2025

Canada Post Corporation

First Quarter
FINANCIAL REPORT

For the period ended March 29, 2025

Financial Performance

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Management's Discussion and Analysis

Unaudited Interim Condensed Consolidated Financial Statements

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) of the financial condition and results of operations is prepared for the 13-week period (first quarter or Q1) ended March 29, 2025, for Canada Post Corporation (Corporation or Canada Post) and its subsidiary, Purolator Holdings Ltd. (Purolator). These companies are collectively referred to as the Canada Post Group of Companies, the Group of Companies or the Group. The Corporation manages its consolidated operations and, accordingly, determines its operating segments on the basis of how senior leadership of the Group review operating results, make decisions about resource allocation and assess performance.

Two reportable operating segments have been identified at March 29, 2025: Canada Post and Purolator. Consolidation entries, intersegment balance eliminations and the support functions provided by the information technology business unit, under a shared services agreement between Canada Post, Purolator and Innovapost (in effect until April 15, 2024), are presented separately. The consolidation of results for SCI were discontinued as of March 1, 2024, and for Innovapost as of April 15, 2024, following the completion of their respective divestitures. Details are set out below.

				Proportion of ownership interest held directly or indirectly	
Name of subsidiary	**Principal activity**	**Place of incorporation**	**Place of operation**	**As at Q1 2025 and Dec. 31, 2024**	**As at Q1 2024**
Purolator Holdings Ltd.	Transportation and courier services	Canada	Canada and United States	**91%**	91%
SCI Group Inc.	Logistics and transportation services	Canada	Canada	**–**	–
Innovapost Inc.	IS/IT services	Canada	Canada	**–**	99%

Financial results reported in the MD&A were prepared using IFRS accounting standards as issued by the IASB (IFRS Accounting Standards). Amounts are presented in Canadian dollars, rounded to the nearest million, while related percentages are based on numbers rounded to the nearest thousand. Percentage changes for revenue, volume and cost of operations in this report are adjusted for differences in business or paid days in Q1 2025 compared to Q1 2024. Fewer business days and paid days result in decreased revenue and volume, and decreased cost of operations, respectively, while the opposite is true for additional days. These days varied by reporting entity, as follows.

Company	Business days	Paid days
The Group and Canada Post	(1)	(2)
Purolator	(1)	(2)

This discussion should be read in conjunction with the unaudited condensed consolidated financial statements (interim financial statements) for Q1 2025, which were prepared in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and International Accounting Standard (IAS) 34, "Interim Financial Reporting." We also recommend that this information be read in conjunction with the

Corporation's annual consolidated financial statements and MD&A for the year ended December 31, 2024.

Management is responsible for the information presented in the interim financial statements and the MD&A. All references to *our* or *we* mean either Canada Post or, collectively, Canada Post and its subsidiaries, as the context may require. The Board of Directors, on the recommendation of its Audit Committee, approved the content of this MD&A and the interim financial statements May 22, 2025.

Forward-looking statements

This MD&A contains forward-looking statements including future-looking financial information or outlooks that reflect management's expectations regarding the Group's objectives, plans, strategies, future growth, results of operations, performance and business prospects and opportunities. These statements reflect, among other things:

- the Corporation's ability to continue as a going concern;
- regulatory approvals;
- future operational, performance and financial results;
- working capital and capital requirements; and
- estimates and assumptions made in accordance with requirements of IFRS Accounting Standards.

Forward-looking statements are typically identified by the words *assumption, goal, objective, outlook, strategy, target* and other similar expressions, or future or conditional verbs such as *aim, anticipate, believe, could, expect, intend, may, plan, predict, seek, should, strive* and *will*. These forward-looking statements are not facts, but only estimates regarding future results. These estimates are based on certain factors or assumptions regarding expected growth, results of operations, performance, business prospects and opportunities. While management considers these assumptions to be reasonable based on available information, they may prove to be incorrect. These estimates of future results are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from what the Group expects. Readers are cautioned not to place undue reliance on the forward-looking statements.

The forward-looking statements included in the interim financial statements and MD&A are made as of May 22, 2025, and the Corporation does not undertake to publicly update these statements to reflect new information, future events or changes in circumstances or for any other reason after this date.

1. Executive Summary

An overview of the Group and a summary of the Q1 2025 financial results.

The Group is one of Canada's largest employers with over 76,000 people (full-time and part-time Canadian employees, including temporary, casual and term employees, as at

December 31, 2024). Canada Post, the Group's largest segment, with 62,300 employees, is a federal Crown corporation, reporting to Parliament through the Minister of Government Transformation, Public Services and Procurement. The Corporation operates the largest retail network in Canada with nearly 5,700 retail post offices across the country. Under the *Canada Post Corporation Act*, Canada Post has a mandate to provide a standard of postal service that meets the needs of Canadians in a secure manner and have regard to the need to conduct operations on a self-sustaining financial basis. Canada Post is part of the global postal industry comprising foreign postal administrations (posts) that have traditionally financed their universal service obligation (USO) through a legislated exclusive privilege, or monopoly, over a portion of the postal market.

Financial and business highlights – Q1 2025

Financial support required to continue as a going concern

Since 2018, the Canada Post segment has experienced cumulative losses from operations of over $4.6 billion (a business performance measure that excludes net investing and financing income, such as the non-recurring results of the 2024 divestitures) and cumulative losses before tax of over $3.8 billion. Losses for 2025 will be exacerbated by lasting impacts from the labour disruption in late Q4 2024 as many customers who found other delivery providers have not yet returned to Canada Post. The maturity of $500 million of debt in July 2025 reinforces Canada Post's need for financial support from its shareholder to maintain solvency, ensure it can continue operations and continue as a going concern in the short term.

Our consolidated financial statements were prepared on a going-concern basis in accordance with IFRS Accounting Standards, which assume that the Corporation will continue operations for the foreseeable future, allowing it to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing going-concern risk, key factors considered include the Corporation's capital management, available borrowing, management of liquidity risks and most importantly, access to repayable government funding. Significant judgments are applied in making these assessments.

Regulatory Update

Government funding

Canada Post had signalled that it was running out of cash and facing insolvency. In accordance with section 31 of the *Canada Post Corporation Act*, Canada Post applied to receive amounts required to enable it to meet its operating and income charges, which are not sufficiently covered by its expected available revenues during the Government of Canada fiscal year ending March 31, 2026. Governor-in-Council approval was received January 31, 2025. The first payment was authorized under Governor General Special Warrants. All amounts placed at the disposal of the Corporation pursuant to section 31 of the Act are to be reimbursed to the Minister of Finance from the annual revenues of the Corporation in so far as such revenues are sufficient. The Corporation anticipates receiving such funding in mid-2025.

The government's proposed cash injection and access to short-term financing facilities will allow the Corporation to maintain solvency and support its operations through 2025, but they will not solve Canada Post's long-term structural concerns.

A modern regulatory and policy framework for a changing country

A postal system built for 5.5 billion letters can't survive on two billion letters. While letter mail remains important, the Canadian ecommerce market is expected to double over the next decade. Parcel delivery is where the growth is. Over the last few years, competition in the parcel delivery market exploded during the pandemic-driven online shopping boom. The Corporation's early success as an ecommerce delivery leader eclipsed the fact that it was doing so with an operating, regulatory and policy structure built for mail delivery. We need flexibility in our delivery model, collective agreements, and regulatory and policy framework to better serve Canadians and compete in today's parcel delivery market. Canada Post must transform into a seven-day-a-week parcel business that continues to deliver mail. To do so, the Corporation urgently needs more flexibility in its delivery model and collective agreements.

To create more autonomy and flexibility, and meet the current and future needs of the country in a financially sustainable manner, Canada Post put forward the following recommendations at the Industrial Inquiry Commission:

- Initiate a timely and thorough **consultation and review of the *Canadian Postal Service Charter***, with a focus on updating service standards, delivery frequency and post office requirements.
- Update the process for calculating and implementing **regular letter mail price increases within a shorter timeline**, while ensuring proper consultation, government oversight and advance notice for customers.
- **Update or replace the moratorium on rural post office closures and conversions** with a modern policy framework that continues to protect rural service.
- **End the moratorium on community mailbox conversions**, which protects a costly, premium service for less than 25% of Canadian addresses in established urban neighbourhoods. More than 70% of addresses already receive delivery to a centralized location. For residential customers with functional limitations, Canada Post's delivery accommodation program offers a variety of accommodations to help them access packages and mail.

Important discussions about the future of Canada Post have already begun and will continue in the months ahead. As we work with the Government of Canada, our bargaining agents and all Canadians, we are committed to leading the change that's necessary to keep pace with the evolving needs of the country and return to financial sustainability.

Market update

Ongoing and escalating tariff threats from the United States is expected to result in major economic impacts to Canada and the rest of the world. Any economic slowdown will have a corresponding impact in the parcels market as consumer discretionary spending decreases, especially for shipments to and from the U.S., where tariffs directly affect the cost of goods. It may also shift demand toward domestic retailers. Since advertising spending is typically one of the first areas where companies begin to cut back, Direct Marketing revenues may also be negatively impacted.

The duration and impact of these threats are unknown, as is the efficacy of government and central bank interventions. Canada Post is carefully monitoring potential changes to the market. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Group in future periods. Section 8 Risks and Risk Management contains additional information.

Segment results

Divestiture of SCI and Innovapost

In 2024, Canada Post and Purolator divested 100% of the shares of SCI, a leading Canadian third-party logistics provider, and Innovapost, the Corporation's shared-services provider in information technology. A summary of the divestitures follows.

	SCI	Innovapost
Closing date	March 1, 2024	April 15, 2024
Proceeds (in millions of dollars)	363	61
Gain on sale (in millions of dollars, before tax)	294	52

Year over year comparisons throughout this report were impacted by the SCI divestiture in Q1 2024.

Purolator's acquisition of Livingston International

On January 31, 2025, Purolator Holdings Ltd. acquired 100% of the shares of an international trade-service firm operating under Livingston International (Livingston), specializing in customs brokerage, global freight forwarding and trade consulting. Results of Livingston were consolidated from the acquisition date, which impact year-over-year comparisons of the Group and the Purolator segment.

Profit (loss) from operations

(in millions of dollars)

	Q1 2025	Q1 2024	$ change	% change
Canada Post	(111)	(221)	110	50.0%
Purolator	31	31	–	0.6%
SCI	–	1	(1)	*
Consolidation entries and eliminations	–	11	(11)	*
Canada Post Group of Companies	**(80)**	**(178)**	**98**	**55.2%**

* The calculation is not mathematically meaningful

Operating losses in the Canada Post segment were partially offset by profit in the Purolator segment. Impacts from the 2024 SCI divestiture are excluded from this view of business performance.

Profit (loss) before tax

(in millions of dollars)

	Q1 2025	Q1 2024	$ change	% change
Canada Post	(41)	(76)	35	46.5%
Purolator	19	39	(20)	(51.6)%
Consolidation entries and eliminations	(80)	143	(223)	(155.6)%
Canada Post Group of Companies	**(102)**	**106**	**(208)**	**(195.9)%**

+ Large percentage change.

The Group's loss before tax worsened by $208 million compared to Q1 2024, which included the 2024 gain on sale of SCI. The decrease in Purolator's profit before tax was mainly due to its acquisition of Livingston, resulting in increased financing costs. Canada Post and Purolator segment results for 2024 were impacted by dividends received just prior to the divestiture of SCI in Q1 2024.

Canada Post segment

Summary of results

(in millions of dollars)

	Q1 2025	Q1 2024	$ change	% change
Revenue from operations	1,789	1,747	42	4.0%
Cost of operations	1,900	1,968	(68)	(0.5)%
Loss from operations	**(111)**	**(221)**	**110**	**50.0%**
Investing and financing income (expense), net	70	145	(75)	(51.8)%
Loss before tax	**(41)**	**(76)**	**35**	**46.5%**

In 2024, Canada Post posted its seventh consecutive year of losses, a trend which continued through Q1 2025. Losses from operations in Q1 2025 improved over the prior year as revenue increased due to the processing of backlogs following the late 2024 labour disruption and regulated rate increases in transaction mail. As customers shifted to alternate ecommerce delivery providers, Parcels volumes declined, resulting in lower processing costs. In 2024, losses were partially offset by non-recurring gains and dividend income from the sale of SCI in Q1 2024.

Labour disruption and the Industrial Inquiry Commission

The labour disruption in Q4 2024, our peak season, had a significant impact on our 2024 financial results. Some customers moved to find alternate parcel delivery carriers for their business or switched to alternate marketing platforms or communication methods that do not rely on our services. The labour disruption's financial impact in 2025 and beyond is difficult to predict.

In late 2024, the Minister of Labour appointed an Industrial Inquiry Commission (IIC) to examine key issues in Canada Post's collective bargaining dispute with the Canadian Union of Postal Workers (CUPW) as well as the company's broader financial situation and competitiveness. Multiple days of in-person hearings were held in early 2025, with written submissions received from Canada Post, CUPW and many other stakeholders. It remains Canada Post's hope that this process will bring the parties to a shared understanding of the key issues. The IIC presented its report to the Minister May 15, 2025.

In response to impacts of the labour disruption, Canada Post launched a comprehensive recovery strategy in Q1 2025 focused on stabilizing operations, reclaiming lost volume and restoring market confidence. See Section 2 Core Businesses and Strategy for additional information.

Revenue by line of business

	Revenue (in millions of dollars)				**Volume** (in millions of pieces)			
	Q1 2025	**Q1 2024**	**$ change**	**% change**	**Q1 2025**	**Q1 2024**	**Change**	**% change**
Parcels	608	802	(194)	(22.9)%	50	68	(18)	(25.8)%
Transaction Mail	868	645	223	36.7%	659	617	42	8.6%
Direct Marketing	257	246	11	5.8%	1,127	1,058	69	8.3%
Consumer products and services	56	54	2	5.1%	–	–	–	–
Total	**1,789**	**1,747**	**42**	**4.0%**	**1,836**	**1,743**	**93**	**7.1%**

Parcels revenue decreased due to ongoing impacts of the 2024 labour disruption

Parcels revenue and volumes declined significantly in Q1 2025 compared to Q1 2024, due to continued impacts of the 2024 labour disruption, which pushed Parcels volumes to the competition, especially gig players, allowing them to gain ground. These volumes are difficult to win back as these alternative delivery providers have more flexibility and competitive offerings. The impacts of the labour disruption were felt across all channels: domestic, inbound and outbound. The competition is now faster, more flexible and focused on growth. Inbound parcel volumes and revenue have been adversely affected by the growing preference for competitive commercial consolidators over the traditional inbound postal network; much of this migration is away from Canada Post. Revenue impacts to the international channel, both inbound and outbound are likely to be further compounded by the trade uncertainty stemming from tariff threats and trade uncertainty with the United States. The impact to Parcels revenue from economic uncertainty cannot be quantified; declines in overall consumer spending may be countered by shifting demand toward domestic retailers and shippers.

What we're working on: Parcels growth through 2025 will be influenced by ongoing labour negotiations with CUPW. Through 2025, we are focused on recovery measures with our customers, stabilizing operations, reclaiming lost volume, and restoring market confidence.

Transaction Mail surged due to backlog, election mailings and regulated rate increase

Transaction Mail revenue and volumes increased in Q1 2025 as regulatory mailings backlogged since the 2024 labour disruption were inducted into the mail stream. Volumes and revenue were positively impacted by the provincial election (Ontario) while a 25% regulated rate increase, which took effect in January 2025, also positively impacted revenue, as did the 2024 rate increase, which took effect in May 2024. While results are favourable for Q1 2025 due to some non-recurring events, future volume declines are expected in the latter half of 2025, as consumers and mailers continue to migrate to digital communications.

What we're working on: The Corporation lacks autonomy in setting regulated stamp prices; regulations under the *Canada Post Corporation Act* prescribe approval of such rate increase by the Government of Canada. While the January 2025 rate increase is helpful, rates are underpriced in comparison with many other western postal administrations and have fallen behind the rate of inflation. To better serve the current and future needs of Canadians, and meet their expectations in a financially sustainable way, Canada Post requires a new, more flexible process for calculating and implementing regular letter mail price increase within a shorter timeline, while ensuring proper consultation, government oversight and advance notice for customers. Canada Post put forward recommendations at the Industrial Inquiry Commission.

Direct Marketing experienced growth due to pent-up demand

Direct Marketing revenue and volumes increased in Q1 2025 compared to Q1 2024 due to some pent-up demand following the labour disruption. Continued growth from customer relationships and product developments that gained traction in the Canada Post Neighbourhood Mail™ service in 2024 continued to positively impact results.

What we're working on: Economic uncertainty and digital marketing are expected to impact Direct Marketing products. We are working with industry partners and retailers to make Direct Marketing more environmentally friendly and are investing in solutions that help businesses and consumers connect, while respecting their privacy and preferences.

Consumer products and services revenue relatively flat

Consumer products and services revenue increased slightly in Q1 2025 due to logistics services for election mailings and mail redirection, partially offset by declines in financial services and sales in coins.

Looking ahead: We are continuing to work in partnership with the Business Development Bank of Canada on a loan program for small and mid-sized businesses (SMBs) while marketing our newly launched MyMoney Account in partnership with KOHO, a leading Canadian financial technology company.

Lower operating costs from parcel volume declines and a reduction in non-capital investment

(in millions of dollars)

	Q1 2025	Q1 2024	$ change	% change
Labour	975	969	6	3.8%
Employee benefits	289	295	(6)	(0.9)%
Other operating costs	543	612	(69)	(8.5%)
Depreciation and amortization	93	92	1	3.7%
Total cost of operations	**1,900**	**1,968**	**(68)**	**(0.5%)**

The cost of operations decreased in Q1 2025, compared to Q1 2024 mainly due to a decline in other operating costs, where transportation costs declined due to falling parcel volumes and non-capital investment costs were lower as we continue to refocus our 2025 investment priorities. Labour cost pressures from wage increases and a surge in post-strike mail were mostly offset by two less paid days in Q1 2025 compared to the prior year. Employee benefits costs declined due to increases in the discount rate.

What we're working on: Our future cost structure depends on negotiations between Canada Post and CUPW for new collective agreements and our ability to secure flexibility in parcel delivery (which is more costly than mail delivery). Critical investment in the conversion of our enterprise resource planning system to SAP S/4HANA will continue through 2025, while we continue to prioritize other investment project spending due to our deteriorating financial situation. Canada Post put forward recommendations at the Industrial Inquiry Commission on needed changes to the *Canadian Postal Service Charter* (2009), which has not evolved to keep pace with the changing needs of the country. The Corporation urgently requires changes that would help control costs within the operating network.

Higher-than-expected asset returns drive remeasurement gain in other comprehensive income

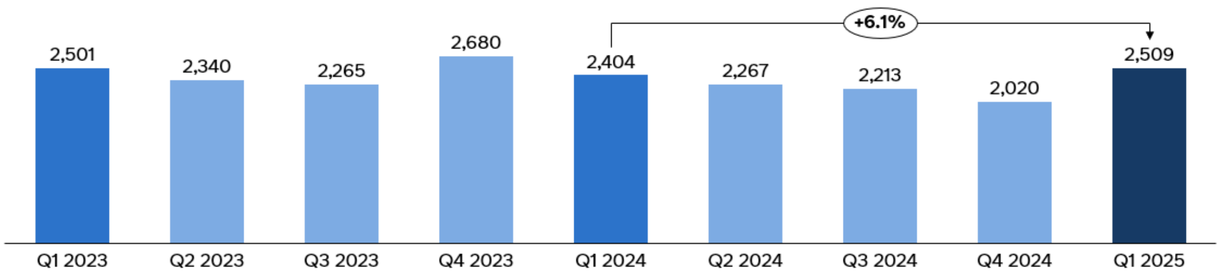
A remeasurement gain of $93 million, net of tax, was recorded in other comprehensive income at March 29, 2025, for the Canada Post segment defined benefit plans. The actuarially determined expense recorded in the statement of comprehensive income and regular payments were not affected by these remeasurements. The gain was primarily the result of higher-than-expected Q1 2025 asset returns. The Canada Post Corporation Registered Pension Plan (RPP) solvency surplus (using market value of plan assets) decreased to an estimated $2.3 billion from the December 31, 2024, estimate of $2.6 billion primarily due to a decrease in the discount rate used for solvency measurement, partially offset by higher-than-expected Q1 2025 asset returns. As the year-end funded position of the RPP exceeds legislative thresholds, Canada Post is not permitted to make employer current service contributions and no special solvency payments are required for 2025. Final actuarial valuation results may differ significantly from these estimates.

Canada Post Group of Companies – 2025

The charts below present a summary of the 2025 consolidated results for the Group.

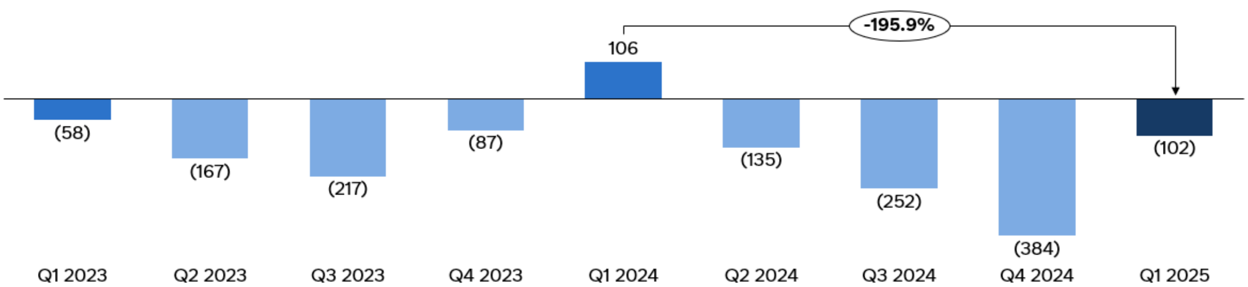
Quarterly consolidated revenue from operations

(in millions of dollars)



Quarterly consolidated profit (loss) before tax

(in millions of dollars)



The following table presents the Group's consolidated performance for the first quarter of 2025, compared to the same period in the prior year.

(in millions of dollars)

	Q1 2025	Q1 2024	$ change	% change	Explanation of significant variances
Consolidated statement of comprehensive income					Discussed in Section 5 Discussion of Operations.
Revenue from operations	2,509	2,404	105	6.1%	Increase in all segments, plus Purolator's acquisition of Livingston International.
Cost of operations	2,589	2,582	7	3.5%	Increase due to Purolator's acquisition of Livingston partially offset lower operating costs in the Canada Post segment.
Loss from operations	(80)	(178)	98	55.2%	Lower loss in the Canada Post segment.
Investing and financing income (expense), net	(22)	284	(306)	(107.8)%	Increased financing costs in 2025 due to Purolator's acquisition of Livingston compared to gain on sale of SCI in 2024.
Profit (loss) before tax	(102)	106	(208)	(195.9)%	
Tax expense (recovery)	(41)	6	(47)	+	Loss before tax in the Group compared to a profit in 2024 due to the gain on sale of SCI.
Net income (loss)	(61)	100	(161)	(161.2)%	
Comprehensive income (loss)	37	767	(730)	(95.1)%	Lower remeasurement gains in 2025 (primarily from higher-than-expected asset returns on pension plan) compared to discount rate increases in 2024.
Consolidated statement of cash flows					Discussed in Section 6 Liquidity and Capital Resources.
Cash provided by (used in) operating activities	64	(10)	74	+	Decrease in operating losses.
Cash (used in) provided by investing activities	(199)	29	(228)	+	Payments from Purolator's acquisition of Livingston and proceeds on the sale of SCI in 2024, partially offset by lower cash payments for capital assets.
Cash provided by (used in) financing activities	233	(35)	268	+	Proceeds from new credit facilities obtained by Purolator to finance its acquisition of Livingston.

+ Large percentage change.

2. Core Businesses and Strategy

A discussion of the business and strategy of our core businesses.

Canada Post segment

The Corporation has a mandate to serve all Canadians while maintaining financial self-sufficiency. The Corporation continues to work with its shareholder and bargaining agents to address the significant long-term structural issues facing the postal service while fulfilling our purpose, A Stronger Canada – Delivered, and securing government funding to maintain liquidity.

To help preserve cash and address its deteriorating financial situation, in the short term the Corporation is focused on imposing strict limits on external hiring and expenses such as travel, consulting and contracted services, improving productivity and adjusting staffing to volume, and increasing revenue. We continue to look for efficiencies without impacting service.

Our core businesses and strategy are described in MD&A Section 2 Core Businesses and Strategy of the 2024 Annual Report. Other than updates below related to our business recovery strategy, there were no material changes to the strategies during the first quarter of 2025.

Recovery plan: Ready, rebuild, reassure. Through 2025, we are focused on recovery measures with our customers, focused on stabilizing operations, reclaiming lost volume and restoring market confidence. The comprehensive recovery plan not only focuses on recovering from the labour disruption but also considers broader challenges and opportunities. These include geopolitical risks such as the U.S. tariff war, the rise of Canadian national pride, the federal election and the upgrade of our enterprise resource planning (ERP) system.

Brand recovery strategy: Shop Canadian. Ship Canadian. Canada Post's brand was negatively impacted by the recent labour disruption. Small and mid-sized businesses were particularly affected, making trust recovery critical to winning back lost business. At the same time, a surge in national pride driven by U.S. tariff and annexation threats – presents a unique opportunity. With Canadians pivoting to buy more domestic products, Canada Post's "Shop Canadian. Ship Canadian." marketing message launched in Q1 2025 will help position the company as a champion of Canadian commerce, rebuild trust, reinforce its role as a key partner for businesses and drive recovery.

Purolator segment

On January 31, 2025, Purolator Holdings Ltd. acquired 100% of the shares of PE Longitude Holding Limited, PE Longitude II Limited, and Longitude Holding Limited (the acquirees). The acquirees operate under Livingston International, an international trade-service firm specializing in customs brokerage, global freight forwarding and trade consulting headquartered in Toronto, Ontario, Canada. The acquired entity will become a wholly owned subsidiary of Purolator and will operate as a standalone business led by its existing leadership team managing its day-to-day operations. The acquisition is in support of Purolator's strategy to expand its international capabilities, enhance competitiveness and position Purolator as a Canadian-owned leader in the domestic and international freight, package and logistics market.

3. Key Performance Indicators

The Canada Post segment uses senior executive scorecards to monitor performance and progress against strategic priorities tied to its transformation. Regular reporting provides management and the Board of Directors with a comprehensive view of the segment's performance. Progress and achievements against 2025 targets, reflecting our commitment to our people and to social and environmental leadership, were as follows:

Key performance indicators		2025 target	Q1 2025 result	Status
Total injuries year over year (reduction)[1]		(5.0)%	18.0%	C
Employee diversity[2]	Indigenous Peoples	3.5%	--	--
	People with disabilities	9.1%	--	--
Greenhouse gas (GHG) emissions	Scopes 1 and 2 for fleet and buildings[3] (in kilotonnes of carbon dioxide equivalent emissions)	105.9	34.9[4]	A
Waste diversion rate[5]	Percentage of solid, non-hazardous operational waste diverted from the landfill through reduction, reuse or recycling	70.4%	66.7%	B
Digital accessibility	Percentage of digital accessibility across all active digital products	94.0%	94.0%	A
Indigenous procurement	Spending with Indigenous Peoples (percentage of eligible direct expenditure in Indigenous businesses)	5.0%	4.0%	B
Enhanced postal services in Indigenous communities	Number of communities with improved expanded services	Over 15	4	A
	Number of engagement discussions	120	49	A

Key performance indicators		2025 target	Q1 2025 result	Status
Removal of illicit products from the mail stream in Indigenous communities	Number of pieces inspected and removed	3,660	1,388	A

Notes:

Status A Achieved target within success parameters, or on track to meet target by December 31, 2025.
Status B Performance did not meet target due to an explainable variance.
Status C Target not achieved (outside success parameters).

1. 2025 target metric revised in Q1 from total injury frequency to total number of injuries.
2. Although targets are established for all designated equity groups, the Corporation is above 80% of Canadian Labour Market Availability for women and members of visible minorities. The Corporation does not modify recruitment strategies when the goal is exceeded. Reporting for 2025 is dependent on updates from Employment and Social Development Canada, expected in Q2.
3. Scope 3 emissions, which include all upstream transportation, make up 90% of Canada Post's GHG emissions. As part of our science-based targets (SBTs), we are working with our suppliers toward the goal of having 67% of suppliers, by spend, to set an SBT by December 31, 2025.
4. The Q1 2025 result is a forecast and will be verified one quarter in lag. Results are impacted by seasonality. The confirmed value for 2025 (full year) will be reported in the *2025 Sustainability Report*.
5. Target to divert at least 90% by weight of non-hazardous operational waste and 90% of all construction and demolition waste by 2030.

4. Capabilities

A discussion of the issues that affect our ability to execute strategies, manage key performance drivers and deliver results.

In 2025, we continue to make progress in our efforts to provide a service all Canadians can count on, demonstrate social and environmental leadership and do right by our people. After a prioritization exercise was conducted in late 2023, certain transformational investments and projects have been cancelled or paused through 2025 due to our financial challenges.

4.1 Doing right by our people

Q1 2025 highlights	
Employee engagement	• Received a response rate of 66% among hybrid employees and 59% among operational employees on the 2025 Employee Engagement and Wellness survey. While results demonstrated a decline in morale linked to uncertainty about the future of the company, respondents felt a positive and valued sense of belonging and connection with colleagues.
Health, safety and wellness	• The total injury frequency rate and lost-time injury frequency rate increased by 24% and 12%, respectively, compared to the previous year, underscoring the need for continued vigilance. Significant headwinds stemming from labour negotiations and important changes in operations will continue to challenge our results in 2025. • Launched the peer support network for team leaders, a program that continues to grow. • Launched facilitator led sessions with Employee and Family Assistance Program (EFAP) experts for all team leaders, offering tools for day-to-day challenges and in times of urgent need. • Deployed training sessions led by operations directors for Positive Safety Interactions to all team leaders as part of the Health and Safety (H&S) Improvement Plan. • Launched the H&S Roadmap which outlines mandatory campaigns, and activities all facilities are required to implement based on best practices.
Equity, diversity and inclusion	• Achieved a score of 4.17 out of 5 and completed 212 of 275 Global Diversity, Equity and Inclusion Benchmarks evaluated by Diversio (Canadian Centre for Diversity and Inclusion), trending ahead of our five-year goal. • Completed the Equity, Diversity and Inclusion Mentorship pilot program, engaging 313 participants across three cohorts: Indigenous Peoples, persons with disabilities and members of visible minorities. • Delivered five training sessions from the Human Rights Toolkit, covering respect in the workplace, gender identity and duty to accommodate.

Labour and employee relations

Status of negotiations

Canadian Union of Postal Workers – Urban Postal Operations (CUPW-UPO) and Rural and Suburban Mail Carriers (CUPW-RSMC)

The collective agreements for CUPW-UPO and CUPW-RSMC expired January 31, 2024, and December 31, 2023, respectively. On December 13, 2024, following more than 30 days of a national strike, the Minister of Labour initiated a process with the Canada Industrial Relations Board (CIRB) to evaluate the likelihood of Canada Post and CUPW reaching new agreements by the end of 2024. The CIRB ruled that the parties were at an impasse. Consequently, employees were ordered to return to work, pausing the strike, and our postal operations resumed on December 17, 2024. The existing UPO and RSMC collective agreements were also extended until May 22, 2025. Another labour disruption cannot occur before that date.

The Minister appointed Commissioner William Kaplan to lead an Industrial Inquiry Commission. The Commission's broad mandate included investigating the causes of the negotiation stalemate and possibly recommended changes to the collective agreements. The Commission's hearings were held in early 2025 and recommendations were submitted to the Minister.

While this process is to conclude following the delivery of the Commission's report, the parties can continue to negotiate. Canada Post remains committed to reaching new collective agreements.

Although it is difficult to predict its magnitude, the financial impact from the peak season labour disruption in late 2024 will continue through 2025 and beyond.

Canadian Postmasters and Assistants Association (CPAA)

The existing collective agreement between Canada Post and the CPAA expired on December 31, 2023. On December 12, 2024, Canada Post presented a global offer to the CPAA. While the parties agree on several issues, the CPAA has informed Canada Post that it believes the parties are at an impasse and would be proceeding to final offer selection. This process involves an arbitrator choosing one of the parties' final offers in its entirety.

The parties have now agreed on an arbitrator and hearing dates have been established in June 2025. While this process is under way, the terms and conditions of the existing collective agreement that expired on December 31, 2023, continue to apply. The bargaining process with the CPAA does not include the possibility of a labour disruption.

Public Service Alliance of Canada / Union of Postal Communications (PSAC/UPCE)

In May 2024, Canada Post received a notice to bargain from PSAC/UPCE that initiated the negotiation process. Following almost a year of negotiations, Canada Post and PSAC/UPCE have agreed to defer negotiations for a new collective agreement until August 2026 – or until both parties mutually agree to resume talks.

The agreement to suspend talks includes a 5% pay increase for PSAC-represented employees, retroactive to September 2024, and an update to the dental fee guide to the 2024 rates. The two parties also agreed in advance that a five-year term will apply to the new collective agreement to be negotiated. The existing collective agreement, which expired on August 31, 2024, continues to apply.

This deferral agreement will help maintain stability through important periods of transformation for the business.

Association of Postal Officials of Canada (APOC)

In December 2024, Canada Post received a notice to bargain from the Association of Postal Officials of Canada (APOC). To ensure stability and continuity in operations, Canada Post and APOC have mutually agreed to defer negotiations for a new collective agreement until March 1, 2026. The agreement to suspend talks includes a 5% pay increase for APOC-represented employees and an update to the 2024 dental fee guide, both effective April 1, 2025. The two parties agreed that the existing collective agreement, which expired on March 31, 2025, will continue to apply.

4.2 Network, infrastructure and innovations

Q1 2025 highlights	
Network and capacity	• Expanded the Collingwood, Ontario, letter carrier depot, modified three post offices in Alberta and British Columbia, and opened a distribution centre in Kentville, Ontario. • Modernized the Montréal international exchange office with advanced automation that will assist with customs processes and improve international on-time performance.
Product and service innovations	• In partnership with KOHO, a leading Canadian financial technology company, nationally launched the new Canada Post MyMoney Account, a spending and savings account with low-fee and no-fee plans tailored to support the everyday needs of Canadians.
Technology	• Launched the My Care Connect workshops to provide an introduction to the leading indicators portal and safety tools that will allow all employees to proactively report dangers and hazards in the workplace.

4.3 Environmental, social and governance priorities

2024 highlights	
Environmental sustainability	• Completed the roll-out of phase 1 of our zero-waste program at over 80 plants and depots. • Finished phase 1 of the Buildings' Emission Reduction project, which included electrification of heating systems within our buildings and additional energy efficiency measures to reduce our greenhouse gas footprint.
Environmental, social, governance (ESG) leadership	• Recognized among Corporate Knight's top 25 Most Sustainable Public Sector Corporations in the world.
Accessibility	• Completed phases 1 and 2 of our online training on accessibility awareness, supporting our Accessibility Policy and Strategy, in accordance with the *Accessible Canada Act*. • Developed and rolled out a framework for consultations with people with disabilities, as required under the *Accessible Canada Act*. • Developed and implemented a quarterly reporting mechanism to track themes from accessibility feedback received in English and French, as required under the *Accessible Canada Act*.
Indigenous communities	• Enhanced postal services by opening new dealer post offices in Stevenson Island and Long Plains, Manitoba, and converting a manual dealer site in Lac Seul, Ontario, to a fully automated outlet.

Our Sustainability Report contains more information about our initiatives related to the environment, equity and inclusion, Indigenous reconciliation, and support of small businesses and local economies.

5. Discussion of Operations

A detailed discussion of our financial performance in Q1 2025.

5.1 Consolidated results from operations

Consolidated trends

The Group's consolidated results for the last nine quarters are presented below, highlighting the seasonal nature of its business. Demand for services is highest during the holiday or peak season in the fourth quarter. Volumes typically decline over the following quarters, reaching their lowest level in the third quarter. The Group's significant fixed costs do not vary during the year.

(in millions of dollars)

	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Revenue from operations	2,509	2,020	2,213	2,267	2,404	2,680	2,265	2,340	2,501
Cost of operations	2,589	2,393	2,455	2,461	2,582	2,764	2,485	2,508	2,560
Profit (loss) from operations	**(80)**	**(373)**	**(242)**	**(194)**	**(178)**	**(84)**	**(220)**	**(168)**	**(59)**
Investing and financing income (expense), net	(22)	(11)	(10)	59	284	(3)	3	1	1
Profit (loss) before tax	**(102)**	**(384)**	**(252)**	**(135)**	**106**	**(87)**	**(217)**	**(167)**	**(58)**
Tax expense (recovery)	(41)	(88)	(42)	(122)	6	215	(54)	(40)	(13)
Net profit (loss)	**(61)**	**(296)**	**(210)**	**(13)**	**100**	**(302)**	**(163)**	**(127)**	**(45)**

Consolidated results for Q1 2025

(in millions of dollars)

	Q1 2025	Q1 2024	$ change	% change	Explanation of significant variances
Revenue from operations	2,509	2,404	105	6.1%	Increase in all segments, plus Purolator's acquisition of Livingston International (Livingston).
Cost of operations	2,589	2,582	7	3.5%	Purolator's acquisition of Livingston mostly offset lower operating costs in the Canada Post segment.
Loss from operations	(80)	(178)	98	55.2%	Loss in the Canada Post segment.
Investing and financing income (expense), net	(22)	284	(306)	(107.8)%	Increased financing costs in 2025 due to Purolator's acquisition of Livingston compared to gain on sale of SCI.
Profit (loss) before tax	(102)	106	(208)	(195.9)%	
Tax expense (recovery)	(41)	6	(47)	+	Loss before tax in the Group compared to a profit in 2024 due to the gain on sale of SCI.
Net profit (loss)	(61)	100	(161)	(161.2)%	
Other comprehensive income	98	667	(569)	(85.2)%	Remeasurement gain primarily from higher-than-expected asset returns on pension plan in 2025 compared to discount rate increases in 2024.
Comprehensive income	**37**	**767**	**(730)**	**(95.1)%**	

\+ Large percentage change.

In Q1 2025, the Group reported a loss from operations, which improved compared to Q1 2024 by $98 million (+55.2%). This was largely due to total revenue increases across all segments and cost declines in the Canada Post segment, partially offset by cost increases in the Purolator segment. In Q1 2024, the comparative period, losses from operations were reduced by the gain on the sale from the SCI divestiture. A detailed discussion by segment is provided in sections 5.3 to 5.4.

5.2 Operating results by segment

Segmented results – Profit (loss) before tax

(in millions of dollars)

	Q1 2025	Q1 2024	$ change	% change
Canada Post	(41)	(76)	35	46.5%
Purolator	19	39	(20)	(51.6)%
Consolidation entries and eliminations	(80)	143	(223)	(155.6)%
Canada Post Group of Companies	**(102)**	**106**	**(208)**	**(195.9)%**

The Group's results deteriorated to a loss before tax compared to a profit reported in Q1 2024. The consolidated gain on sale (before tax) of SCI, in the Consolidation entries and eliminations segment largely contributed to prior year results, as did dividends received just prior to the SCI divestiture in the Canada Post and Purolator segments. These dividends were eliminated on consolidation.

5.3 Canada Post segment

Losses from operations in the Canada Post segment improved in Q1 2025 compared to the same period in 2024 due to an increase in Transaction Mail revenue partly offset by lower Parcels volumes. Cost declines from lower Parcels volumes resulted in savings in transportation charges and lower non-capital investment costs due to reprioritization also contributed to the improvement.

Summary of results for Q1 2025

(in millions of dollars)

	Q1 2025	Q1 2024	$ change	% change
Revenue from operations	1,789	1,747	42	4.0%
Cost of operations	1,900	1,968	(68)	(0.5)%
Loss from operations	**(111)**	**(221)**	**110**	**50.0%**
Investing and financing income (expense), net	70	145	(75)	(51.8)%
Loss before tax	**(41)**	**(76)**	**35**	**46.5%**

Revenue from operations

In Q1 2025, total revenue and volumes rose compared to 2024. This increase was largely due to regulatory mailings that were inducted following the labour disruption in late 2024. In addition, mailings for provincial elections led to higher mail revenue in the first quarter of 2025. These increases were partially offset by Parcels volume declines due to lasting impacts of the 2024 labour disruption, while customers chose other carriers. Direct Marketing revenue was relatively flat.

Revenue and volumes by line of business

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	Q1 2025	Q1 2024	$ change	% change	Q1 2025	Q1 2024	change	% change
Domestic Parcels	484	647	(163)	(23.9)%	41	56	(15)	(26.1)%
Outbound Parcels	65	73	(8)	(9.5)%	3	3	–	(7.5)%
Inbound Parcels	50	71	(21)	(29.2)%	6	9	(3)	(30.7)%
Other	9	11	(2)	(12.4)%	–	–	–	–
Total Parcels	**608**	**802**	**(194)**	**(22.9)%**	**50**	**68**	**(18)**	**(25.8)%**
Domestic Lettermail	824	611	213	37.0%	636	595	41	8.5%
Outbound Letter-post	24	18	6	33.6%	9	9	–	13.3%
Inbound Letter-post	20	16	4	30.3%	14	13	1	8.5%
Total Transaction Mail	**868**	**645**	**223**	**36.7%**	**659**	**617**	**42**	**8.6%**
Personalized Mail™	102	104	(2)	(0.3)%	165	170	(5)	(1.8)%
Neighbourhood Mail™	114	107	7	7.6%	918	849	69	10.0%
Total Smartmail Marketing™	216	211	5	3.7%	1,083	1,019	64	8.0%
Publications Mail™	33	28	5	19.2%	42	37	5	15.3%
Business Reply Mail™ and other mail	4	4	–	16.3%	2	2	–	13.9%
Data Products	4	3	1	8.5%	–	–	–	–
Total Direct Marketing	**257**	**246**	**11**	**5.8%**	**1,127**	**1,058**	**69**	**8.3%**
Consumer products and services	**56**	**54**	**2**	**5.1%**	-	**–**	-	-
Total	**1,789**	**1,747**	**42**	**4.0%**	**1,836**	**1,743**	**93**	**7.1%**

Parcels

Parcels revenue in Q1 2025 declined $194 million (-22.9%) on volume declines of 18 million pieces (-25.8%) compared to the first quarter of 2024. Lingering impacts of the 2024 labour disruption, uncertainty about the potential for another labour disruption in 2025, ongoing tariff threats and economic uncertainty negatively affected all Parcels segments in Q1. While the potential economic slowdown may have a corresponding impact in the parcel market as consumer discretionary spending decreases, it may also contribute to a growing “buy in Canada” sentiment among Canadian consumers, potentially shifting demand toward domestic retailers and shippers. Details by product category were as follows:

- **Domestic Parcels** revenue declined $163 million (-23.9%) as the market share shifted in favour of competition such as well-established global companies and low-cost entrants that provide flexible and reliable services. The labour disruption in the fourth quarter of 2024 continued to demonstrate a lasting impact, as many customers found other delivery service providers and have not yet returned to Canada Post. The threat of further labour disruption in Q2 is also a factor.

- **Outbound Parcels** revenue (postage revenue collected from domestic customers for parcels destined to foreign postal administrations [posts]) declined by $8 million (-9.5%) compared to the prior year. Outbound Parcels revenue per piece differs according to the country of destination as well as the sales channel (consumers at retail or commercial customers). In Q1 2025, revenue was negatively affected by the continued impact from the labour disruption and trade uncertainty.
- **Inbound Parcels** revenue (fees paid to Canada Post by other posts for delivering mail originating outside of Canada) declined by $21 million (-29.2%). Inbound volume decreased as countries continue to shift away from the postal network into competitive commercial channels and low-cost competitors. Declines were further worsened by economic and trade uncertainty.
- **Other Parcels** revenue, which mostly comprises fees from the Customs Postal Import Program, decreased by $2 million (-12.4%) due to lower volumes of inbound postal items requiring customs and duties collection for which we receive an administration fee per piece.

Transaction Mail

Transaction Mail revenue and volumes increased by $223 million (+36.7%) and 42 million pieces (+8.6%), respectively, in Q1 2025, compared to Q1 2024. Details by product category were as follows:

- **Domestic Lettermail** revenue increased by $213 million (+37.0%) in Q1 2025 due to mailings for the Ontario provincial election and regulatory mailings, and volumes backlogged following the late 2024 labour disruption. Rate increases to Lettermail items, International Letter-post items, and special services and fees took effect in May 2024 and January 2025, also contributed to increases to revenue.
- **Outbound and Inbound Letter-post** revenue increased by $6 million (+33.6%) and $4 million (+30.3%), respectively, in Q1 2025 compared to 2024, due to pent-up demand following the labour disruption, as posts began accepting internationally destined mail. Outbound Letter-post revenue generated from domestic customers for mail destined to other posts, while Inbound Letter-post revenue is collected by other posts and shared with Canada Post for delivering mail in Canada.

Direct Marketing

Direct Marketing revenue increased by $11 million (+5.8%) on 69 million more pieces (+8.3%), in Q1 2025 compared to Q1 2024. Details by product category were as follows:

- **Personalized Mail™** revenue declined by $2 million (-0.3%), while early year growth following the labour disruption was offset by volume erosion caused by economic uncertainty. The value proposition of our service offering remains strong.
- **Neighbourhood Mail™** revenue increased by $7 million (+7.6%) in Q1 2025 from volume growth and business expansion.
- **Publications Mail** revenue and volumes were positively impacted by pent-up demand following the late 2024 labour disruption. Volumes for the remainder of 2025 are expected to decline as businesses lean toward digital subscriptions and campaigns.
- **Business Reply Mail™ and Other Mail products** increased due to more Direct Marketing mailings and higher sales of data products.

Consumer products and services

Consumer products and services revenue increased by $2 million (+5.1%) mainly due to logistics services for election mailings and mail forwarding, a service tied to the Canadian housing market. These increases were partially offset by declines in financial services and sales of coins.

Cost of operations

In Q1 2025, the Canada Post segment's cost of operations decreased by $68 million (-0.5%) compared to Q1 2024, mainly due to a decline in other operating costs, where transportation costs declined due to falling parcel volumes and non-capital investment costs were lower as we continue to refocus our 2025 investment priorities. Pressure in labour costs from wage increases and mail-volume surges after the labour disruption in late 2024 were mostly offset by two less paid days in Q1 2025 compared to the prior year. Employee benefits costs declined due to increases in the discount rate.

(in millions of dollars)

	Q1 2025	Q1 2024	$ change	% change	Explanation of significant variances
Labour	975	969	6	3.8%	Wage increases and post-strike mail volume surges mostly offset by two less paid days.
Employee benefits	289	295	(6)	(0.9)%	Strong asset returns and discount rate increase that decreased the non-cash pension expense.
Total labour and employee benefits	**1,264**	**1,264**	**–**	**(3.1)%**	
Non-labour collection, processing and delivery	312	352	(40)	(8.5)%	Lower transportation costs due to parcel volume declines.
Property, facilities and maintenance	72	75	(3)	(0.7)%	
Selling, administrative and IT	124	129	(5)	(4.0)%	Cost reduction initiatives in several areas.
Non-capital investment expense	35	56	(21)	(36.4)%	Adjusted focus on investment projects.
Total other operating costs	**543**	**612**	**(69)**	**(8.5)%**	
Depreciation and amortization	93	92	1	3.7%	
Total cost of operations	**1,900**	**1,968**	**(68)**	**(0.5)%**	

Investing and financing income (expense), net

In Q1 2025, net investing and financing income of $70 million decreased by $75 million (-51.8%) compared to Q1 2024. The prior year balance of $145 million included dividends received prior to the SCI divestiture. Dividend income was received from Purolator in Q1 for both presented periods. Dividends were eliminated on consolidation.

5.4 Purolator segment

The Purolator segment's profit before tax decreased by $20 million (-51.6%) in Q1 2025 compared to Q1 2024. Results of Livingston International (Livingston) were consolidated from January 31, 2025, the acquisition date, which impacts financial result comparisons to Q1 2024.

Summary of results

(in millions of dollars)

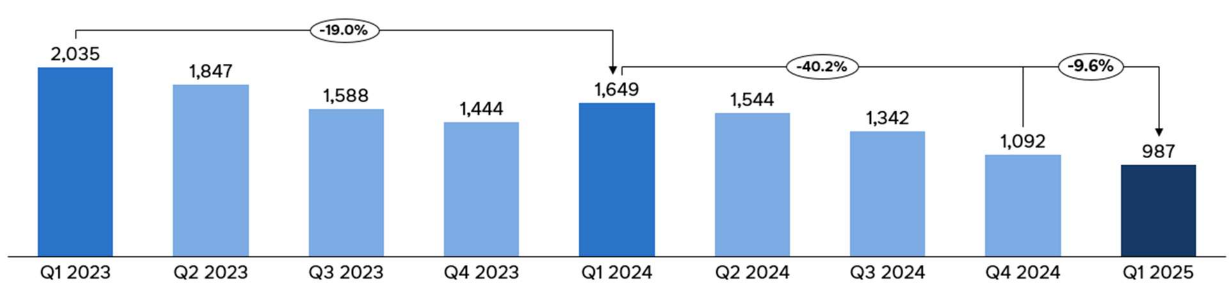
	Q1 2025	Q1 2024	$ change	% change	Explanation of significant variances
Revenue from operations	**724**	**623**	**101**	**18.3%**	Livingston acquisition and parcel volume growth.
Labour	294	234	60	29.9%	Livingston acquisition, inflation and higher parcel volumes.
Employee benefits	63	73	(10)	(11.8)%	
Other operating costs	287	254	33	16.6%	Livingston acquisition and parcel volume increases.
Depreciation and amortization	49	31	18	67.3%	Livingston acquisition and higher capital investments.
Cost of operations	**693**	**592**	**101**	**21.0%**	
Profit from operations	**31**	**31**	**–**	**0.6%**	
Investing and financing income (expense), net	(12)	8	(20)	(254.4)%	Interest expense on new debt.
Profit before tax	**19**	**39**	**(20)**	**(51.6)%**	

6. Liquidity and Capital Resources

A discussion of our cash flow, liquidity and capital resources.

6.1 Cash, cash equivalents and marketable securities

(in millions of dollars)

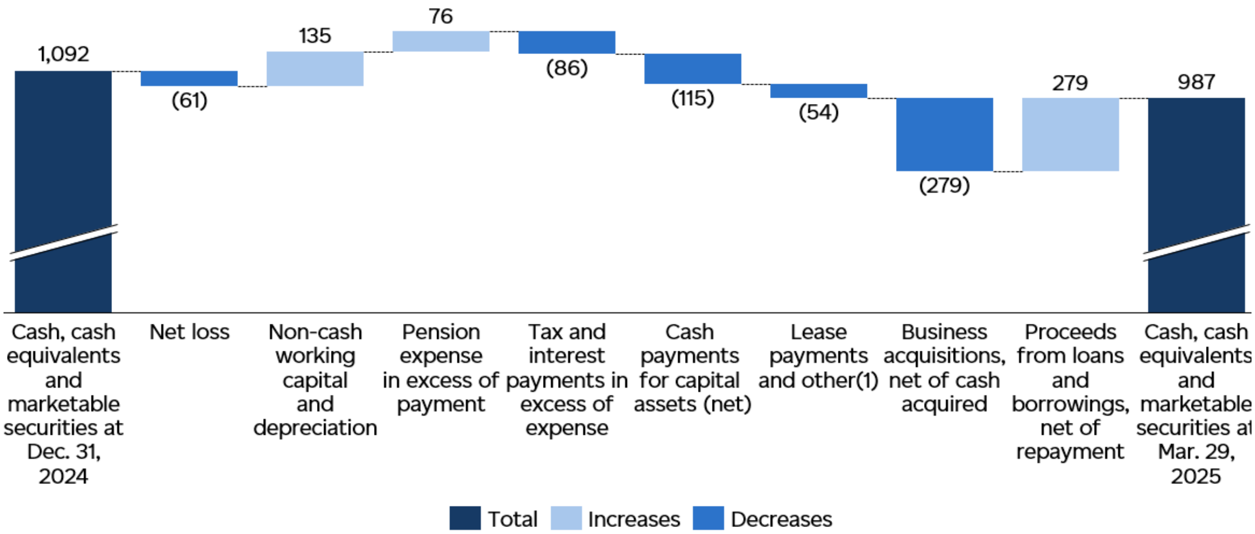


The Group held cash, cash equivalents and marketable securities of $987 million as at March 29, 2025, compared to $1,092 million as at December 31, 2024. The decrease of

$105 million (-9.6%) is due to cash payments for capital assets and operating losses in the Canada Post segment.

Change in cash, cash equivalents and marketable securities for Q1 2025

(in millions of dollars)



1. Includes the effect of foreign currency exchange rate changes on cash and cash equivalents.

The decrease in marketable securities of $205 million (-70.6%) and the increase in cash and cash equivalents of $100 million (+12.5%) are due to cash payments for capital assets and operating losses in the Canada Post segment. Purolator's acquisition of Livingston is offset by the proceeds from new credit facilities net of repayment.

Consolidated statement of cash flows

(in millions of dollars)

	Q1 2025	Q1 2024	$ change	% change	Explanation of significant variances
Cash provided by (used in) operating activities	64	(10)	74	+	Decrease in operating losses.
Cash (used in) provided by investing activities	(199)	29	(228)	+	Payments from Purolator's acquisition of Livingston and proceeds on the sale of SCI in 2024, partially offset by lower cash payments for capital assets.
Cash provided by (used in) financing activities	233	(35)	268	+	Proceeds from new credit facilities obtained by Purolator to finance its acquisition of Livingston.

\+ Large percentage change.

Capital expenditures

(in millions of dollars)*

	Q1 2025	Q1 2024	$ change	% change
Canada Post	18	62	(44)	(71.0)%
Purolator	30	52	(22)	(44.5)%
Canada Post Group of Companies	48	114	(66)	(58.8)%

* Capital expenditures include assets purchased but not yet paid for; they differ from the amount presented in the interim condensed consolidated financial statements.

Canada Post segment

(in millions of dollars)*

	Q1 2025	Q1 2024	$ change	% change
Capital expenditures	18	62	(44)	(71.0)%
Non-capital investment expense	35	56	(21)	(36.4)%
Total investment	**53**	**118**	**(65)**	**(55.6)%**

* Within one project, some costs due to their nature meet IFRS Accounting Standards' criteria to be capitalized as an asset to the interim condensed consolidated statement of financial position (capital investment), while others cannot, and must be expensed as other operating costs in the interim condensed consolidated statement of comprehensive income (non-capital investment expense).

In Q1 2025 compared to Q1 2024, Canada Post segment investments decreased with declines in capital and non-capital investments. While we are committed to the three pillars of our transformation plan over the longer term, we continued to adjust the focus of our investment projects in 2025 and prioritize investments that are required to remain competitive, provide excellent service to Canadians and ensure the safety of our employees. In Q1 2025 we focused on the following:

- Continued to upgrade our enterprise resource planning (ERP) system, bringing modernized technical platforms to various business processes.
- Maintained and replenished assets (i.e., replacing assets that have become obsolete), including street furniture, facilities and equipment.
- Improved the efficiency of our network.
- Modernized our applications, infrastructure, and customer-facing platforms.
- Invested in real estate greenhouse gas reduction initiatives.

6.2 Canada Post Corporation Registered Pension Plan

Funding status and solvency relief

At the end of the Q1 2025, the solvency surplus (using market value of plan assets) of the Canada Post Corporation Registered Pension Plan (RPP) was estimated at $2.3 billion, a decrease of almost $300 million compared to the 2024 year-end estimate, primarily due to a decrease in the discount rate used for solvency measurement, partially offset by higher-than-expected Q1 2025 asset returns. The most recent actuarial funding valuation for the RPP disclosed a going-concern surplus.

Remeasurements

On an accounting basis, a remeasurement gain of $99 million for the RPP, net of tax, was recorded in other comprehensive income, primarily due to higher-than-expected Q1 2025 asset returns.

Contributions

As the year-end funded position of the RPP exceeds legislative thresholds, Canada Post is not permitted to make employer current service contributions and no special solvency payments are required for 2025. Final actuarial valuation results may differ significantly from these estimates. The December 31, 2024, valuation will be filed in June 2025.

6.3 Liquidity and capital resources

Liquidity

Canada Post segment

The Canada Post segment had $837 million of unrestricted liquid investments on hand as at March 29, 2025, for a net liquidity position of negative -$161 million (2024 – negative -$180 million), after outstanding loans and borrowings of $998 million (2024 – $998 million). The increase in the segment's net liquidity position of $19 million is mainly due to operating cash flows. In July 2025, $500 million in Series 2 bonds will mature and create significant cash flow pressure. At March 29, 2025, accumulated funds and immediately accessible lines of credit are insufficient to meet contractual repayment terms through 2025. Short-term liquidity measures in the form of repayable government funding under section 31 of the *Canada Post Corporation Act* were approved by the Governor in Council on January 31, 2025. This repayable funding is required to prevent insolvency and ensure continuity of postal services through the Government of Canada's fiscal year ending March 31, 2026. The Corporation anticipates receiving such funding in mid-2025. The Corporation is carefully managing discretionary costs and investment spending to preserve cash. Refer to Note 2 (a) of Canada Post's interim condensed consolidated financial statements of Q1 2025 for judgments and estimates related to going concern.

Purolator segment

Purolator had a total of $149 million of unrestricted cash on hand and undrawn credit facilities of $355 million as at March 29, 2025, ensuring sufficient liquidity to support operations for at least the next 12 months.

Access to capital markets

The Group believes that arrangements detailed below provide it with sufficient and timely access to capital markets.

Canada Post segment

Pursuant to *Appropriation Act No. 4, 2009-10*, borrowing from other than the Government of Canada's Consolidated Revenue Fund is limited to $2.5 billion. In addition, pursuant to the *Canada Post Corporation Act*, the Canada Post segment may also borrow a maximum of $500 million from the Government of Canada's Consolidated Revenue Fund, which requires the approval of the Governor in Council and the Minister of Finance. Any additional borrowings must be within the limits of the approved borrowing plan, and their terms and conditions require approval from the Minister of Finance.

Pursuant to subsection 127(3) of the *Financial Administration Act*, the Minister of Finance approved the aggregate principal outstanding amount for all short-term borrowings in 2025 with a maturity of one year or less, which are not to exceed $600 million for the period ending December 31, 2025. Short-term borrowings may consist of a line of credit or the issuance of promissory notes that is not to exceed $100 million and additional short-term borrowing facilities for emergency cash management purposes that are not to exceed $500 million. Canada Post entered into credit agreements with financial institutions for short-term facilities totalling $595 million (December 31, 2024 - $47 million). At March 29, 2025, letters of credit of $19 million (December 31, 2024 - $19 million) were issued.

With $998 million of borrowings as at March 29, 2025, the Canada Post segment had $1,502 million of its $2.5 billion external borrowing limit available for use. The Corporation funded itself primarily through the use of cash on hand and funds generated from operations.

Purolator segment

Purolator remits customs duties and goods and services tax to government agencies on the customers' behalf and utilizes available cash balances, a $550 million revolving credit facility to fund these remittances and capital purchases while an additional $600 million term credit facility was used to fund the acquisition of Livingston.

7. Changes in Financial Position

A discussion of significant changes in our assets and liabilities between March 29, 2025, and December 31, 2024.

(in millions of dollars)

ASSETS	Mar. 29, 2025	Dec. 31, 2024	$ change	% change	Explanation of significant variances
Cash and cash equivalents	902	802	100	12.5%	Refer to Section 6 Liquidity and Capital Resources.
Marketable securities	85	290	(205)	(70.6)%	Maturities and decrease in purchases of marketable securities.
Trade, other receivables and contract assets	1,281	900	381	42.4%	Higher receivables in both segments, with a significant increase in Purolator's receivables due to the acquisition of Livingston International (Livingston).
Income tax receivable	2	2	–	–	
Other assets	169	139	30	21.3%	Higher prepaid expenses in the Purolator segment due to its acquisition of Livingston.
Total current assets	**2,439**	**2,133**	**306**	**14.4%**	
Property, plant and equipment	4,011	4,053	(42)	(1.0)%	Depreciation in excess of acquisitions in the Canada Post segment partially offset by Purolator's acquisition of Livingston.
Intangible assets	830	248	582	234.2%	Purolator's acquisition of Livingston.
Right-of-use assets	1,503	1,451	52	3.5%	New leases and lease renewals in the Canada Post segment and Purolator's acquisition of Livingston in excess of depreciation.
Segregated securities	343	337	6	2.0%	Unrealized gains in the Canada Post segment recorded in other comprehensive income.
Pension benefit assets	4,517	4,462	55	1.2%	Remeasurement gain in the Canada Post Registered Pension Plan (RPP).
Goodwill	626	161	465	288.0%	Purolator's acquisition of Livingston.
Other assets	61	61	–	(0.4)%	
Total non-current assets	**11,891**	**10,773**	**1,118**	**10.4%**	
Total assets	**14,330**	**12,906**	**1,424**	**11.0%**	

(in millions of dollars)

LIABILITIES	Mar. 29, 2025	Dec. 31, 2024	$ change	% change	Explanation of significant variances
Trade and other payables	1,328	830	498	59.9%	Purolator's acquisition of Livingston and timing in the Canada Post segment.
Salaries and benefits payable	595	537	58	10.9%	Increase in the Canada Post segment.
Loans and borrowings	721	500	221	44.2%	Debt obtained by Purolator to finance its acquisition of Livingston.
Provisions	68	68	–	(1.4)%	
Income tax payable	10	30	(20)	(66.9)%	Tax settlement related to the 2024 SCI divestiture partially offset by taxes payable in the Purolator segment from the acquisition of Livingston.
Deferred revenue	167	200	(33)	(16.6)%	Decrease in the Canada Post segment as backlogs are cleared following the labour disruption in late 2024.
Lease liabilities	106	100	6	6.7%	Purolator's acquisition of Livingston.
Other long-term benefit liabilities	53	54	(1)	–	
Total current liabilities	**3,048**	**2,319**	**729**	**31.5%**	
Lease liabilities	1,617	1,567	50	3.2%	New leases and lease renewals in the Canada Post segment and Purolator's acquisition of Livingston in excess of payments in all segments.
Loans and borrowings	1,067	498	569	114.1%	Debt obtained by Purolator to finance its acquisition of Livingston.
Pension, other post-employment and other long-term benefit liabilities	3,238	3,229	9	0.3%	Primarily Purolator's acquisition of Livingston.
Deferred tax liabilities	178	147	31	21.4%	Purolator's acquisition of Livingston partially offset by a decrease in deferred tax asset write-down in the Canada Post segment.
Other liabilities	54	46	8	11.1%	Purolator's acquisition of Livingston.
Total non-current liabilities	**6,154**	**5,487**	**667**	**12.1%**	
Total liabilities	**9,202**	**7,806**	**1,396**	**17.9%**	
EQUITY					
Contributed capital	1,155	1,155	–	–	
Accumulated other comprehensive income	10	5	5	123.8%	Unrealized gains on segregated securities for dental, term life, and death benefit plans in the Canada Post segment.
Retained earnings	3,880	3,849	31	0.7%	Remeasurement gains primarily resulting from higher-than-expected asset returns.
Equity of Canada	**5,045**	**5,009**	**36**	**0.8%**	
Non-controlling interests	83	91	(8)	(8.5)%	Dividend paid to non-controlling interests.
Total equity	**5,128**	**5,100**	**28**	**0.7%**	
Total liabilities and equity	**14,330**	**12,906**	**1,424**	**11.0%**	

8. Risks and Risk Management

An update of the key risks and uncertainties inherent in our business and our approach to managing these risks.

In the 2024 annual MD&A, we provided a detailed review of the risks that could materially affect our business. Except as noted below, there were no new developments in our emerging or principal risks in Q1 2025.

Regulatory risk

Canada Post has an obligation to operate on a financially self-sustaining basis, relying solely on revenue from products and services rather than taxpayer funding. Over the last several years, the Corporation has faced significant and growing operational losses and liquidity pressures. Canada Post operates in a highly competitive parcel industry, with traditional posts experiencing declining letter volumes. In addition to the short-term solutions and long-term strategic recommendations below, Canada Post's ability to invest in the future of the postal service and return to financial self-sustainability hinges on substantial modifications to its collective agreements and business framework.

Short term: Repayable government funding will allow the Corporation to address short-term liquidity needs. Funding is expected to be received in mid-2025 and is necessary to prevent insolvency and maintain postal services through March 31, 2026. Canada Post is also working toward increasing delivery flexibility to improve competitiveness.

Long term: The Corporation's early success as an ecommerce delivery leader eclipsed the fact that it was doing so with an operating, regulatory and policy structure built for mail delivery. Since the *Canada Post Corporation Act* was implemented in 1981, successive governments have introduced policy and regulatory changes that have tipped the balance toward greater restrictions on the Corporation. This restrictive regulatory and policy framework is now outdated, despite the ongoing decline of letter mail, changing demographics and growing competition in the parcel delivery business. We need flexibility in our regulatory and policy framework to better serve Canadians and compete in today's parcel delivery market. To meet the current and future needs of the country in a financially sustainable manner, Canada Post put forward the following recommendations at the Industrial Inquiry Commission:

- Initiate a timely and thorough **consultation and review of the *Canadian Postal Service Charter***, with a focus on updating service standards, delivery frequency and post office requirements.
- Update the process for calculating and implementing **regular letter mail price increases within a shorter timeline**, while ensuring proper consultation, government oversight and advance notice for customers.
- **Update or replace the moratorium on rural post office closures and conversions** with a modern policy framework that continues to protect rural service.

- **End the moratorium on community mailbox conversions**, which protects a costly, premium service for less than 25 per cent of Canadian addresses in established urban neighbourhoods. More than 70 per cent of addresses already receive delivery to a centralized location. For residential customers with functional limitations, Canada Post's delivery accommodation program offers a variety of accommodations to help them access packages and mail.

The end goal is a self-sustaining postal system that has the flexibility to adapt and serve all Canadians in every corner of the country, without burdening taxpayers.

Labour disruption

Complex collective agreements limit our ability to compete in a rapidly changing market, restricting changes to our delivery model and maintaining employee benefits, wages and leave provisions that exceed those of competitors. Despite more than a year of active negotiations with the Canadian Union of Postal Workers (CUPW) – including conciliation and special mediation – new collective agreements for CUPW's two bargaining units have yet to be reached. The existing collective agreements were extended until May 22, 2025.

In late 2024, the Minister of Labour appointed Commissioner William Kaplan to lead an Industrial Inquiry Commission to examine the current collective bargaining dispute as well as Canada Post's broader financial situation and competitiveness. Hearings were held through January and February 2025, but despite multiple sessions, no resolution was reached and Canada Post and CUPW have remained at an impasse. The Commission delivered its report to the Minister on May 15, 2025. Despite the impasse, Canada Post is committed to negotiating new collective agreements.

Tariff threats and economic uncertainty

The United States has announced consecutive series of tariffs – aimed at all major U.S. trading partners. While the situation is changing rapidly, an international trade war may have major economic impacts on Canada. An estimated 75% or more of Canada's exports go to the U.S. and are worth approximately 20% of Canada's gross domestic product (GDP). As a result of the U.S. tariffs, and Canadian counter-tariffs, economists expect that the Canadian economy will see higher inflation, higher unemployment and lower GDP, contrary to expectations.

While most ecommerce growth has historically resulted from consumer spending shifting from brick-and-mortar stores to online, we anticipate that any slowdown in the economy will have a corresponding impact in the parcel delivery market as consumer discretionary spending decreases. This impact is expected to be particularly significant for shipments to and from the U.S., where tariffs directly affect the cost of goods. It may also contribute to a growing "buy in

Canada" sentiment among Canadian consumers, potentially shifting demand toward domestic retailers. Additionally, business advertising spending would likely decrease during an economic slowdown, which may have an impact on Canada Post Smartmail Marketing™ results.

The likelihood, severity and duration of these risks are challenging to predict at this time, as is the efficacy of government and central bank interventions. Canada Post is carefully monitoring potential changes to the market and will adjust, as warranted. At this time, it is not possible to reliably estimate the impact of these risks on the financial results and condition of the Group in future periods.

9. Critical Accounting Policies and Estimates and Internal Controls

A review of critical accounting estimates and changes in accounting policies in Q1 2025 and future years.

9.1 Accounting policies

Information on Canada Post's accounting policies are provided in notes 2 and 3 of the unaudited interim condensed consolidated financial statements for Q1 2025.

9.2 Critical accounting judgments and estimates

The preparation of the Corporation's consolidated interim financial statements requires management to make complex or subjective judgments, estimates and assumptions based on existing knowledge that affect reported amounts and disclosures. Actual results may differ from the estimates and assumptions. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects current and future periods. Information on Canada Post's critical accounting estimates and judgments are provided in Note 4 of its 2024 audited consolidated financial statements. For Q1 2025, the most significant accounting judgments and estimates are related to going concern (Note 2 [a]).

9.3 Internal controls

For Q1 2025, there were no changes in internal control over financial reporting that materially affected, or were reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Management's Responsibility for Interim Financial Reporting

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

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

President and Chief Executive Officer

Chief Financial Officer

May 22, 2025

Interim Condensed Consolidated Statement of Financial Position

(Unaudited – in millions of Canadian dollars)

ASSETS	As at March 29, 2025	As at December 31, 2024
Current assets		
Cash and cash equivalents	**902**	802
Marketable securities	**85**	290
Trade, other receivables and contract assets	**1,281**	900
Income tax receivable	**2**	2
Other assets	**169**	139
Total current assets	**2,439**	2,133
Non-current assets		
Property, plant and equipment (Note 5)	**4,011**	4,053
Intangible assets (Note 5)	**830**	248
Right-of-use assets (Note 5)	**1,503**	1,451
Segregated securities	**343**	337
Pension benefit assets (Note 6)	**4,517**	4,462
Goodwill (Note 8)	**626**	161
Other assets	**61**	61
Total non-current assets	**11,891**	10,773
Total assets	**14,330**	12,906

LIABILITIES AND EQUITY	As at March 29, 2025	As at December 31, 2024
Current liabilities		
Trade and other payables, including government remittances	**1,328**	830
Salaries and benefits payable	**595**	537
Loans and borrowings (Note 10)	**721**	500
Provisions	**68**	68
Income tax payable	**10**	30
Deferred revenue	**167**	200
Lease liabilities (Note 9)	**106**	100
Other long-term benefit liabilities (Note 6)	**53**	54
Total current liabilities	**3,048**	2,319
Non-current liabilities		
Lease liabilities (Note 9)	**1,617**	1,567
Loans and borrowings (Note 10)	**1,067**	498
Pension, other post-employment and other long-term benefit liabilities (Note 6)	**3,238**	3,229
Deferred tax liabilities (Note 7)	**178**	147
Other liabilities	**54**	46
Total non-current liabilities	**6,154**	5,487
Total liabilities	**9,202**	7,806

LIABILITIES AND EQUITY	**As at March 29, 2025**	As at December 31, 2024
Equity		
Contributed capital	**1,155**	1,155
Accumulated other comprehensive income (Note 15)	**10**	5
Retained earnings	**3,880**	3,849
Equity of Canada	**5,045**	5,009
Non-controlling interests	**83**	91
Total equity	**5,128**	5,100
Total liabilities and equity	**14,330**	12,906

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

Interim Condensed Consolidated Statement of Comprehensive Income (Loss)

(Unaudited – in millions of Canadian dollars)

	For the 13 weeks ended March 29, 2025	For the 13 weeks ended March 30, 2024
Revenue from operations (Note 12)	**2,509**	2,404
Cost of operations		
Labour	**1,270**	1,254
Employee benefits	**351**	377
	1,621	1,631
Other operating costs (Note 13)	**826**	826
Depreciation and amortization (Note 5)	**142**	125
Total cost of operations	**2,589**	2,582
Loss from operations	**(80)**	(178)
Investing and financing income (expense)		
Gain on sale of disposal groups held for sale (Notes 14)	**–**	287
Investment and other income (Note 14)	**11**	23
Finance costs and other expense (Note 14)	**(33)**	(26)
Investing and financing income (expense), net	**(22)**	284
Profit (loss) before tax	**(102)**	106
Tax expense (recovery) (Note 7)	**(41)**	6
Net profit (loss)	**(61)**	100
Other comprehensive income (loss) (Note 15)		
Items that may subsequently be reclassified to net profit (loss)		
Change in unrealized fair value of financial assets	**2**	(7)
Foreign currency translation adjustment	**3**	–
Item never reclassified to net profit (loss)		
Remeasurements of defined benefit plans	**93**	674
Other comprehensive income	**98**	667
Comprehensive income	**37**	767
Net profit (loss) attributable to		
Government of Canada	**(62)**	98
Non-controlling interests	**1**	2
	(61)	100
Comprehensive income attributable to		
Government of Canada	**37**	761
Non-controlling interests	**–**	6
	37	767

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

Interim Condensed Consolidated Statement of Changes in Equity

(Unaudited – in millions of Canadian dollars)

For the 13 weeks ended March 29, 2025	Contributed capital	Accumulated other comprehensive income	Retained earnings	Equity of Canada	Non-controlling interests	Total equity
Balance at December 31, 2024	**1,155**	**5**	**3,849**	**5,009**	**91**	**5,100**
Net profit (loss)	**–**	**–**	**(62)**	**(62)**	**1**	**(61)**
Other comprehensive income (loss) (Note 15)	**–**	**5**	**93**	**98**	**–**	**98**
Comprehensive income	**–**	**5**	**31**	**36**	**1**	**37**
Transactions with shareholders – Dividend	**–**	**–**	**–**	**–**	**(9)**	**(9)**
Balance at March 29, 2025	**1,155**	**10**	**3,880**	**5,045**	**83**	**5,128**

For the 13 weeks ended March 30, 2024	Contributed capital	Accumulated other comprehensive income (loss)	Retained earnings	Equity of Canada	Non-controlling interests	Total equity
Balance at December 31, 2023	1,155	4	3,337	4,496	78	4,574
Net profit	–	–	98	98	2	100
Other comprehensive income (loss)	–	(8)	671	663	4	667
Comprehensive income (loss)	–	(8)	769	761	6	767
Transactions with shareholders - Dividend	–	–	–	–	(8)	(8)
Balance at March 30, 2024	1,155	(4)	4,106	5,257	76	5,333

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

Interim Condensed Consolidated Statement of Cash Flows

(Unaudited – in millions of Canadian dollars)

	For the 13 weeks ended March 29, 2025	For the 13 weeks ended March 30, 2024
Operating activities		
Net profit (loss)	**(61)**	100
Adjustments to reconcile net profit (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization (Note 5)	**142**	125
Pension, other post-employment and other long-term benefit expense (Note 6)	**137**	155
Pension, other post-employment and other long-term benefit payments (Note 6)	**(61)**	(59)
Gain on sale of disposal groups held for sale (Note 14)	**–**	(287)
Impairment loss (Note 14)	**–**	4
Tax (recovery) expense and other items affecting net income tax receivable (Note 7)	**(67)**	6
Net interest expense (Note 14)	**22**	2
Change in non-cash operating working capital:		
(Increase) decrease in trade and other receivables	**(102)**	70
Increase (decrease) in trade and other payables, including government remittances	**90**	(56)
Increase (decrease) in salaries and benefits payable and related provisions	**36**	(40)
(Decrease) increase in provisions	**(5)**	1
Net (increase) decrease in other non-cash operating working capital	**(31)**	4
Other income not affecting cash, net	**5**	(7)
Cash provided by operating activities before interest and tax	**105**	18
Interest received	**14**	21
Interest paid	**(37)**	(32)
Tax paid	**(18)**	(17)
Cash provided by (used in) operating activities	**64**	(10)
Investing activities		
Business acquisitions, net of cash acquired	**(279)**	–
Acquisition of securities	**(15)**	(322)
Proceeds from sale of securities	**211**	180
Cash payments for capital assets	**(115)**	(186)
Proceeds from the sale of capital assets and assets held for sale	**–**	2
Proceeds from the sale of disposal groups held for sale	**–**	356
Other investing activities, net	**(1)**	(1)
Cash (used in) provided by investing activities	**(199)**	29
Financing activities		
Repayment of loans and borrowings	**(676)**	–
Proceeds from loans and borrowings	**955**	–
Payments of lease liabilities	**(29)**	(28)
Dividend paid to non-controlling interests	**(9)**	(8)
Other financing activities, net	**(8)**	1
Cash provided by (used in) financing activities	**233**	(35)
Net increase (decrease) in cash and cash equivalents	**98**	(16)
Cash and cash equivalents, beginning of period	**802**	1,185
Effect of exchange rate changes on cash and cash equivalents	**2**	2
Cash and cash equivalents, end of period	**902**	1,171

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

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the 13 weeks ended March 29, 2025

1. Incorporation, Business Activities and Directives

In these notes to the interim condensed consolidated financial statements, the “Corporation,” “Canada Post,” and “Canada Post segment” means Canada Post Corporation, excluding its subsidiaries. The “Canada Post Group of Companies,” the “Group of Companies” or the “Group” collectively refer to Canada Post Corporation and its subsidiaries.

Established by the *Canada Post Corporation Act* in 1981, Canada Post Corporation (Corporation) is a Crown corporation included in Part I of Schedule III of the *Financial Administration Act* and is an agent of His Majesty. The Corporation’s head office is located at 2701 Riverside Drive, Ottawa, Ontario, Canada.

The Corporation operates a postal service for the collection, transmission and delivery of messages, information, funds and goods, both within Canada and between Canada and places outside Canada. While maintaining basic customary postal services, the *Canada Post Corporation Act* requires the Corporation to carry out its statutory objects, with regard to the need to conduct its operations on a self-sustaining financial basis, while providing a standard of service that will meet the needs of the people of Canada and that is similar with respect to communities of the same size.

Under the *Canada Post Corporation Act*, the Corporation has the sole and exclusive privilege (with some exceptions) of collecting, transmitting and delivering letters to the addressee thereof within Canada. The Corporation is also subject to directives issued pursuant to section 89 of the *Financial Administration Act* as described in Note 1 to the Corporation’s annual consolidated financial statements for the year ended December 31, 2024. There is no change to the status of these directives.

2. Basis of Presentation

Statement of compliance • The Corporation has prepared its unaudited interim condensed consolidated financial statements (interim financial statements) in compliance with IAS 34 “Interim Financial Reporting” of the IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), and the Treasury Board of Canada’s Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports. As permitted under this standard, these interim financial statements do not include all of the disclosures required for annual consolidated financial statements, and they should be read in conjunction with the Corporation’s audited consolidated financial statements for the year ended December 31, 2024. They were approved and authorized for issue by the Board of Directors May 22, 2025.

Basis of presentation • These interim financial statements have been prepared on a historical-cost basis, except as permitted by IFRS Accounting Standards as issued by the IASB and as otherwise indicated within these notes. Although the Corporation’s year end of December 31 matches the calendar year end, the Corporation’s quarter end dates do not necessarily coincide with calendar year quarters; instead, each of the Corporation’s quarters contains 13 weeks. The interim financial statements and notes to the interim financial statements are prepared for the 13-week period (first quarter or Q1) ended March 29, 2025 (comparative period ended March 30, 2024). Amounts are shown in millions of dollars, unless otherwise noted.

Functional and presentation currency • These interim financial statements are presented in Canadian dollars. The Canadian dollar is the functional currency of the Corporation.

Seasonality • The volume of the Corporation's consolidated operations has historically varied during the year, with the highest demand for services experienced over the holiday season during the fourth quarter of each year. For the first three quarters of the year, the level of demand typically declines on a steady basis, with the lowest demand for services occurring during the summer months in the third quarter. The consolidated operations include significant fixed costs, which do not vary in the short term with these changes in demand for services.

Material accounting policy information • Material accounting policy information used in these interim financial statements are disclosed in Note 3 of the Corporation's annual consolidated financial statements for the year ended December 31, 2024. The accounting policies have been applied consistently to all periods presented, unless otherwise indicated.

Basis of consolidation • These interim financial statements include the accounts of the Corporation and its subsidiaries, collectively referred to as the "Canada Post Group of Companies," the "Group of Companies" or the "Group." Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resulting gain or loss is recognized in profit or loss. Financial results by segment are included in Note 17.

Details of the Corporation's material subsidiaries are set out below:

				Proportion of ownership interest held directly or indirectly	
Name of subsidiary	**Principal activities**	**Country of incorporation**	**Place of operation**	**As at Dec. 31, 2024, and Q1 2025**	**As at Q1 2024**
Purolator Holdings Ltd.	Transportation and courier services	Canada	Canada and United States	91%	91%
SCI Group Inc.	Logistics and transportation services	Canada	Canada	–	–
Innovapost Inc.	IS/IT services	Canada	Canada	–	99%

Critical accounting judgments and key sources of estimation uncertainty • The preparation of the Corporation's interim financial statements requires management to make complex or subjective judgments, estimates and assumptions based on existing knowledge that affect reported amounts and disclosures in the interim financial statements and accompanying notes. Actual results may differ from the judgments, estimates and assumptions. It is reasonably possible that management's reassessments of these and other estimates and assumptions in the near term, as well as actual results, could require a material change in reported amounts and disclosures in the consolidated financial statements of future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if revisions affect only that period, or in the period of revision and future periods if revisions affect current and future periods. Critical judgments and key sources of estimation uncertainty are disclosed in Note 4 of the Corporation's annual consolidated financial statements for the year ended December 31, 2024. Except as noted below, there were no significant changes to these judgments or sources of estimation uncertainty in the 13 weeks ending March 29, 2025.

(a) **Going concern** – These consolidated financial statements have been prepared on a going-concern basis in compliance with IAS 34 as issued by the IASB, which assume that the Corporation will continue to be in operation for the foreseeable future and will be able to realize its assets and discharge liabilities and commitments in the normal course of business.

Since 2018, the Canada Post segment has experienced cumulative losses from operations of over $4.6 billion. These results have impacted the Corporation's net liquidity position. Cash and cash equivalents are depleting. In July 2025, the Series 2 bonds of $500 million will mature and create significant cash flow pressure. At March 29, 2025, accumulated funds and immediately accessible lines of credit were insufficient to meet contractual repayment terms; government funding is required for the Corporation to remain solvent through 2025. Recurring financial losses threaten the Corporation's ability to fulfill the objects set by the Government of Canada, which are to have regard to the need to conduct operations on a self-sustaining financial basis, while providing a standard of service that will meet the needs of the people of Canada.

The 2025-29 Corporate Plan (Plan) was submitted to the Minister responsible for the Corporation on October 28, 2024. The Treasury Board approved the Plan's first year (2025). The Plan presents the significant challenges the Corporation is facing as well as a proposal for short-term liquidity measures to provide the Corporation with the means to maintain cash solvency through the 2025 fiscal year, as follows:

- **Increase of 25% to regulated Lettermail™ rates.** In January 2025, Canada Post increased regulated rates for stamps, Lettermail items, International Letter-post items, and special services and fees, which will help mitigate the impact to revenue of volume declines expected in 2025.
- **Government cash injection up to $1.034 billion.** In accordance with section 31 of the *Canada Post Corporation Act*, Canada Post applied to receive amounts required to enable it to meet its operating and income charges, which are not sufficiently covered by its expected available revenues. The government approved repayable funding of up to $1.034 billion from April 1, 2025, to March 31, 2026. The memorandum of understanding (MOU) governing the terms and conditions of the funding was executed by Canada Post, the Department of Finance Canada, and Public Services and Procurement Canada. Authorization for the first payment to the

Corporation for the purposes referred to in section 31 of the *Canada Post Corporation Act* was received on April 29, 2025. All amounts placed at the disposal of the Corporation pursuant to section 31 are to be reimbursed to the Minister of Finance from the annual revenues of the Corporation in so far as such revenues are sufficient.

- **Additional short-term borrowing.** Pursuant to subsection 127(3) of the *Financial Administration Act*, the Minister of Finance approved the aggregate principal outstanding amount for all short-term borrowings with a maturity of one year or less, which are not to exceed $600 million for the period ending December 31, 2025. On January 31, 2025, Canada Post entered into credit agreements for short-term facilities with financial institutions totalling $595 million. Additional borrowing facilities may be obtained from the Crown or otherwise, if made available.

The Corporation believes that these short-term measures will provide the Corporation sufficient liquidity to support its operations through the Government of Canada fiscal year ending March 31, 2026. The Corporation's ability to achieve financial self-sustainability over the long term, however, will require changes to the operating structure, which involve extensive consultation, a review period and additional time to implement any identified measures.

Management has concluded that there are no material uncertainties casting significant doubt on the Corporation's ability to continue as a going concern for a period of at least, but not limited to, 12 months from the reporting date. These consolidated financial statements do not include any adjustments to the carrying value of the assets and liabilities, the reported revenues and expenses or the consolidated statement of financial position classifications that might be necessary if the Corporation were unable to obtain the necessary legislative support that would help provide financial stability. Refer to notes 10 and 11 for additional information about the Corporation's borrowing facilities, capital management and liquidity risk.

(b) **Tariff threats and potential economic uncertainty** – Ongoing tariff threats and economic uncertainty create challenges and risk for postal operations. Tariffs can lead to increased costs for imported and exported goods, which may reduce demand for shipping services as businesses and consumers seek to minimize expenses. Additionally, economic uncertainty can disrupt supply chains and lead to fluctuating mail and parcel volumes, creating volatility in revenue and operating costs. These factors may potentially lead to greater losses from operations, reduced operating cash flows, and adjustments in investment and operational strategies.

The duration and impact of these threats are unknown, as is the efficacy of government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Group in future periods.

3. Application of New and Revised International Financial Reporting Standards

(a) New standards, amendments and interpretations effective January 1, 2025

There were no new standards, amendments or interpretations issued by the IASB or the IFRS Interpretations Committee that required mandatory adoption in Q1 2025.

(b) Standards, amendments and interpretations not yet in effect

Other than those disclosed in Note 5 (b) of the Corporation's annual consolidated financial statements for the year ended December 31, 2024, there were no other new standards, amendments or interpretations issued that would have a possible effect on the Group in the future.

4. Business Combinations

On January 31, 2025, Purolator Holdings Ltd. acquired 100% of the voting shares of PE Longitude Holding Limited, PE Longitude II Limited and Longitude Holding Limited (the acquirees), which own and control Livingston International. Headquartered in Toronto, this trade-service firm and its subsidiaries are engaged in the business of providing customs solutions, global forwarding, global trade management and vehicle transportation services, primarily in North America.

The acquirees will become a wholly owned subsidiary of Purolator and will operate as a standalone business led by its existing leadership team managing its day-to-day operations. The acquisition is in support of Purolator's strategy to expand its international capabilities, enhance competitiveness and position Purolator as a Canadian-owned leader in the domestic and international freight, package and logistics market.

The business combination will be accounted for using the acquisition method. Management has established the preliminary purchase price allocation by taking into account all relevant information at the time of preparing these notes to the interim condensed consolidated financial statements. The purchase price allocation is due to be finalized after a due diligence period.

Details on assets acquired, liabilities assumed, and goodwill recorded are as follows (in millions):

	Purchase price allocation
Assets	
Cash and cash equivalents	**40**
Trade, other receivables and contract assets	**279**
Property, plant and equipment	26
Right-of-use assets	11
Intangible assets	594
Pension benefit assets	6
Other assets	67
Total assets	**1,023**
Liabilities	
Trade and other payables	106
Salaries and benefits payables	25
Deferred revenue	5
Provisions	4
Government remittances payable	374
Income tax payable	8
Lease liabilities	17
Loans and borrowings	564
Pension, other post-employment and other long-term benefit liabilities	6
Deferred tax liabilities	58
Other liabilities	2
Total liabilities	**1,169**
Identifiable net assets (liabilities) acquired	(146)
Goodwill (Note 8)	465
Purchase consideration transferred	**319**

The fair value of the receivables included in current assets approximated the gross contractual amount. The goodwill is attributable to the expected synergies from the acquisition. It will not be deductible for tax purposes.

Purolator measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable or unfavourable terms of the lease relative to market terms. Exited leases that were considered impaired were also adjusted.

Subsequent to closing, Purolator settled the assumed bank debt of $515 million and shareholder expenses of $37 million. The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of tangible and intangible assets.

The intangible assets of $594 million represent the estimated fair value of customer relationships identified as well as the fair value of the Livingston brand and was determined by discounting future economic benefits at a rate of return commensurate with the risk inherent in the investment.

From the acquisition date, Livingston contributed $82 million of revenue and $8 million to profit (loss) before tax for the Purolator segment. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been $123 million and profit (loss) before tax would have been $13 million.

5. Capital Assets

(a) Property, plant and equipment

(in millions)

	Land	Buildings	Leasehold improvements	Plant equipment	Vehicles	Sales counters, office furniture and equipment	Other equipment	Assets under development	**Total**
Cost									
December 31, 2024	484	2,720	425	1,467	1,210	220	1,438	220	8,184
Additions	–	2	–	1	1	4	10	17	35
Acquired through business combinations (Note 4)	1	5	2	–	5	13	–	–	26
Reclassified as held for sale	(15)	(1)	–	–	–	–	–	–	(16)
Retirements	–	(1)	–	–	–	–	–	–	(1)
Transfers	–	10	4	14	10	–	–	(38)	–
March 29, 2025	**470**	**2,735**	**431**	**1,482**	**1,226**	**237**	**1,448**	**199**	**8,228**
Accumulated depreciation									
December 31, 2024	–	1,470	282	888	621	152	718	–	4,131
Depreciation	–	16	6	22	24	4	16	–	88
Reclassified as held for sale	–	(1)	–	–	–	–	–	–	(1)
Retirements	–	–	–	–	(1)	–	–	–	(1)
March 29, 2025	**–**	**1,485**	**288**	**910**	**644**	**156**	**734**	**–**	**4,217**
Carrying amounts									
December 31, 2024	484	1,250	143	579	589	68	720	220	4,053
March 30, 2024	**470**	**1,250**	**143**	**572**	**582**	**81**	**714**	**199**	**4,011**

(b) Intangible assets

(in millions)

	Software	Software under development	Customer contracts and brand	Total
Cost				
December 31, 2024	882	63	11	956
Additions	–	13	–	13
Acquired through business combinations (Note 4)	–	–	594	594
Transfers	21	(21)	–	–
March 29, 2025	**903**	**55**	**605**	**1,563**
Accumulated amortization				
December 31, 2024	706	–	2	708
Amortization	17	–	8	25
March 29, 2025	**723**	**–**	**10**	**733**
Carrying amounts				
December 31, 2024	176	63	9	248
March 29, 2025	**180**	**55**	**595**	**830**

(c) Right-of-use assets

(in millions)

	Land	Buildings – gross	Buildings – net	Vehicles	Plant equipment	Total
Carrying amounts						
December 31, 2024	169	327	948	1	6	1,451
Additions	–	13	58	–	1	72
Acquired through business combinations (Note 4)	–	–	11	–	–	11
Depreciation	(1)	(7)	(20)	–	(1)	(29)
Terminations	(1)	–	(1)	–	–	(2)
March 29, 2025	**167**	**333**	**996**	**1**	**6**	**1,503**

6. Pension, Other Post-employment and Other Long-term Benefit Plans

(a) Net defined benefit asset/liability

The net defined benefit asset/liability was recognized and presented in the interim statement of financial position as follows:

(in millions)

	As at March 29, 2025	As at December 31, 2024
Pension benefit assets	**4,517**	4,462
Other post-employment and other long-term benefit liabilities	3,291	3,283
Current other long-term benefit liabilities	**53**	54
Non-current pension, other post-employment and other long-term benefit liabilities	**3,238**	3,229

(b) Defined benefit and defined contribution costs

The defined benefit and defined contribution cost components recognized in the interim statement of comprehensive income were as follows:

(in millions)

			Q1 2025			Q1 2024
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	112	21	133	119	22	141
Interest cost	310	35	345	325	36	361
Interest income on plan assets	(358)	–	(358)	(365)	–	(365)
Other administration costs	4	–	4	5	–	5
Defined benefit expense	68	56	124	84	58	142
Defined contribution expense	13	–	13	13	–	13
Total expense	81	56	137	97	58	155
Return on segregated securities	–	(3)	(3)	–	(4)	(4)
Component included in employee benefits expense	**81**	**53**	**134**	97	54	151
Remeasurement gains:						
Return on plan assets, excluding interest income on plan assets	(83)	–	(83)	(16)	–	(16)
Actuarial gains	(35)	(5)	(40)	(804)	(78)	(882)
Component included in other comprehensive income[1,2]	**(118)**	**(5)**	**(123)**	(820)	(78)	(898)

1. Amounts presented in this table exclude income tax expense of $30 million for Q1 2025 (Q1 2024 – tax expense of $224 million).
2. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at Q1 2025 was 4.72% and 4.76%, compared to 4.71% and 4.73%, respectively, at Q4 2024, and 4.86% at Q1 2024, compared to 4.64% at Q4 2023.

(c) Total cash payments and funding relief

Total cash payments for pension, other post-employment and other long-term benefits for the Group of Companies were as follows:

(in millions)

	Q1 2025	Q1 2024
Cash payments for defined benefit plans	48	46
Contributions to defined contribution plans	13	13
Total cash payments	**61**	59

The estimates for the Group of Companies' total contributions to the defined benefit pension plans in 2025 did not change significantly from those disclosed in the Corporation's audited consolidated financial statements for the year ended December 31, 2024.

7. Income Taxes

The Corporation is a prescribed Crown corporation for tax purposes and, as such, is subject to federal income taxation under the *Income Tax Act*. The Corporation's subsidiaries are subject to federal and provincial income taxes.

The sources of the temporary differences giving rise to net deferred tax assets (liabilities), affecting net loss and other comprehensive income (loss), were unchanged from December 31, 2024.

As presented in the consolidated statement of financial position (in millions):

	As at March 29, 2025	As at December 31, 2024
Deferred tax assets	–	–
Deferred tax liabilities	178	147
Net deferred tax liabilities	**(178)**	(147)

While the Corporation is in a net deferred tax liability position, recognition of deferred tax assets is based on management's assessment of all available evidence, such as the reversal of existing taxable temporary differences, which suggests that realizing deferred tax assets is probable. For Q1 2025, management concluded that there is insufficient evidence to support recognition of certain deferred tax assets due to insufficient taxable temporary differences expected to reverse in the same period as the expected reversal of the deductible temporary difference. A history of recurring financial losses was also considered. This assessment adjusted the total reduction of the deferred tax asset (netted with deferred tax liabilities) to $181 million (December 31, 2024 – $203 million), which represents management's best estimate of future results and the probability of future recoverability of the deferred tax assets. This does not result in an immediate cash outflow nor does it affect the Group of Companies' immediate liquidity position. The Corporation has not recognized a deferred tax asset relating to deductible temporary differences of $724 million (December 31, 2024 – $812 million).

The major components of tax expense (recovery) were as follows (in millions):

	Q1 2025	Q1 2024
Current tax expense	16	45
Deferred tax recovery relating to origination and reversal of temporary differences	(35)	(24)
Deferred tax expense relating to the reversal of the deferred tax asset write-down	(22)	(15)
Tax expense (recovery)	**(41)**	6

The tax expense (recovery) differed from the amount that would be computed by applying the Corporation's federal statutory income tax rate of 25% (2024 – 25%) to profit (loss) before tax. The reasons for the differences were as follows (in millions):

	Q1 2025	Q1 2024
Profit (loss) before tax	(102)	106
Federal tax at Corporation's statutory rate	(25)	27
Subsidiaries' provincial tax less federal tax abatement	(17)	5
Divestiture of SCI	–	(44)
Deferred tax expense relating to the reversal of the deferred tax asset write-down	(22)	(15)
Other	23	33
Tax expense (recovery)	**(41)**	6

8. Goodwill

The carrying amounts of goodwill for the Purolator segment was as follows (in millions):

	As at March 29, 2025	As at December 31, 2024
Balance, beginning of the year	161	161
Goodwill, acquired during the year (Note 4)	465	–
Balance, end of the year	**626**	161

Goodwill impairment testing

Impairment testing for goodwill is carried out annually for both cash generating units. The recoverable amount was estimated based on its value in use and was determined to be higher than its carrying value. No impairment was recognized in the current or prior year.

9. Lease Liabilities

(a) Lease liabilities

(in millions)

	As at March 29, 2025	As at December 31, 2024
Maturity analysis – contractual undiscounted cash flows[1,2]		
Less than one year	**161**	155
One to five years	**695**	587
More than five years	**1,530**	1,619
Total undiscounted lease liabilities	**2,386**	2,361
Lease liabilities in the consolidated statement of financial position	**1,723**	1,667
Current lease liabilities	**106**	100
Non-current lease liabilities	**1,617**	1,567

1. Included in the above table are lease payments (undiscounted cash flows) to be made to related parties in the normal course of business, in the amount of $34 million for premises used in postal operations (December 31, 2024 – $35 million).
2. Leases that have not yet commenced, but which have been committed to at March 29, 2025, have future cash outflows of $20 million that are included in the above maturity analysis, but they are excluded from the measurement of lease liabilities (December 31, 2024 – $73 million).

(b) Changes in liabilities arising from financing activities

(in millions)

	December 31, 2024	Acquired through business combinations (Note 4)	Payments	Interest	Net lease additions	March 29, 2025
Lease liabilities	1,667	17	(39)	10	68	**1,723**

10. Loans and Borrowings

(in millions)

	As at March 29, 2025		As at December 31, 2024	
	Fair value[1]	Carrying value	Fair value	Carrying value
Canada Post				
Series 2 bonds maturing July 2025, interest at 4.08%, payable semi-annually on January 16 and July 16[2]	502	500	503	500
Series 1 bonds maturing July 2040, interest at 4.36%, payable semi-annually on January 16 and July 16[2]	524	498	515	498
Total – Canada Post Segment	1,026	998	1,018	998
Purolator[3]				
Revolving credit facility, maturing in May 2025, interest at 5.44%, payable at end of term[4,5]	100	100	–	–
Revolving credit facility, open term, variable interest at 6.20%, payable monthly[4,5]	95	95	–	–
Promissory notes	6	6	–	–
Term loan maturing in January 2029, interest at 5.44%, quarterly repayments (starting Q3 2025) ranging from 1.25% to 1.875% of the original balance[4]	589	589	–	–
Total – Purolator Segment	790	790	–	–
Total loans and borrowings	**1,816**	**1,788**	1,018	998
Current	**723**	**721**	503	500
Non-current	**1,093**	**1,067**	515	498

1. The estimated fair values disclosed for loans and borrowing are categorized as level 2 in the fair value hierarchy and are applied on a recurring basis. There were no transfers between the levels of the fair value hierarchy.

2. The Corporation has a right of redemption prior to maturity at a premium to fair value. Bonds constitute direct, unconditional and unsecured obligations of the Corporation and direct, unconditional obligations of the Government of Canada. Fair value approximates carrying value.

3. The fair value of Purolator's loans and borrowings approximates their carrying value as all loans were issued in Q1 2025 and are based on current market terms.

4. Facilities have financial covenants based on net total funded debt/EBITDA and debt service coverage ratios as defined in the credit agreement, as well as other financial reporting requirements. Purolator is in compliance with all covenants. Facilities are guaranteed by Purolator's material subsidiaries and secured by a first ranking lien against all of Purolator's assets and interest in all shares of capital stock, including those of all material subsidiaries.

5. Purolator remits customs duties and goods and services tax to government agencies on the customers' behalf. Purolator primarily utilizes available cash balances and the revolving term credit facility to fund these remittances. The revolving credit facility is typically repaid in full within the same month as the associated accounts receivable are collected. In addition, Purolator utilizes the revolving term credit facility to fund capital purchases and other cash flow requirements during the year, which included costs relating to the acquisition of Livingston in Q1 2025. Purolator has access to one revolving credit facility (with two components) totalling $550 million ($355 million undrawn).

Additional information regarding the Group's externally imposed capital requirements and borrowing capacity is disclosed in Note 11.

11. Capital Management and Liquidity Risk

The Corporation is exposed to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and commodity risk), credit risk and liquidity risk. Risk management for investment activities, including management of capital and borrowing is carried out by the Corporate Treasury function under policies approved by the Board of Directors. Except as noted below, the significance of these items has not changed materially since the end of the last reporting period.

(a) Capital management

The Corporation is subject to the *Canada Post Corporation Act* and the *Financial Administration Act* (Acts) and any directives issued pursuant to the Acts. The Acts affect how the Corporation manages its capital by, among other things, setting broad objectives for the Corporation. Specifically, while maintaining basic postal service and in carrying out its objectives, the Corporation must have regard for the need to conduct its operations on a self-sustaining financial basis, while providing a standard of service that meets the needs of the people of Canada.

The Corporation views capital as the sum of loans and borrowings, other liabilities (non-current) and equity of Canada. This definition of capital is used by management and may not be comparable to measures presented by other postal organizations or public companies.

The equity of Canada was in a surplus position of $5,045 million at March 29, 2025 (December 31, 2024 – $5,009 million). The increase was attributable to remeasurement gains of defined benefit plans, which are recognized in other comprehensive income and included immediately in retained earnings, partially offset by the net loss in Q1 2025.

The Corporation's objectives in managing capital are as follows:

- Provide sufficient liquidity to support and repay its financial obligations and support its operating and strategic plans.
- Safeguard the Corporation's ability to continue as a going concern.
- Maintain financial capacity and access to credit facilities to support future development of the business.

These objectives and their related strategies are reviewed and approved each year by the Board of Directors through the annual Corporate Plan, which is then forwarded for Treasury Board approval. The first year of the Corporation's 2025-29 Corporate Plan was approved by the Treasury Board in November 2024. This Corporate Plan presented the significant challenges the Corporation is facing with recurring financial losses and a deteriorating liquidity position.

(b) Borrowing and credit facilities

Pursuant to the *Financial Administration Act*, Part X, the Corporation must indicate its intention to borrow money in the annual Corporate Plan, or in an amendment thereto, both of which are subject to the approval of the Corporation's Board of Directors and the Treasury Board. In addition, the detailed terms and conditions of any specific borrowing transaction must be approved by the Minister of Finance.

The Corporation's borrowing limit, other than from the Crown, is authorized pursuant to *Appropriation Act No. 4, 2009-10*, for an aggregate outstanding amount not exceeding $2.5 billion, in accordance with the terms and conditions approved by the Minister of Finance. Lease liabilities are not considered toward this limit. The *Canada Post Corporation Act* provides a maximum borrowing limit of $500 million from the Government of Canada's Consolidated Revenue Fund (with the approval of the Governor in Council and the Minister of Finance) and for the establishment of a share capital structure, giving the Corporation the ability to raise funds through the issuance of shares to the Government of Canada and to the Corporation's employees. No such shares have been issued. The Corporation is not subject to any externally imposed capital requirements.

Pursuant to subsection 127(3) of the *Financial Administration Act*, the Minister of Finance approved the aggregate principal outstanding amount for all short-term borrowings with a maturity of one year or less, which are not to exceed $600 million for the period ending December 31, 2025. Short-term borrowings may consist of a line of credit or the issuance of promissory notes that is not to exceed $100 million and additional short-term borrowing facilities for emergency cash management purposes that are not to exceed $500 million. Additional facilities may consist of borrowing from the Crown or otherwise, if made available. Canada Post entered into credit agreements with financial institutions for short-term facilities totalling $595 million (December 31, 2024 – $47 million). At March 29, 2025, letters of credit of $19 million (December 31, 2024 – $19 million) were issued.

(c) Liquidity risk

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining adequate cash reserves, banking facilities and reserve-borrowing facilities, by monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus cash is invested into a range of short-term money market securities. Investments are in high-credit quality government or corporate securities, in accordance with policies approved by the Board of Directors.

As at March 29, 2025, the Canada Post segment had $837 million of unrestricted liquid investments on hand (December 31, 2024 – $818 million), for a net liquidity position of negative $161 million (December 31, 2024 – negative $180 million), after outstanding loans and borrowings of $998 million (December 31, 2024 – $998 million). The Corporation's cash resources have been depleted significantly since 2018 due to operating losses and significant costs associated with expanding capacity and maintaining the network. A debt of $500 million maturing in July 2025 will create significant cash flow pressure. Government funding is required to remain solvent. Refer to Note 2 (a) for additional information and management's conclusion on the Corporation's ability to continue as a going concern.

12. Disaggregation of Revenue

(a) Geographic area revenue

Revenue reported is, for the Corporation, based on the location of the foreign postal administration or the customer hiring the service, and based on the product group (determined by destination) for the Purolator segment. Individual foreign countries that are sources of material revenue are reported separately. The Group has no significant assets located outside of Canada. All intersegment revenue is domestic; therefore, revenue for geographic areas is reported net of intersegment revenue (in millions):

	Q1 2025	Q1 2024
Canada	2,385	2,306
United States	78	61
Rest of the world	46	37
Total revenue	**2,509**	2,404

(b) Products and services revenue

Revenue reported for products and services is based on information available at the time of sale, such that stamps and meter revenue are reported separately, rather than being attributed to the lines of business (in millions).

	Q1 2025			Q1 2024		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Revenue attributed to products and services						
Parcels	1,257	(4)	1,253	1,480	(25)	1,455
Transaction Mail	699	–	699	495	–	495
Direct Marketing	256	–	256	246	–	246
Consumer products and services	47	–	47	54	–	54
Customs brokerage	53	–	53	–	–	–
Global forwarding and other	29	–	29	–	–	–
	2,341	**(4)**	**2,337**	2,275	(25)	2,250
Unattributed revenue						
Stamp postage	65	–	65	63	–	63
Meter postage	107	–	107	91	–	91
	172	**–**	**172**	154	–	154
IT services[1]	**–**	**–**	**–**	84	(84)	–
Total	**2,513**	**(4)**	**2,509**	2,513	(109)	2,404

1. IT services provided by Innovapost were consolidated through April 15, 2024, the date of divestiture when control was transferred to the acquirer. IT services revenue (formerly “Other”) was reclassified to conform to current year presentation due to the divestiture of the IT business unit in 2024.

(c) Sales channel revenue

Sales channel revenue is reported for domestic revenue from commercial customers and for domestic retail from sales to consumers. International revenue includes revenue from the United States and the rest of the world as defined in Note 11 (a). Through April 15, 2024, the date of divestiture, revenue earned by Innovapost, the information technology (IT) business unit, was eliminated on consolidation (in millions):

(in millions)

	Q1 2025			Q1 2024		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic						
Commercial	1,800	(4)	1,796	1,770[1]	(25)	1,745
Retail	589	–	589	561	–	561
	2,389	(4)	2,385	2,331	(25)	2,306
International	124	–	124	98	–	98
IT services	–	–	–	84[1]	(84)	–
Total	**2,513**	**(4)**	**2,509**	2,513	(109)	2,404

1. Foreign exchange gains of $1 million were reclassified within sales channels from IT services (formerly “Other”) to commercial, to conform to current year presentation due to the divestiture of the IT business unit in 2024.

13. Other Operating Costs

(in millions)

	Q1 2025	Q1 2024
Non-labour collection, processing and delivery	504	525
Property, facilities and maintenance	90	99
Selling, administrative and IT	198	146
Non-capital investment expense	34	56
Other operating costs	**826**	826

14. Investing and Financing Income (Expense)

(in millions)

	Q1 2025	Q1 2024
Gain on sale of disposal groups held for sale	–	287
Interest income	10	20
Other Income	1	3
Investment and other income	**11**	23
Interest expense	(32)	(22)
Other expense	(1)	(4)
Finance costs and other expense	**(33)**	(26)
Investing and financing (expense) income, net	**(22)**	284

15. Other Comprehensive Income

(in millions)

	Items that may subsequently be reclassified to net profit (loss)			Item never reclassified to net profit (loss)	
	Change in unrealized fair value of financial assets	Cumulative foreign currency adjustment	Accumulated other comprehensive income (loss)	Remeasurements of defined benefit plans	Other comprehensive income (loss)
Accumulated balance as at December 31, 2024	(1)	6	5		
Gains (losses) arising	3	3	6	123	129
Income taxes	(1)	–	(1)	(30)	(31)
Net	**2**	**3**	**5**	**93**	**98**
Accumulated balance as at March 29, 2025	**1**	**9**	**10**		

16. Related Party Transactions

The Corporation is wholly owned by the Government of Canada and is under common control with other government agencies and departments, and Crown corporations. The Group of Companies had the following transactions with related parties in addition to those disclosed elsewhere in these interim financial statements:

(a) Government of Canada, its agencies and other Crown corporations

(in millions)

	Q1 2025	Q1 2024
Related party revenue	**103**	90
Compensation payments for programs		
Government mail and mailing of materials for persons who are blind	**6**	6
Payments from related parties for premises leased from the Corporation	**2**	2
Related party expenditures	**2**	3

The majority of the related party revenue was for commercial contracts relating to postal services with the Government of Canada. As well, compensation was provided by the Government of Canada for parliamentary mail services and mailing of materials for persons who are blind sent free of postage. For related party lease information, refer to Note 8 (a).

The amounts due to and from related parties included in the interim condensed statement of financial position were as follows (in millions):

	As at March 29, 2025	As at December 31, 2024
Due to/from related parties		
Included in trade and other receivables	**31**	17
Included in trade and other payables	**22**	9
Deferred revenue from related parties	**3**	1

(b) Transactions with entities in which key management personnel of the Canada Post Group of Companies have control or joint control

In the normal course of business, the Group of Companies may interact with companies whose financial and operating policies are solely or jointly governed by key management personnel (KMP) of the Group of Companies. The affected KMP are required to recuse themselves from all discussions and decisions relating to transactions between the companies. The only significant transactions for Q1 2025 were between Purolator and a company controlled by one of the Group of Companies' KMP, who is a director and also a minority shareholder of Purolator. This company provided air services to Purolator in the amount of $3 million (Q1 2024 – $3 million). These transactions had been made at prices and terms comparable to those given to other suppliers of Purolator.

(c) Transactions with the Corporation's pension plans

During Q1 2025, the Corporation provided administration services to the Canada Post Corporation Registered Pension Plan in the amount of $5 million (Q1 2024 – $5 million). At Q1 2025, $5 million (December 31, 2024 – $7 million) relating to transactions with the Registered Pension Plan is outstanding and included in trade and other receivables. Cash payments, including contributions to the defined benefit plans and defined contribution plans for the Group of Companies, are disclosed in Note 6 (c).

17. Segmented Information

Operating segments • The accounting policies of the operating segments are the same as those of the Group of Companies. Intersegment transactions have terms and conditions comparable to those offered in the marketplace. Until April 15, 2024, Innovapost, the information technology (IT) business unit, delivered shared services within the Group on a cost-recovery basis. On a consolidated basis, no external customer's purchases account for more than 10% of total revenue.

As at March 29, 2025, and for Q1 2025
(in millions)

	Canada Post	Purolator[1]	Consolidation entries and eliminations	Total
Revenue from external customers	1,783	726	–	2,509
Intersegment revenue	6	(2)	(4)	–
Revenue from operations	1,789	724	(4)	2,509
Labour and employee benefits	1,264	357	–	1,621
Other operating costs	543	287	(4)	826
Depreciation and amortization	93	49	–	142
Cost of operations	1,900	693	(4)	2,589
Profit (loss) from operations	(111)	31	–	(80)
Investment and other income	89	2	(80)	11
Finance costs and other expense	(19)	(14)	–	(33)
Profit (loss) before tax	(41)	19	(80)	(102)
Tax expense (recovery)	(52)	11	–	(41)
Net profit (loss)	11	8	(80)	(61)
Total assets	10,661	3,916	(247)	14,330
Total liabilities	6,726	2,488	(12)	9,202

1. Results for Livingston were consolidated in the Purolator segment from the acquisition date of January 31, 2025.

As at March 30, 2024, and for Q1 2024
(in millions)

	Canada Post	Purolator	SCI[1]	Consolidation entries and eliminations[2]	Total
Revenue from external customers	1,737	614	53	–	2,404
Intersegment revenue	10	9	6	(25)	–
Revenue from operations	1,747	623	59	(25)	2,404
Labour and employee benefits	1,264	307	27	33	1,631
Other operating costs	612	254	22	(62)	826
Depreciation and amortization	92	31	9	(7)	125
Cost of operations	1,968	592	58	(36)	2,582
Profit (loss) from operations	(221)	31	1	11	(178)
Investment and other income	166	12	–	132	310
Finance costs and other expense	(21)	(4)	(1)	–	(26)
Profit (loss) before tax	(76)	39	–	143	106
Tax expense (recovery)	(34)	12	–	28	6
Net profit (loss)	(42)	27	–	115	100
Total assets	11,078	2,167	–	(266)	12,979
Total liabilities	7,066	876	–	(296)	7,646

1. Results for SCI were consolidated through March 1, 2024, the date of divestiture when control was transferred to the acquirer.

2. Intercompany dividends are eliminated on consolidation.

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For more information, visit **Canada Post website**.

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