14.0 %) this year.

This variance can be broken down as follows:

- Vote 1 – Net operating expenditures: +$0.2M
- Vote 5 – Grants and contributions of: +$13.7M
- Budgetary statutory authorities of: +$0.4M

The chart below shows expenditures in the second quarter of 2026-2027 by budgetary appropriation, compared with the previous fiscal year.

Second-quarter expenditures by budgetary appropriation as at September 30, and year-to-date expenditures for fiscal year 2026-2027, compared with 2025-2026



Vote 1 expenditures (Net operating expenditures)

CED's net operating expenditures for the second quarter of 2026-2027 totalled $11.1M, compared with $12.4M in 2025-2026. This represents a decrease of $1.3M (-10.5%) this year.

The significant decrease in operating expenditures in the second quarter is mainly due to the payroll. The variance is the result of an accounting adjustment entry made between periods, which underestimated expenditures in the first quarter and overstated those in the second quarter of the 2025-2026 fiscal year. The impact is time only and does not affect total year-to-date expenditures.

Year-to-end expenditures totalled $21.8M as at September 30, 2026, compared with $21.6M as at September 30, 2025, representing a non-significant increase of $0.2M (+0.9%) this year. CED contributed to the government's efforts in the context of the comprehensive expenditure review, which resulted in the departure of some employees. Severance pay and leave payments resulted in additional expenditures in the first and second quarters of the 2026-2027 fiscal year.

Vote 5 expenditures (Grants and contributions)

Grants and contributions expenditures for the second quarter of 2026-2027 totalled $57.5M, compared with $44.0M for the same period of 2025-2026, representing an increase of $13.5M (+30.7%) in expenditures this year.

The increase in expenditures compared with the second quarter of 2025-2026 is mainly due to the *Regional Tariff Response Initiative* (RTRI) and the *Regional Defence Investment Initiative* (RDII) programs, which were launched in the third quarter of 2025-2026. On the other hand, some programs with low expenditures during the second quarter of 2025-2026 ended on March 31, such as the *Tourism Growth Program* (TGP) and the Regional Initiative for Innovation in Residential Construction (RIIRC).

Year-to-date expenditures as at September 30, 2026, totalled $91.1M. As at September 30, 2025, expenditures totalled $77.4M, representing an increase of $13.7M (+17.7%) this year for the same reasons indicated above.

Expenditures under budgetary statutory authorities

Expenditures on statutory authorities in the second quarter of 2026-2027 totalled $1.8M, compared with $1.5M as at September 30, 2025. This is an increase of $0.3M (+20.0%) compared with the second quarter of 2025-2026. This increase is due to the rise in payroll and an adjustment in the actual effective rate for the employee benefit plan, from 15.3% to 16.4%.

As at September 30, 2026, year-to-date expenditures totalled $3.5M. As at September 30, 2025, expenditures totalled $3.1M. This represents an increase of $0.4M (+12.9%) this year for the same reasons as those disclosed previously for the quarter.

(For further details on these expenditures, see the table entitled "Departmental budgetary expenditures by standard object" in Appendix 6.2.)

SECTION 3

RISKS AND UNCERTAINTIES

Risks and uncertainties

The organization is currently evolving in a context where the needs of businesses and regions are becoming more complex, driven by the changing economy, tariff responses and the digital environment which remains exposed to growing threats. In this context, CED is focusing its attention on risks related to the delivery of its programs and services and cybersecurity.

Programs and services

The current context, particularly the global economic situation and changes to government programs for SMEs, has increased the challenges faced by CED's clients and pose a risk to the Agency's ability to effectively respond across the entire continuum of economic development projects. To address these challenges, CED is adjusting its programs; pursuing its collaboration with its partners and other levels of government to strengthen its capacity to identify and carry out strategic projects, while simplifying access to its services, notably through the gradual rollout of its transactional portal.

Cybersecurity

Like all public organizations, CED remains exposed to cyberthreats; and a cybersecurity incident could disrupt its operations and damage its reputation. To mitigate this risk, the organization continues to implement its active cybersecurity measures, including staff training and awareness to promote safety practices, as well as the ongoing deployment of technical controls to effectively prevent, detect and manage information security incidents.

These various measures enable CED to continue its digital transformation activities while maintaining a secure and resilient technological environment that supports the delivery of its programs and services.

SECTION 4

SIGNIFICANT CHANGES TO OPERATIONS, PERSONNEL AND PROGRAMS

Significant changes to operations, personnel and programs

CED participated in government efforts to reduce and refocus spending according to the priorities established by the government for future fiscal years as part of the Comprehensive Expenditure Review. To ensure the long-term sustainability of its operations, the Agency implemented measures set out in the National Joint Council's Work Force Adjustment Directive and the Early Retirement Incentive program. These measures contributed to the reorganization of certain operations and improved organizational efficiency.

Changes have been made, and will continue to be made, in CED's management. A new Vice-President of Operations took office on August 13. Moreover, the Deputy Chief Financial Officer will be retiring in the fall of 2026. The succession strategy will be implemented during the third quarter.

CED is awaiting new funding in the third quarter of 2026–2027 for *the Regional Tariff Response Initiative* (RTRI), *the Regional Food Processing Innovation Fund* (RFPIF) and *the Regional Artificial Intelligence Initiative* (RAII).

To address growing geopolitical uncertainty, trade disruptions and supply chain vulnerabilities, the Government of Canada is helping businesses through the RTRI to build resilience and adapt to a rapidly changing global economic environment. These investments will enable Canada's small and medium-sized businesses to weather tariff pressures by increasing productivity, strengthening domestic supply chains, supporting market diversification and advancing strategic sectors.

RFPIF supports the goals of increasing domestic food processing capacity, adopting innovation, and ensuring supply chain resilience by providing strategic investments to established food and beverage processors undertaking transformational growth projects.

The expanded RAII will enable targeted, regionally tailored investments to accelerate AI adoption and company growth in strategic sectors, strengthen Canadian sovereignty by supporting the development of growing non-diversified businesses specializing in applied artificial intelligence to stay in Canada, and help start-ups and SMEs commercialize technologies and solutions based on artificial intelligence, and to promote broad and inclusive economic growth.

SECTION 5

APPROVAL BY SENIOR OFFICIALS

Approval by senior officials

The purpose of this section is to provide the approval of senior officials, as required by the Policy on Financial Management, as follows:

Approved by:



Signature numérique de Perron, Sony
Date : 2026.11.04 17:07:39 -05'00'

Sony Perron
Deputy Minister/ President

Montreal, Canada



Signature numérique de Garon, Caroline
Date : 2026.11.04 15:17:01 -05'00'

Caroline Garon, CPA-CAFM
Chief Financial Officer

Quebec, Canada

SECTION 6

APPENDICES

6.1 Statement of Authorities (unaudited)

Fiscal year 2026-2027 ($000's)

	Total available for use for the year ended March 31, 2027*	Used during the quarter ended September 30, 2026	Year-to-date used at quarter-end
Vote 1 - Net operating expenditures	50,540	11,119	21,773
Vote 5 – Grants and contributions	384,536	57,543	91,054
Total budgetary statutory authorities	7,098	1,775	3,549
Total authorities	**442,174**	**70,437**	**116,376**

Fiscal year 2025-2026 ($000's)

	Total available for use for the year ended March 31, 2026*	Used during the quarter ended September 30, 2025	Year-to-date used at quarter-end
Vote 1 - Net operating expenditures	46,500	12,394	21,585
Vote 5 – Grants and contributions	279,995	43,964	77,404
Total budgetary statutory authorities	6,133	1,533	3,066
Total authorities	**332,628**	**57,891**	**102,055**

*Includes only authorities available for use and granted by Parliament at quarter-end.

6.2 Departmental budgetary expenditures by standard object (unaudited)

Fiscal year 2026-2027 ($000's)

	Planned expenditures for the year ended March 31, 2027	Expenditures during the quarter ended September 30, 2026	Year-to-date used at quarter-end
Expenses:			
Personnel*	51,715	11,905	23,637
Transport and communications	493	145	434
Information	299	50	56
Professional and special services	3,106	334	484
Rentals	1,199	206	393
Repair and maintenance services	87	6	35
Utilities, materials and supplies	73	16	21
Acquisition of land, buildings and works	0	0	0
Acquisition of machinery and equipment	666	202	222
Transfer payments	384,536	57,543	91,054
Other grants and payments	0	30	40
Total net budgetary expenditures	**442,174**	**70,437**	**116,376**

* Includes employee benefit plans (EBPs)

Fiscal year 2025-2026 ($000's)

	Planned expenditures for the year ended March 31, 2026	Expenditures during the quarter ended September 30, 2025	Year-to-date used at quarter-end
Expenses:			
Personnel*	47,618	13,031	22,977
Transport and communications	318	87	208
Information	225	6	35
Professional and special services	2,869	448	635
Rentals	887	174	574
Repair and maintenance services	46	18	30
Utilities, materials and supplies	49	8	16
Acquisition of land, buildings and works	0	0	0
Acquisition of machinery and equipment	621	132	142
Transfer payments	279,995	43,964	77,404
Other subsidies and payments	0	23	34
Total net budgetary expenditures	**332,628**	**57,891**	**102,055**

* Includes employee benefit plans (EBPs)