



2026

Canada Post Corporation

—
First Quarter
FINANCIAL REPORT

For the period ended April 4, 2026

Financial Performance

CONTENTS

Management's Discussion and Analysis

Forward-looking statements	3
1. Executive Summary	3
2. Core Businesses and Strategy	10
3. Key Performance Indicators	12
4. Capabilities	14
5. Discussion of Operations	17
6. Liquidity and Capital Resources	24
7. Changes in Financial Position	28
8. Risks and Risk Management	30
9. Critical Accounting Policies and Estimates and Internal Controls	31

Unaudited Interim Condensed Consolidated Financial Statements

Management's Responsibility for Interim Financial Reporting	32
Interim Condensed Consolidated Statement of Financial Position	33
Interim Condensed Consolidated Statement of Comprehensive Income (Loss)	35
Interim Condensed Consolidated Statement of Changes in Equity	36
Interim Condensed Consolidated Statement of Cash Flows	37
Notes to Unaudited Interim Condensed Consolidated Financial Statements	38

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 April 4, 2026, 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 reviews operating results, makes decisions about resource allocation and assesses performance.

Two reportable operating segments were identified at April 4, 2026: Canada Post and Purolator. Consolidation entries and intersegment balance eliminations are presented separately.

Name of subsidiary	Principal activity	Place of incorporation	Place of operation	Proportion of ownership interest held directly or indirectly
				As at Q1 2026 and Dec. 31, 2025
Purolator Holdings Ltd. ¹	Courier and parcel delivery, freight and logistics, customs brokerage and global trade consulting services	Canada	Canada and United States	91%

1. Inclusive of its 100% ownership of Livingston International Inc. (Livingston). Livingston is a material subsidiary of Purolator Holdings Ltd.

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 2026 compared to Q1 2025. 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	Q1 2026 business days	Q1 2026 paid days
Canada Post Group of Companies and Canada Post	3	4
Purolator	3	4

This discussion should be read in conjunction with the unaudited condensed consolidated financial statements (interim financial statements) for Q1 2026, 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, 2025.

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 subsidiary, 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 28, 2026.

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 the 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 28, 2026, 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 2026 financial results

Canada Post is a federal Crown corporation, reporting to Parliament through the Minister of Government Transformation, Public Services and Procurement. 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 has regard to the need to conduct operations on a self-sustaining financial basis.

Canada Post continues to operate in a structurally challenging environment marked by declining letter mail volumes, intensified parcel competition and ongoing financial losses. In Q1 2026, the Canada Post segment recorded continued operating losses, reinforcing the need for external financial support and accelerated transformation.



Segment results

In Q1 2026, compared to the same period in 2025, significantly higher losses in the Canada Post segment were partially offset by higher profits in the Purolator segment. Additional details and drivers are discussed in section 5 Discussion of Operations.

Profit (loss) from operations

(in millions of dollars)

	Q1 2026	Q1 2025	\$ change	% change
Canada Post	(273)	(111)	(162)	(147.2)%
Purolator	36	31	5	17.5%
Canada Post Group of Companies	(237)	(80)	(157)	(197.9)%

Profit (loss) before tax

(in millions of dollars)

	Q1 2026	Q1 2025	\$ change	% change
Canada Post	(205)	(41)	(164)	+
Purolator	23	19	4	19.8%
Consolidation entries and eliminations	(69)	(80)	11	13.8%
Canada Post Group of Companies	(251)	(102)	(149)	(146.6)%

+ Large percentage change



Canada Post segment



Financial and business highlights – Q1 2026

Financial support required to continue as a going concern

Since 2018, the Canada Post segment has experienced cumulative losses from operations of over \$6.4 billion and cumulative losses before tax of over \$5.4 billion. The Corporation's ability to continue as a going concern remains dependent on access to government funding and

short-term financing facilities. In January 2026, the Government of Canada approved access to up to \$1.008 billion in additional repayable funding, of which \$335 million was received in Q1 2026, bringing total funding received to \$1.369 billion. The Corporation also has access to short-term financing facilities of up to \$595 million, substantially undrawn at quarter's end. Continued access to these funding sources is required to maintain solvency over the next 12 months.

An imperative to transform

Structural declines in letter mail volumes and sustained growth in ecommerce require Canada Post to adopt a seven-day-a-week parcel delivery model, while continuing to meet its universal service obligation. Following significant labour uncertainty and disruption in 2024 and 2025, the Corporation is pursuing recovery in a market that is more competitive and less forgiving than in prior periods.

In 2025 and early 2026, the Government of Canada announced a series of measures to stabilize the Corporation's finances and enable its modernization, including revised delivery standards, the removal of moratoriums on community mailbox conversions and rural post offices, and legislative amendments deregulating the process to set postage rates, subject to defined exceptions.

Canada Post submitted its multi-year transformation plan to the Government of Canada in November 2025. While the full plan has not yet been approved, in early Q2 2026, in alignment with the shareholder's September 25, 2025, announcement, Canada Post announced the start of preliminary work on this transformation. Once tentative labour agreements are ratified and key policy barriers are lifted, management believes that the conditions necessary to advance transformation will be present.

Summary of results

(in millions of dollars)

	Q1 2026	Q1 2025	\$ change	% change
Revenue from operations	1,608	1,789	(181)	(14.3)%
Cost of operations	1,881	1,900	(19)	(6.9)%
Loss from operations	(273)	(111)	(162)	(147.2)%
Investing and financing income (expense), net	68	70	(2)	(1.5)%
Loss before tax	(205)	(41)	(164)	+

+ Large percentage change

Year-over-year comparisons in this Q1 report are greatly influenced by the unique factors that impacted results in early 2025. The reopening, or return to operations in Q1 2025, following a full national strike in late 2024, caused a temporary surge in letter mail and direct marketing volumes. Losses from operations in Q1 2026 worsened over the prior year, due to revenue declines that were partially offset by cost savings.



Revenue by line of business

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	Q1 2026	Q1 2025	\$ change	% change	Q1 2026	Q1 2025	Change	% change
Parcels	529	608	(79)	(17.1)%	43	50	(7)	(17.2)%
Transaction Mail	786	868	(82)	(13.7)%	583	659	(76)	(15.7)%
Direct Marketing	233	257	(24)	(13.4)%	981	1,127	(146)	(17.0)%
Consumer products and services	60	56	4	4.2 %	–	–	–	–
Total	1,608	1,789	(181)	(14.3)%	1,607	1,836	(229)	(16.5)%



Parcels revenue declined due to prolonged ratification vote; volumes will be slow to win back

Parcels revenue and volumes declined in Q1 2026 compared to Q1 2025. Tentative agreements were still subject to ratification through Q1 and, therefore, represented a source of uncertainty for our customers. This context allowed our competition, including gig and established national players, to continue to secure parcel volumes, due to their ability to offer security, in addition to competitive offerings such as weekend delivery. Parcels volumes will be slow to win back, emphasizing the criticality of Canada Post's modernization in a competitive market. Inbound parcel volumes and revenue have been adversely affected by the growing preference for competitive commercial consolidators over the traditional inbound postal network. Outbound parcel volumes and revenue were negatively affected by the August 2025 removal of the *de minimis* exemption for parcels and packets to be shipped free of customs duties, taxes and fees, destined for the U.S.

We must evolve our parcel delivery services to remain competitive: Parcels growth through 2026 will be influenced by our ability to implement changes to collective agreements. We are focused on recovery measures with our customers, expanding to weekend delivery, improving our ecommerce parcel return services, enhancing local next-day delivery, modernizing our pricing strategy and improving small business offerings.



Transaction Mail volumes continued their irreversible decline

Transaction Mail revenue and volumes decreased in Q1 2026. Results for the quarter are compared to Q1 2025, when mail volumes temporarily surged due to backlog and election mailings following the late 2024 labour disruption. Without an approved rate action for 2026,

the decline in volumes drove revenue declines. Future volume declines are expected through 2026, as consumers and mailers continue to migrate to digital communications.

The approval process for postage increases is reforming: Our letter mail rates are underpriced in comparison with many other foreign postal administrations and have fallen behind the rate of inflation. Regulations under the *Canada Post Corporation Act* (Act) have historically required approval of postage rate increases by the Government of Canada. Canada Post now welcomes amendments to the Act for setting postage rates, which received royal assent in Q1 2026.

The transformation of Canada Post's letter mail service standards is also being assessed.



Direct Marketing slow to recover following 2025 labour uncertainty

Direct Marketing revenue and volumes declined in Q1 2026 compared to Q1 2025, when pent-up demand following the late 2024 labour disruption drove additional prior year revenue. Results were also impacted by the pivot to digital marketing alternatives, including artificial intelligence.

What we're working on: Our Direct Marketing line helps businesses connect with their consumers in tangible ways. To keep the line relevant:

- we're integrating physical and digital experiences to enhance the Canada Post Smartmail Marketing™ service;
- we're implementing responsible pricing for commercial Direct Marketing products;
- we're capitalizing on recent industry changes to create new opportunities and partnerships;
- we're reducing the use of plastics in Neighbourhood Mail™ items.

Direct Marketing revenues are threatened over the longer term due to the digital substitution of media spending and renewed competition in the unaddressed advertising-mail and flyer market.



Consumer products and services revenue increased due to stronger coin sales

Consumer products and services revenue increased slightly in Q1 2026 due to stronger coin sales. These increases were partially offset by declines in mail redirection and financial services compared to Q1 2025.

Looking ahead: In 2025, following a thorough review, the Corporation decided to change how it delivers its global remittance and bill payment services to customers. In February 2026, we entered into a new agreement with Western Union, the largest global consumer-to-consumer retail money transfer network. The company provides services for international money

transfers and cash pickup, which will be available to customers at Canada Post locations. As this financial service is highly valued by customers, Canada Post will be working with Western Union and MoneyGram through 2026 to help ensure a smooth transition.



Lower operating costs from outbound parcel volume declines and a reduction in employee benefits

(in millions of dollars)

	Q1 2026	Q1 2025	\$ change	% change
Labour	1,021	975	46	1.6%
Employee benefits	248	289	(41)	(19.1)%
Other operating costs	529	543	(14)	(8.4)%
Depreciation and amortization	83	93	(10)	(16.0)%
Total cost of operations	1,881	1,900	(19)	(6.9)%

The cost of operations decreased in Q1 2026, compared to Q1 2025. Despite overall volume declines, labour costs increased as wage increases and costs relating to four additional paid days were only partially mitigated by declines in overtime. Without the ratification of tentative agreements with the Canadian Union of Postal Workers (CUPW), the company continued to operate with some labour structure inefficiencies. Employee benefit costs declined mainly due to increases in the discount rate and a decrease in statutory deductions.

Other operating cost savings were driven by lower international settlements, as changes in U.S. trade and customs policies drove declines in mail processing fees paid to other foreign postal administrations. Administration fees declined due to reductions in bad debt.

Depreciation and amortization expenses decreased due to continued declines in capital acquisitions and because we have extended the operational lifespan of vehicles due to cash preservation.

We are optimizing our cost structure to return to financial solvency. If ratified, the new collective agreements between Canada Post and CUPW will help control costs in the long term by enabling more flexible staffing through part-time delivery roles, increasing productivity, and reducing inefficiencies and overtime. The implementation and operationalization of transformational measures – such as centralized delivery and retail modernization, continuous improvement and overhead reduction – will contribute to labour and non-labour cost savings.



Discount rate increases drive remeasurement gain in other comprehensive income

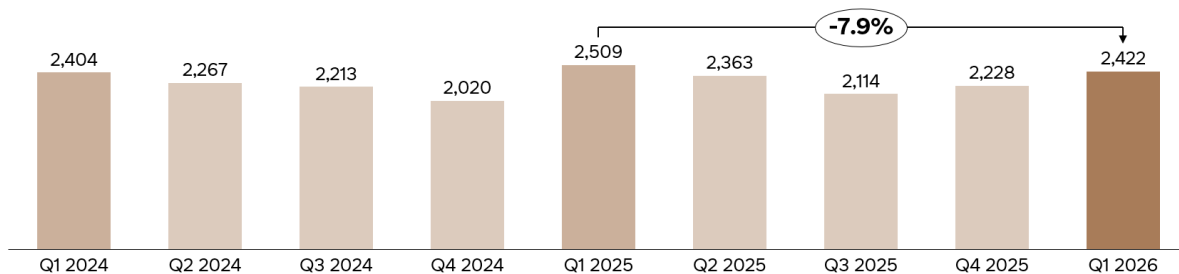
A remeasurement gain of \$300 million, net of tax, was recorded in other comprehensive income at April 4, 2026, for the Canada Post segment defined benefit plan. The actuarially determined expense recorded in the statement of comprehensive income and regular payments were not affected by these remeasurements. The gain was the result of discount rate increases partially offset by lower-than-expected Q1 2026 asset returns. The Canada Post Corporation Registered Pension Plan (RPP) solvency surplus (using market value of plan assets) increased to approximately \$3.0 billion from the 2025 year-end estimate of \$2.8 billion, primarily due to an increase in the discount rate used for solvency measurement, partially offset by lower-than-expected Q1 2026 asset returns and surplus use. 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 2026. Final actuarial valuation results may differ from these estimates.

Canada Post Group of Companies – 2026

The charts below present a summary of the 2026 consolidated results and cash position for the Group.

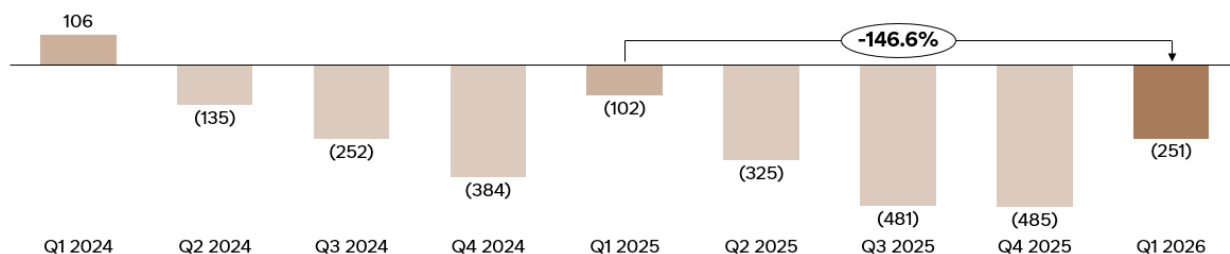
Quarterly consolidated revenue from operations

(in millions of dollars)



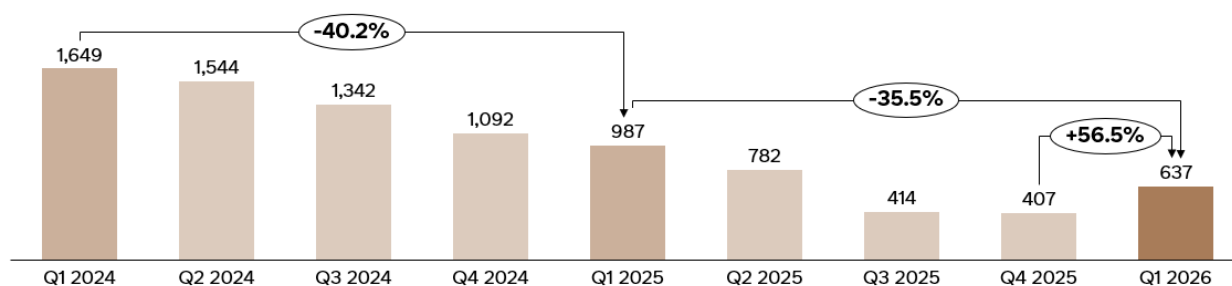
Quarterly consolidated profit (loss) before tax

(in millions of dollars)



Cash, cash equivalents and marketable securities

(in millions of dollars)



2. Core Businesses and Strategy

A discussion of the business and strategy of our core businesses



Canada Post segment

As reaffirmed in the Government of Canada's September 25, 2025, announcement, the Corporation has a mandate to serve all Canadians while maintaining financial self-sufficiency. Repeated government support using taxpayer dollars is not a long-term solution. The government has stated that Canada Post is a vital national institution worth preserving, but transformation is required to ensure the survival of the Corporation and protect the services Canadians rely on.

Our core businesses and strategy are described in MD&A section 2 Core Businesses and Strategy of the 2025 Annual Report. Other than updates below, there were no material changes to the strategy during the first quarter of 2026.

Our transformation

Our transformation will evolve our network to align with how Canadians and businesses use the postal service today, while continuing to support the needs of all communities.

Centralized delivery

- Convert remaining door-to-door delivery to community mailboxes (CMBs) to sustain cost-effective delivery and provide a similar service level across Canadian addresses. We have reached out to 13 communities where we plan to convert approximately 136,000 addresses from door-to-door delivery to CMBs in late 2026 and early 2027.
- Continue to offer and enhance the Delivery Accommodation Program to ensure all Canadians have appropriate access to mail service in a way that matches their needs.

Retail modernization

- Modernize and optimize our retail network to better align services with how Canadians shop and use the postal service. While Canadians still value post offices, they visit them less frequently and make fewer in-store purchases. This pattern has driven a 30% decrease in retail revenue since 2021. Usage is also uneven across the network.
- Gather and validate operational data of local post offices based on market reviews. Regions will also be evaluated as a whole so that each post office can be viewed through a community lens. This analysis will support careful evaluation of our network to determine where changes are most warranted, while prioritizing service to Canadians and protecting it where it's needed most.
- Ensure service is maintained in rural, remote and Indigenous communities, and provide comparable service standards to those in urban and suburban areas.

Update of letter mail service standards

- Work with the government to adjust letter mail delivery standards in the *Canadian Postal Service Charter* to adapt to lower mail volumes.
- This updated approach will enable more efficient processing, greater use of ground transportation and additional flexibility to increase productivity across our network.

Continuous improvement and other savings opportunities

- Enhance core productivity through a continuous improvement program that helps operations run more efficiently and effectively.
- Reduce the size of our overall workforce by leveraging our projected high levels of attrition – including natural rates of retirements and voluntary turnover – while minimizing impacts on people.








Letter mail pricing


- On March 26, 2026, legislative amendments to the *Canada Post Corporation Act* received royal assent, deregulating the process for setting postage rates and related payment terms. Amendments to relevant regulations, to align with the updated *Canada Post Corporation Act*, are forthcoming.
- Canada Post will consult on and establish postage rates and associated terms and conditions directly, subject to defined statutory exceptions.

3. Key Performance Indicators

The Canada Post segment uses senior executive scorecards to monitor performance and progress against strategic priorities tied to its transformation and modernization agenda. Key performance indicators reflect near-term execution and longer-term outcomes. Regular reporting provides management and the Board of Directors with a comprehensive view of the segment's performance. Progress and achievements against 2026 targets are included below and reflect our commitment to environmental, social and governance (ESG) leadership.

Environmental, social and governance leadership

Key performance indicators	2026 target	Q1 2026 result	Status	
 Injuries ¹	Total injury frequency per 100 employees year-over-year (reduction)	(3.0)%	(20.0)%	A
	Lost-time injury frequency per 100 employees year-over-year (reduction)	(4.0)%	(4.0)%	A
 Employee diversity ²	Indigenous Peoples	3.5%	3.5%	A
	People with disabilities	9.1%	9.1%	A
 Greenhouse gas (GHG) emissions ³	Scopes 1 and 2 for fleet and buildings (in kilotonnes of carbon dioxide equivalent emissions)	103.3	34,3	A
 Waste diversion rate ⁴	Percentage of solid, non-hazardous operational waste diverted from the landfill through reduction, reuse or recycling	73.0%	71.4%	B
 Digital accessibility	Percentage of digital accessibility across all active digital products	94.5%	94.2%	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	30	9	A
	Number of engagement discussions	135	38	A

Key performance indicators		2026 target	Q1 2026 result	Status
	Number of pieces inspected and removed	4,000	1,002	A
Removal of illicit products from the mail stream in Indigenous communities				

Notes:

- Status A** Achieved target within success parameters, or on track to meet target by December 31, 2026.
Status B Performance did not meet target due to an explainable variance.
Status C Target not achieved (outside success parameters).

1. The 2026 target metric was revised from the total number of injuries to total injury frequency. This ratio-based metric is used consistently across all industries and provides a more meaningful indicator of health and safety performance as the Corporation advances its transformation initiatives, including anticipated changes in workforce size.
2. Although targets are established for all designated equity groups, the Corporation remains above 80% of Canadian labour market availability for women and members of visible minorities, which means the organization is not eligible to apply special hiring measures for these groups. Finally, we expect further disruption to our talent acquisition performance due to workforce planning outcomes and the continued hiring freeze.
3. The Q1 2026 result is a forecast and will be verified with a one-quarter lag. Results are impacted by seasonality. The confirmed value for 2026 (full year) will be reported in the *2026 Sustainability Report*.
4. Target to divert at least 90% by weight of non-hazardous operational waste and 90% of all construction and demolition waste by 2030.

Commitment to our transformation

In early Q2 2026, Canada Post announced the start of preliminary work on its multi-year transformation. Key performance indicators to measure progress against transformational outcomes are being developed and will be included in future financial reports.

4. Capabilities

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

Delivering financially sustainable results over the long term requires modernizing our organization to meet the changing needs of Canadians. Our multi-year transformation is just beginning. Achievements and updates across the pillars supporting our transformation – powering the Canadian economy, providing a service all Canadians can count on, doing right by our people and demonstrating social and environmental leadership – are included below.

4.1 Powering the Canadian economy

Q1 2026 highlights



Generate revenues

- Signed a new agreement with Western Union, the largest global consumer-to-consumer retail money transfer network. The company provides services for international money transfers and cash pickup, which will be available to customers at Canada Post locations.

4.2 Providing a service all Canadians can count on

Q1 2026 highlights



Evolve our network and services

- Relocated the Paris Post Office, in Ontario, and completed health and safety-driven modifications at the Port Hardy Post Office, in British Columbia.
- Removed over 450 street letter boxes that were co-located at existing postal facilities with drop-off capabilities. Street furniture reduction supports cost efficiencies from lower acquisition and maintenance costs.



Continuous improvement

- Improved core productivity through rationalization of three mail sortation equipment units.
- Introduced new vehicle sharing practices in six depots to reduce vehicle acquisition and maintenance costs.
- Improved labour scheduling with volume forecasting, resulting in decreased labour from overtime hours and temporary workers.

4.3 Doing right by our people

Q1 2026 highlights



Talent management

- Launched a new performance and goals module, replacing the former file-based templates. The new module streamlines how we support our people, allowing for more transparency and automation, thereby enhancing the experience of employees and team leaders. Hosted upskilling information sessions for impacted employee groups and provided resources, including videos and job aids, to ensure a smooth transition.



Equity, diversity and inclusion

- Convened a virtual International Women's Day panel.
- Recognized International Day for the Elimination of Racial Discrimination and provided supporting documents such as our *Anti-Racism and Anti-Discrimination Charter*.



Organizational structure

- Established the Transformation Delivery Office (TDO), an enterprise execution structure designed to coordinate, sequence and integrate delivery in Canada Post's transformation – ensuring coherence, decision integrity and disciplined execution at scale while enabling teams across the organization to succeed in their respective roles.

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)

Canada Post and the CUPW have finalized tentative five-year collective agreements for both the CUPW-UPO and CUPW-RSMC bargaining units. These tentative agreements include transformation and cost-improvement measures intended to support the Corporation's long-term sustainability. Secret-ballot ratification votes for represented employees are underway and will end on May 30, 2026. During this process, the parties have agreed to continue to suspend any strike or lockout activity.

Canadian Postmasters and Assistants Association (CPAA)

The CPAA collective agreement remains in effect until December 31, 2026.

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

The parties have agreed to defer negotiations for a new collective agreement until August 2026 – or until both parties mutually agree to resume talks. This deferral agreement helps maintain stability through important periods of transformation for the business. The existing collective agreement, which expired on August 31, 2024, continues to apply.

Association of Postal Officials of Canada (APOC)

The parties resumed bargaining on March 24, 2026, and discussions are underway. The bargaining process with APOC does not include the possibility of a strike or lockout, and either party has the option of referring unresolved matters to final offer selection arbitration.

Multi-year transformation

The Corporation's transformation to restore and renew the postal service is underway. Following initial meetings with our bargaining agents, the Corporation is starting preliminary work on two core initiatives: converting the remaining addresses that receive door-to-door delivery to community mailboxes and modernizing its retail network. Engagement with bargaining agents will be ongoing as these initiatives unfold.

4.4 Demonstrating social and environmental leadership

Q1 2026 highlights



Environmental sustainability

- Converted 111 sites in British Columbia to renewable natural gas, supporting our scope 1 emission reduction targets.
- Eliminated secondary plastic wrapping in key Canada Post branded products such as the bubble mailer, envelopes and smartphone mailers.
- Began rolling out a biogenic renewable diesel pilot in the Greater Vancouver Area, reducing greenhouse gas emissions from our fleet.
- Updated systems and processes to report detailed emission information to our customers.



Environmental, social and governance (ESG) leadership

- Obtained third-party review of our 2025 greenhouse gas (GHG) inventory and procurement-related metrics.
- Piloted a sustainability dashboard with Operations to identify opportunities to reduce vehicle idling, improve energy efficiency and increase waste diversion.

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

5. Discussion of Operations

A detailed discussion of our financial performance in Q1 2026

5.1 Consolidated results from operations

Consolidated trends

The Group's consolidated results for the past nine quarters are presented below and reflect the seasonal nature of its operations. Service demand typically peaks during the holiday period in the fourth quarter, then gradually decreases over the subsequent quarters, reaching its lowest level in the third quarter. These seasonal trends may be further influenced by labour uncertainty and disruptions. Despite these fluctuations in demand, the Group's substantial fixed cost base remains consistent throughout the year.

(in millions of dollars)

	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenue from operations	2,422	2,228	2,114	2,363	2,509	2,020	2,213	2,267	2,404
Cost of operations	2,659	2,692	2,571	2,659	2,589	2,393	2,455	2,461	2,582
Loss from operations	(237)	(464)	(457)	(296)	(80)	(373)	(242)	(194)	(178)
Investing and financing income (expense), net	(14)	(20)	(24)	(29)	(22)	(11)	(10)	59	284
Profit (loss) before tax	(251)	(484)	(481)	(325)	(102)	(384)	(252)	(135)	106
Tax expense (recovery)	(84)	(35)	(177)	(44)	(41)	(88)	(42)	(122)	6
Net profit (loss)	(167)	(449)	(304)	(281)	(61)	(296)	(210)	(13)	100

Consolidated results for Q1 2026

(in millions of dollars)

	Q1 2026	Q1 2025	\$ change	% change	Explanation of significant variances
Revenue from operations	2,422	2,509	(87)	(7.9)%	Declines in the Canada Post segment partially offset by increases in the Purolator segment.
Cost of operations	2,659	2,589	70	3.4 %	Higher labour costs in the Purolator segment due to higher volumes, partially offset by lower operating costs in the Canada Post segment from lower international settlement fees.
Loss from operations	(237)	(80)	(157)	(197.9)%	Higher loss in the Canada Post segment.
Investing and financing income (expense), net	(14)	(22)	8	37.0 %	Government funding impacts on the Canada Post segment.
Loss before tax	(251)	(102)	(149)	(146.6)%	
Tax recovery	(84)	(41)	(43)	(106.7)%	Higher losses before tax in the Group.
Net loss	(167)	(61)	(106)	(173.0)%	
Other comprehensive income (loss)	302	98	204		+ Higher remeasurement gains from discount rate increases, partially offset by lower-than-expected pension asset returns.

+ Large percentage change

In Q1 2026, the Group reported a loss from operations, which deteriorated compared to Q1 2025. For revenue, total declines in the Canada Post segment were partially offset by revenue growth in the Purolator segment. For costs, higher labour costs in the Purolator segment were partially offset by lower operating costs in the Canada Post segment from lower international settlement fees. A 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 2026	Q1 2025	\$ change	% change
Canada Post	(205)	(41)	(164)	+
Purolator	23	19	4	19.8%
Consolidation entries and eliminations	(69)	(80)	11	13.8%
Canada Post Group of Companies	(251)	(102)	(149)	+

+ Large percentage change

The Group's loss before tax worsened compared to Q1 2025, driven by significantly higher losses before tax in the Canada Post segment, partially offset by higher profits before tax in the Purolator segment.



5.3 Canada Post segment

Losses from operations in the Canada Post segment worsened in Q1 2026 compared to the same period in 2025 due to declines across primary lines of business, compared to temporary volume surges in Q1 2025, following the late 2024 labour disruption. Revenue declines were partially offset by cost savings from lower international settlement fees due to falling outbound parcel volumes. Cost cutting, continuous improvement initiatives and lower non-capital investment costs due to reprioritization also contributed to overall cost declines.

Summary of results for Q1 2026

(in millions of dollars)

	Q1 2026	Q1 2025	\$ change	% change
Revenue from operations	1,608	1,789	(181)	(14.3)%
Cost of operations	1,881	1,900	(19)	(6.9)%
Loss from operations	(273)	(111)	(162)	(147.2)%
Investing and financing income (expense), net	68	70	(2)	(1.5)%
Loss before tax	(205)	(41)	(164)	+

+ Large percentage change



Revenue from operations

Overall revenue declined in Q1 2026, reflecting lower volumes across Parcels, Transaction Mail and Direct Marketing, partially offset by a small increase in Consumer products and services. Results were shaped by a combination of continued competitive and trade pressures in Parcels, normalization from unusually strong prior-year comparables, and ongoing structural volume erosion in Transaction Mail and Direct Marketing as customers shift toward digital alternatives and adjust spending amid economic uncertainty.



Revenue and volumes by line of business

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	Q1 2026	Q1 2025	\$ change	% change	Q1 2026	Q1 2025	change	% change
Domestic Parcels	435	484	(49)	(14.4)%	37	41	(4)	(13.4)%
Outbound Parcels	43	65	(22)	(36.7)%	2	3	(1)	(49.9)%
Inbound Parcels	42	50	(8)	(20.1)%	4	6	(2)	(27.0)%
Other	9	9	–	(2.3)%	–	–	–	–
Total Parcels	529	608	(79)	(17.1)%	43	50	(7)	(17.2)%
Domestic Lettermail	755	824	(69)	(12.6)%	564	636	(72)	(15.3)%
Outbound Letter-post	21	24	(3)	(18.9)%	9	9	–	(14.2)%
Inbound Letter-post	10	20	(10)	(52.7)%	10	14	(4)	(31.7)%
Total Transaction Mail	786	868	(82)	(13.7)%	583	659	(76)	(15.7)%
Canada Post Personalized Mail™	98	102	(4)	(7.7)%	168	165	3	(2.8)%
Canada Post Neighbourhood Mail™	99	114	(15)	(17.3)%	776	918	(142)	(19.4)%
Total Smartmail Marketing™	197	216	(19)	(12.8)%	944	1,083	(139)	(16.9)%
Publications Mail™	28	33	(5)	(18.5)%	35	42	(7)	(19.9)%
Business Reply Mail™ and other mail	3	4	(1)	(26.5)%	2	2	–	(21.8)%
Data Products	5	4	1	9.8%	–	–	–	–
Total Direct Marketing	233	257	(24)	(13.4)%	981	1,127	(146)	(17.0)%
Consumer products and services	60	56	4	4.2%	–	–	–	–
Total	1,608	1,789	(181)	(14.3)%	1,607	1,836	(229)	(16.5)%



Parcels

Parcels revenue declined \$79 million (-17.1%) in Q1 2026, driven by a 7-million-piece volume decrease (-17.2%) compared to Q1 2025, with negative impacts across all Parcels segments. Details by product category were as follows:

- **Domestic Parcels** revenue declined \$49 million (-14.4%) as customers moved to competitors such as established global companies and low-cost entrants that offer flexible and reliable services. Until collective agreements are ratified, customers continue to adopt contingency models, securing longer-term agreements with alternative delivery providers to ensure capacity and service continuity. While there has been some customer recovery, portions of this business have proven more difficult to recover in the short term. Volume recovery now depends on sustained service performance and competitive pricing delivered consistently over time – not labour resolution alone.
- **Outbound Parcels** revenue decreased \$22 million (-36.7%) compared to the prior year, driven by a nearly 50% decline in outbound volumes, particularly those to the United States. The U.S. government's August 2025 suspension of its duty-free *de minimis* threshold of US\$800 means that all postal shipments to the U.S. now require prepaid duties before packages cross the border – regardless of their value or country of origin. The net effect of these actions is to increase costs and impose lingering buyer hesitation when ordering internationally, as consumers do not always understand potential tariffs, delays and fees that may be passed on to the value of their online shopping cart. Canadian goods entering the U.S. are now more expensive relative to domestic goods on the U.S. market, hampering sales south of the border. Lingering impacts from labour uncertainty also negatively impacted results.
- **Inbound Parcels** revenue (fees paid to Canada Post by foreign postal administrations [posts] for delivering mail originating outside Canada) declined by \$8 million (-20.1%). Inbound volumes continued to fall as customers secured agreements with commercial carriers and low-cost alternatives, rather than use postal networks. Broader economic and trade uncertainty added further downward pressure.
- **Other Parcels** revenue, largely comprising fees from the Customs Postal Import Program, remained relatively flat from the prior year.



Transaction Mail

Transaction Mail revenue and volumes decreased by \$82 million (-13.7%) and 76 million pieces (-15.7%), respectively, in Q1 2026, compared to Q1 2025. Details by product category were as follows:

- **Domestic Lettermail** revenue decreased by \$69 million (-12.6%), consistent with the normal, ongoing erosion expected for this product. The magnitude of the decline reflects elevated 2025 base results, as Q1 2025 volumes surged temporarily from provincial elections and other regulatory mailings, as well as backlog clearances and delayed induction following the late-2024 labour disruption. In 2026, volumes have normalized back to their structural decline as customers increasingly shift to digital alternatives.
- **Outbound and Inbound Letter-post** revenue decreased by \$3 million (-18.9%) and \$10 million (-52.7%), respectively, in Q1 2026 compared to 2025. Prior year's results were elevated by pent-up demand following the late-2024 labour disruption, when foreign postal administrations (posts) resumed accepting cross-border mail, temporarily boosting volumes. With no comparable surge in Q1 2026, volume declines returned to more typical levels. Outbound Letter-post represents revenue from domestic customers for mail destined for other posts, while Inbound Letter-post reflects the portion of fees collected by posts and shared with Canada Post for delivery within Canada.



Direct Marketing

Direct Marketing revenue decreased by \$24 million (-13.4%) on 146 million fewer pieces (-17.0%) in Q1 2026 compared to Q1 2025. Details by product category were as follows:

- **Canada Post Personalized Mail™** revenue declined by \$4 million (-7.7%) in Q1 2026, reflecting a continued shift to emerging platforms and players. Customers have remained cautious in the current economic environment, with businesses scaling back discretionary marketing spend. The value proposition of our service offering remains strong.
- **Canada Post Neighbourhood Mail™** revenue decreased by \$15 million (-17.3%) in Q1 2026 as economic uncertainty led to changes in customers' marketing spending. Also affecting results are the spillover impacts from labour uncertainty, a trend that began to negatively impact volumes in the latter part of 2025.
- **Publications Mail** revenue declined by \$5 million (-18.5%) in Q1 2026, reflecting continued weakness in print distribution as publishers further reduced mailings in response to shifting reader preferences and cost pressures. Demand remained subdued entering 2026, with an ongoing migration toward digital subscription models continuing to weigh on volumes.

- The decline in **Business Reply Mail™** driven by lower Direct Marketing mailings was offset by higher data product sales within **Other mail products** in Q1 2026.



Consumer products and services

Consumer products and services revenue increased by \$4 million (+4.2%) driven primarily by higher coin sales and core postal services, partially offset by declines in financial services and mail redirection services revenues.



Cost of operations

In Q1 2026, the Canada Post segment's cost of operations decreased by \$19 million (-6.9%) compared to Q1 2025.

(in millions of dollars)

	Q1 2026	Q1 2025	\$ change	% change	Explanation of significant variances
Labour	1,021	975	46	1.6 %	Four additional paid days and wage increases, partially offset by savings driven by parcel volume declines and overtime reductions.
Employee benefits	248	289	(41)	(19.1)%	Increase in the discount rate, which reduced non-cash pension expense, and decrease in statutory deductions.
Total labour and employee benefits	1,269	1,264	5	5.6 %	
Non-labour collection, processing and delivery	301	312	(11)	(9.6)%	Lower international settlement fees due to outbound volume declines.
Property, facilities and maintenance	74	72	2	2.7 %	Higher costs of repairs, maintenance and utilities in line with inflation.
Selling, administrative and IT	125	124	1	0.9 %	Higher IT costs and costs of products sold (coins) partially offset by reductions in bad debt.
Non-capital investment expense	29	35	(6)	(20.9)%	Adjusted focus on investment projects.
Total other operating costs	529	543	(14)	(8.4)%	
Depreciation and amortization	83	93	(10)	(16.0)%	Year-over-year decline in capital purchases and change in useful-life estimate for vehicles.
Total cost of operations	1,881	1,900	(19)	(6.9)%	



5.4 Purolator segment

The Purolator segment's profit before tax increased by \$4 million (+19.8%) in Q1 2026 compared to Q1 2025.

Summary of results

(in millions of dollars)

	Q1 2026	Q1 2025	\$ change	% change	Explanation of significant variances
Revenue from operations	824	724	100	8.5%	Parcel volume growth.
Labour	341	294	47	8.9%	Inflation and higher parcel volumes.
Employee benefits	78	63	15	16.9%	Higher paid medical leave and workers' compensation costs.
Other operating costs	308	287	21	0.9%	Parcel volume increases.
Depreciation and amortization	61	49	12	15.5%	Higher capital investments.
Cost of operations	788	693	95	6.8%	Parcel volume increases.
Profit from operations	36	31	5	17.5%	
Investing and financing income (expense), net	(13)	(12)	(1)	(14.0)%	Longer interest expense period (more paid days) compared to the prior year.
Profit before tax	23	19	4	19.8%	

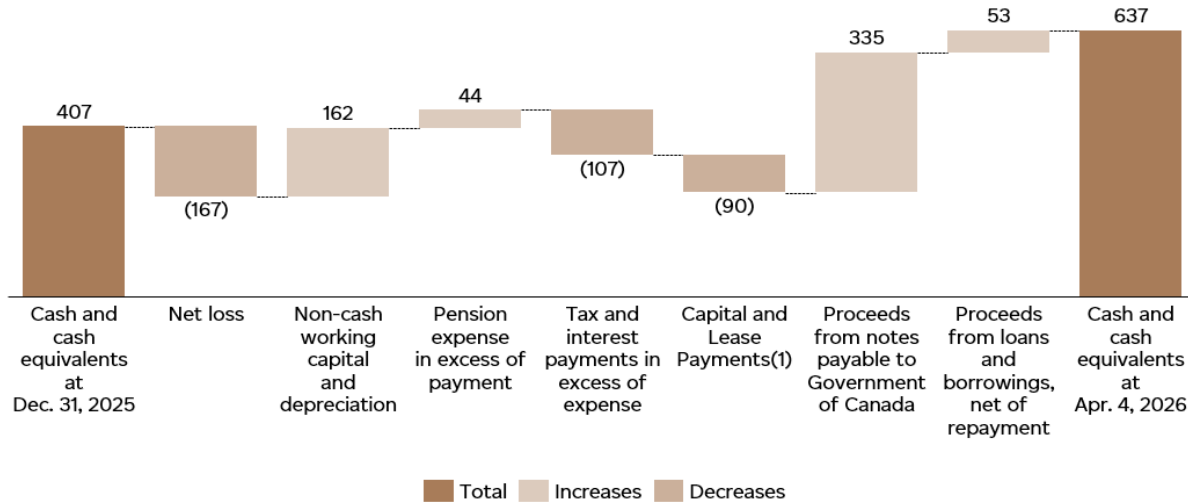
6. Liquidity and Capital Resources

A discussion of our cash flow, liquidity and capital resources

6.1 Cash and cash equivalents

Change in cash for Q1 2026

(in millions of dollars)



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

The increase in cash of \$230 million (+56.5%) is due to the receipt of \$335 million in repayable government funding in late March 2026, partially offset by operating losses in the Canada Post segment and cash payments for capital assets.



Capital expenditures

(in millions of dollars)*

	Q1 2026	Q1 2025	\$ change	% change
Canada Post	24	18	6	30.8%
Purolator	42	30	12	45.4%
Canada Post Group of Companies	66	48	18	39.6%

* 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 2026	Q1 2025	\$ change	% change
Capital expenditures	24	18	6	30.8%
Non-capital investment expense	29	35	(6)	(20.9)%
Total investment	53	53	-	0.5%

* 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).

Total investments in the Canada Post segment remained relatively stable in Q1 2026 compared to the same period in 2025, as lower non-capital investment expenses were offset by higher capital expenditures. The Corporation operates a large and complex network that requires ongoing investment. Strategic transformational investments are needed to modernize the post office and return to financial self-sustainability.

Investments in 2026 will include the following:

- Centralized delivery through the purchase and installation of community mailboxes.
- Replenishment of critical assets, with a focus on replacing assets that have reached the end of their useful lives or have become obsolete.
- Expand into weekend delivery starting in Toronto, Montréal and Ottawa (subject to collective agreement ratification).
- Fulfillment of universal service obligation requirements, including the addition of new points of call resulting from address growth across Canada.
- Environmental, social and governance (ESG) initiatives to support the Corporation in achieving its greenhouse gas (GHG) reduction target by 2030, including real estate GHG reduction initiatives.

6.2 Canada Post Corporation Registered Pension Plan



Funding status

At the end of the Q1 2026, the solvency surplus (using market value of plan assets) of the Canada Post Corporation Registered Pension Plan (RPP) was estimated at \$3 billion, an increase of over \$200 million compared to the 2025 year-end estimate, primarily due to an increase in the discount rate used for solvency measurement, partially offset by lower-than-expected Q1 2026 asset returns and surplus use. The most recent actuarial funding valuation for the RPP disclosed a going-concern surplus.



Remeasurements

On an accounting basis, a remeasurement gain of \$268 million for the RPP, net of tax, was recorded in other comprehensive income, due to a discount rate increase partially offset by lower-than-expected Q1 2026 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 2026. Final actuarial valuation results may differ from these estimates. The valuation of December 31, 2025, will be filed in June 2026.

6.3 Liquidity and access to capital resources

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

Canada Post segment

The Canada Post segment had \$559 million in unrestricted liquid investments on hand as at April 4, 2026, for a net liquidity position of negative -\$1.309 billion (2025 – negative -\$1.215 billion), after outstanding loans and borrowings (including repayable government funding) of \$1.868 billion (2025 – \$1.533 billion). This -\$94 million decrease is due to operating cash flows. At April 4, 2026, accumulated funds and immediately accessible lines of credit are insufficient to meet contractual repayment terms for the next 12 months. Access to government funding and short-term credit facilities were required to prevent insolvency and ensure continuity of postal services.

Government funding

In 2025, Canada Post began to receive repayable government funding to enable the Corporation to remain solvent for the next 12 months and transform to return to financial self-sustainability. Refer to Canada Post's 2025 consolidated financial statements for material accounting policy information and for judgments and estimates related to the demand notes payable.

Repayable, undiscounted Government of Canada funding received was as follows:
(in millions of dollars)

	As at April 4, 2026
Received in 2025	1,034
Additions (proceeds received) in Q1 2026	335
Total	1,369

Canada Post reapplied for funding through the submission of its 2026-30 Corporate Plan to enable transformation and remain solvent. 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 for judgments and estimates related to going concern.

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 2026 with a maturity of one year or less, which are not to exceed \$595 million for the period ending December 31, 2026. Short-term borrowings may consist of a line of credit or the issuance of promissory notes that is not to exceed \$95 million and additional short-term borrowing facilities for emergency cash management purposes that are not to exceed \$500 million. Canada Post has credit agreements for short-term facilities totalling \$595 million (December 31, 2025 – \$595 million), of which \$575 million were undrawn at Q1 2026. At April 4, 2026, letters of credit of \$20 million (December 31, 2025 - \$20 million) were issued.

With \$499 million in borrowings as at April 4, 2026, the Canada Post segment had \$2.001 billion of its \$2.5 billion external borrowing limit available for use.

The Corporation funded itself primarily through the use of cash on hand, funds generated from operations and repayable government funding.

Purolator segment

Purolator's subsidiary, Livingston International, remits customs duties and goods and services tax to government agencies on its customers' behalf. These remittances are funded through available cash balances and a \$550 million revolving credit facility (\$240 million undrawn), which is also used to fund capital purchases. An additional \$600 million term credit facility was used to fund the acquisition of Livingston, of which \$30 million has been repaid. As at April 4, 2026, Purolator had \$77 million in unrestricted cash on hand, ensuring sufficient liquidity to support operations for at least the next 12 months.

7. Changes in Financial Position

A discussion of significant changes in our assets and liabilities between December 31, 2025, and April 4, 2026

(in millions of dollars)

ASSETS	Apr. 4, 2026	Dec. 31, 2025	\$ change	% change	Explanation of significant variances
Cash and cash equivalents	637	407	230	56.5%	Refer to section 6 Liquidity and Capital Resources.
Trade, other receivables and contract assets	1,169	1,330	(161)	(12.1)%	Lower receivables in both segments, with a significant decrease in Purolator's receivables.
Income tax receivable	1	–	1	94.3%	
Assets held for sale	41	41	–	–	
Prepaid expenses	160	189	(29)	(15.1)%	Lower prepaid expenses in all segments.
Total current assets	2,008	1,967	41	2.1%	
Property, plant and equipment	3,988	4,024	(36)	(0.9)%	Depreciation in excess of acquisitions in the Canada Post segment.
Intangible assets	804	819	(15)	(1.8)%	Depreciation in excess of acquisitions, primarily in the Purolator segment.
Right-of-use assets	1,373	1,398	(25)	(1.8)%	Depreciation in excess of new leases and lease renewals, primarily in the Purolator segment.
Segregated securities	302	301	1	0.2%	Mainly due to interest income, partially offset by losses on segregated securities in the Canada Post segment, recorded in other comprehensive income.
Pension benefit assets	5,660	5,343	317	5.9%	Remeasurement gain mainly in the Canada Post Registered Pension Plan (RPP).
Goodwill	661	661	–	–	
Other assets	59	61	(2)	(2.5)%	
Total non-current assets	12,847	12,607	240	1.9%	
Total assets	14,855	14,574	281	1.9%	

(in millions of dollars)

LIABILITIES	Apr. 4, 2026	Dec. 31, 2025	\$ change	% change	Explanation of significant variances
Trade and other payables, including government remittances	918	1,229	(311)	(25.3)%	Timing and lower payables and accruals in the Group.
Salaries and benefits payable	915	755	160	21.1%	Increase primarily in the Canada Post segment, mainly due to timing.
Loans and borrowings	340	278	62	22.2%	Purolator's use of revolving credit facilities to fund government remittances on behalf of its subsidiary, Livingston.
Demand notes payable to Government of Canada	1,341	1,005	336	33.4%	Additional repayable government funding per section 31 of the <i>Canada Post Corporations Act</i> received in Q1 2026.
Provisions	68	77	(9)	(12.1)%	Lower provisions in both segments.
Income tax payable	1	15	(14)	(91.6)%	Settlement of 2025 taxes payable in the Purolator segment from the acquisition of Livingston.
Deferred revenue	141	160	(19)	(11.7)%	Decrease in the Canada Post segment, mostly from the recognition of deferred grant income.
Lease liabilities	104	103	1	0.8%	
Other long-term benefit liabilities	52	52	-	-	
Total current liabilities	3,880	3,674	206	5.6%	
Lease liabilities	1,503	1,524	(21)	(1.4)%	Lease payments partially offset by new leases and renewals, primarily in the Purolator segment.
Loans and borrowings	1,030	1,038	(8)	(0.7)%	Purolator's term loan repayment.
Pension, other post-employment and other long-term benefit liabilities	2,946	2,990	(44)	(1.4)%	Remeasurement gains and payments on other post-employment plans.
Deferred tax liabilities	231	219	12	5.4%	Mainly remeasurement gains on pension and other post-employment plans in the Canada Post segment.
Other liabilities	60	53	7	11.1%	
Total non-current liabilities	5,770	5,824	(54)	(0.9)%	
Total liabilities	9,650	9,498	152	1.6 %	
EQUITY					
Contributed capital	1,155	1,155	-	-	
Accumulated other comprehensive income	4	6	(2)	(11.7)%	
Retained earnings	3,949	3,813	136	3.5%	Pension and other post-employment remeasurement gains.
Equity of Canada	5,108	4,974	134	2.7%	
Non-controlling interests	97	102	(5)	(4.7)%	Dividend paid to non-controlling interests.
Total equity	5,205	5,076	129	2.6%	
Total liabilities and equity	14,855	14,574	281	1.9%	

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 2025 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 2026.

Emerging risks



International conflicts

On February 28, 2026, a large-scale military conflict in the Middle East began, resulting in significant regional instability. This geopolitical development has increased uncertainty and contributed to volatility in energy prices. While Canada's economy has demonstrated relative resilience, shifts in consumer behaviour, particularly reduced spending on non-essential goods, may negatively affect retail activity.

These factors may impact Canada Post in the following ways:

- Softer domestic parcel volumes due to reduced consumer spending. However, heightened price sensitivity could partially offset this impact by encouraging greater online purchasing as consumers increasingly seek discounts and value.
- Continued pressure on Transaction Mail and Smartmail Marketing™ volumes as households and businesses limit discretionary and marketing expenditures.
- Increased volatility in fuel and other operating costs, increasing pressure on margins.
- Limited and indirect impacts from changing international trade and customs frameworks affecting a portion of inbound and outbound mail and parcels.



Counterfeit label fraud

Similar to other postal organizations, the Corporation is subject to the risk that counterfeit or unauthorized shipping labels may be introduced into its delivery network, which could result in parcels being processed and delivered without the collection of valid postage. This risk may adversely affect revenue and margins, as delivery and handling costs could be incurred without corresponding compensation. Management maintains oversight, including enhanced monitoring and analytics, strengthened customer and account controls, targeted operational interventions, and coordination across operational, technology and security functions to mitigate potential impacts over time.

9. Critical Accounting Policies and Estimates and Internal Controls

A review of critical accounting estimates and changes in accounting policies in Q1 2026 and future years

9.1 Accounting policies

Information on Canada Post's accounting policies is provided in notes 2 and 3 of the unaudited interim condensed consolidated financial statements for Q1 2026.

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 2025 audited consolidated financial statements. For Q1 2026, the most significant accounting judgments and estimates are related to going concern (Note 2 [a]).

9.3 Internal controls

For Q1 2026, 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

May 28, 2026



Chief Financial Officer

Interim Condensed Consolidated Statement of Financial Position

(Unaudited – in millions of Canadian dollars)

ASSETS	As at April 4, 2026	As at December 31, 2025
Current assets		
Cash and cash equivalents	637	407
Trade, other receivables and contract assets	1,169	1,330
Income tax receivable	1	–
Assets held for sale	41	41
Prepaid expenses	160	189
Total current assets	2,008	1,967
Non-current assets		
Property, plant and equipment (Note 4)	3,988	4,024
Intangible assets (Note 4)	804	819
Right-of-use assets (Note 4)	1,373	1,398
Segregated securities	302	301
Pension benefit assets (Note 5)	5,660	5,343
Goodwill	661	661
Other assets	59	61
Total non-current assets	12,847	12,607
Total assets	14,855	14,574

LIABILITIES AND EQUITY	As at April 4, 2026	As at December 31, 2025
Current liabilities		
Trade and other payables, including government remittances	918	1,229
Salaries and benefits payable	915	755
Loans and borrowings (Note 8)	340	278
Demand notes payable to Government of Canada (Note 9)	1,341	1,005
Provisions	68	77
Income tax payable	1	15
Deferred revenue	141	160
Lease liabilities (Note 7)	104	103
Other long-term benefit liabilities (Note 5)	52	52
Total current liabilities	3,880	3,674
Non-current liabilities		
Lease liabilities (Note 7)	1,503	1,524
Loans and borrowings (Note 8)	1,030	1,038
Pension, other post-employment and other long-term benefit liabilities (Note 5)	2,946	2,990
Deferred tax liabilities (Note 6)	231	219
Other liabilities	60	53
Total non-current liabilities	5,770	5,824
Total liabilities	9,650	9,498

LIABILITIES AND EQUITY	As at April 4, 2026	As at December 31, 2025
Equity		
Contributed capital	1,155	1,155
Accumulated other comprehensive income (Note 14)	4	6
Retained earnings	3,949	3,813
Equity of Canada	5,108	4,974
Non-controlling interests	97	102
Total equity	5,205	5,076
Total liabilities and equity	14,855	14,574

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 April 4, 2026	For the 13 weeks ended March 29, 2025
Revenue from operations (Note 11)	2,422	2,509
Cost of operations		
Labour	1,362	1,270
Employee benefits	326	351
	1,688	1,621
Other operating costs (Note 12)	827	826
Depreciation and amortization (Note 5)	144	142
Total cost of operations	2,659	2,589
Loss from operations	(237)	(80)
Investing and financing income (expense)		
Investment and other income (Note 13)	31	11
Finance costs and other expense (Note 13)	(45)	(33)
Investing and financing income (expense), net	(14)	(22)
Loss before tax	(251)	(102)
Tax recovery (Note 6)	(84)	(41)
Net loss	(167)	(61)
Other comprehensive income (loss) (Note 14)		
Items that may subsequently be reclassified to net profit (loss)		
Change in unrealized fair value of financial assets	(3)	2
Unrealized losses on currency translation differences	1	3
Item never reclassified to net profit (loss)		
Remeasurements of defined benefit plans	304	93
Other comprehensive income	302	98
Comprehensive income	135	37
Net profit (loss) attributable to		
Government of Canada	(168)	(62)
Non-controlling interests	1	1
	(167)	(61)
Comprehensive income attributable to		
Government of Canada	134	37
Non-controlling interests	1	–
	135	37

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 April 4, 2026	Contributed capital	Accumulated other comprehensive income (loss)	Retained earnings	Equity of Canada	Non- controlling interests	Total equity
Balance at December 31, 2025	1,155	6	3,813	4,974	102	5,076
Net profit (loss)	–	–	(168)	(168)	1	(167)
Other comprehensive income (loss) (Note 14)	–	(2)	304	302	–	302
Comprehensive income (loss)	–	(2)	136	134	1	135
Transactions with shareholders – Dividend	–	–	–	–	(6)	(6)
Balance at April 4, 2026	1,155	4	3,949	5,108	97	5,205

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	–	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

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 April 4, 2026	For the 13 weeks ended March 29, 2025
Operating activities		
Net loss	(167)	(61)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation and amortization (Note 4)	144	142
Pension, other post-employment and other long-term benefit expense (Note 5)	109	137
Pension, other post-employment and other long-term benefit payments (Note 5)	(65)	(61)
Gain on sale of capital assets, net of impairment loss (Note 13)	(2)	–
Tax recovery and other items affecting net income tax receivable (Note 6)	(83)	(67)
Net interest expense (Note 13)	35	22
Change in non-cash operating working capital:		
Decrease (increase) in trade and other receivables	160	(102)
(Decrease) increase in trade and other payables, including government remittances	(301)	90
Increase in salaries and benefits payable	160	36
Decrease in provisions	(9)	(5)
Net decrease (increase) in other non-cash operating working capital	12	(31)
Other (expense) income not affecting cash, net	(2)	5
Cash provided by operating activities before interest and tax	(9)	105
Interest received	4	14
Interest paid	(43)	(37)
Tax paid	(20)	(18)
Cash (used in) provided by operating activities	(68)	64
Investing activities		
Business acquisitions, net of cash acquired	–	(279)
Acquisition of securities	–	(15)
Proceeds from sale of securities	–	211
Cash payments for capital assets	(65)	(115)
Other investing activities, net	–	(1)
Cash used in investing activities	(65)	(199)
Financing activities		
Proceeds from notes payable to Government of Canada (Note 9)	335	–
Repayment of loans and borrowings	(728)	(676)
Proceeds from loans and borrowings	781	955
Payments of lease liabilities	(25)	(29)
Dividend paid to non-controlling interests	(6)	(9)
Other financing activities, net	5	(8)
Cash provided by financing activities	362	233
Net increase in cash and cash equivalents	229	98
Cash and cash equivalents, beginning of period	407	802
Effect of exchange rate changes on cash and cash equivalents	1	2
Cash and cash equivalents, end of period	637	902

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 April 4, 2026

1. Incorporation, Business Activities and Directives	39
2. Basis of Presentation	39
3. Application of New and Revised International Financial Reporting Standards	42
4. Capital Assets	44
5. Pension, Other Post-employment and Other Long-term Benefit Plans	46
6. Income Taxes	47
7. Lease Liabilities	49
8. Loans and Borrowings	50
9. Demand Notes Payable to the Government of Canada and Deferred Government Grant Income	51
10. Capital Management and Liquidity Risk	52
11. Disaggregation of Revenue	53
12. Other Operating Costs	55
13. Investing and Financing Income (Expense)	55
14. Other Comprehensive Income	56
15. Related Party Transactions	56
16. Segmented Information	58

1. Incorporation, Business Activities and Directives

In these notes to the interim condensed consolidated financial statements, the “Corporation,” “Canada Post,” and the “Canada Post segment” mean 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, 2025. There is no change to the status of these directives, except as noted below.

In January 2026, the Corporation was issued a directive pursuant to section 89 of the *Financial Administration Act* to align its policies, guidelines and practices with the Buy Canadian Procurement Policy Framework and the policy instruments issued under section 6 of that framework, as amended from time to time, in a manner that is consistent with the Corporation’s mandate; and report on the implementation of this directive in its 2027-31 Corporate Plan.

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, 2025. They were approved and authorized for issue by the Board of Directors on May 28, 2026.

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 April 4, 2026 (comparative period ended March 29, 2025). 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 is disclosed in Note 3 of the Corporation's annual consolidated financial statements for the year ended December 31, 2025. 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." Financial results by segment are included in Note 16.

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

Name of subsidiary	Principal activities	Country of incorporation	Place of operation	Proportion of ownership interest held directly or indirectly
Purolator Holdings Ltd. ¹	Courier and parcel delivery, freight and logistics, customs brokerage and global trade consulting services	Canada	Canada, United States, Europe and Asia	91%

1. Inclusive of its 100% ownership of Livingston International Inc. (Livingston). Livingston is a material subsidiary of Purolator Holdings Ltd.

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, 2025. Except as noted below, there were no significant changes to these judgments or sources of estimation uncertainty in the 13 weeks ending April 4, 2026.

- (a) **Going concern** – These interim condensed 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 \$6.4 billion. These results have impacted the Corporation's net liquidity position. Cash and cash equivalents are depleting. At April 4, 2026, 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 2026. 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 2026-30 Corporate Plan (Plan) was submitted to the Minister responsible for the Corporation on November 5, 2025. The Treasury Board approved the Plan's first year (2026). 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 2026 fiscal year, as follows:

- **Government cash injection up to \$1.008 billion.** In accordance with section 31 of the *Canada Post Corporation Act*, Canada Post continued 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 additional repayable funding of up to \$1.008 billion in January 2026. Additional amounts, while not yet approved, will continue to be requested through the Government of Canada's Main and Supplementary Estimates process, in due course and as required, to ensure the Corporation remains solvent through the Government's fiscal year ending March 31, 2027.
- **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, of up to \$595 million for the period ending December 31, 2026. 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 for at least 12 months from the reporting date. Canada Post

submitted its transformation plan to the Minister of Government Transformation, Public Works and Procurement for approval. The Corporation's ability to achieve financial self-sustainability over the long term is dependent on the implementation of these 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 interim condensed 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 8 and 10 for additional information about the Corporation's borrowing facilities, capital management and liquidity risk.

- (b) International conflicts** – On February 28, 2026, a large-scale military conflict in the Middle East began, resulting in significant regional instability. This geopolitical development has increased uncertainty in energy markets and contributed to volatility in energy prices, which may affect the Group's operations, supply chain and financial results for 2026.

The duration and impact of this conflict are unknown. 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, 2026

The following applicable amendments issued by the IASB that required mandatory adoption by the Group on or after January 1, 2026, resulted in no changes in the Corporation's interim financial statements.

Standard	Subject matter and significance
IFRS 7 "Financial Instruments: Disclosures" and IFRS 9 "Financial Instruments" – Amendments to the Classification and Measurement of Financial Instruments	Amendments provide clarifications on the derecognition of a financial liability settled through electronic transfer and on the classification of financial assets with environmental, social and governance linked features, as well as assets with non-recourse features and contractually linked instruments. Specifically, the amendments permit an entity to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met. An entity that elects to apply the derecognition option would be required to apply it to all settlements made through the same electronic payment system. Moreover, additional disclosures are introduced for financial instruments with contingent

Standard	Subject matter and significance
	<p>features and equity instruments classified at fair value through other comprehensive income.</p> <p>Impact: For payments made using an electronic payment system, the Corporation will elect to derecognize financial liabilities before the settlement date. This decision will have no impact on amounts reported in the consolidated financial statements.</p>

There was no impact from the adoption of these amendments.

Standard	Subject matter and significance
IFRS 7 “Financial Instruments: Disclosures” and IFRS 9 “Financial Instruments” – Amendments regarding power purchase arrangements	Amendments enable entities to include information in their financial statements that in the IASB’s view more faithfully represents contracts referencing nature-dependent electricity.
As part of IASB’s Annual Improvements to IFRS Accounting Standards – Volume 11, five amendments were issued:	
IFRS 7 “Financial Instruments: Disclosures” – Gain or Loss on Derecognition	Potential confusion in IFRS 7 arising from an obsolete reference to a paragraph that was deleted from the standard when IFRS 13 “Fair Value Measurement” was issued.
IFRS 9 “Financial Instruments” – Lessee Derecognition of Lease Liabilities	Potential lack of clarity in the application of the requirements in IFRS 9 to account for an extinguishment of a lessee’s lease liability.
IFRS 9 “Financial Instruments” – Transaction Price	Potential confusion arising from a reference in IFRS 9 to the definition of “transaction price” in IFRS 15 “Revenue from Contracts with Customers” while “transaction price” is also used in paragraphs of IFRS 9 with a meaning that is not consistent with the definition of the same term in IFRS 15.
IFRS 10 “Consolidated Financial Statements” – Determination of a “De Facto Agent”	Potential confusion arising from an inconsistency in paragraphs of IFRS 10 related to an investor determining whether another party is acting on its behalf.
IAS 7 “Statement of Cash Flows” – Cost Method	Potential confusion in applying IAS 7 arising from the use of the term “cost method” that is no longer defined in IFRS Accounting Standards.

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

Other than those disclosed in Note 5 of the Corporation's annual consolidated financial statements for the year ended December 31, 2025, there were no other new standards, amendments or interpretations issued that would have a possible effect on the Group in the future.

4. 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									
Dec. 31, 2025	447	2,837	430	1,497	1,262	203	1,333	260	8,269
Additions	–	6	1	1	–	1	14	30	53
Retirements	–	–	–	–	(9)	–	–	(4)	(13)
Transfers	–	12	18	3	37	–	–	(71)	(1)
April 4, 2026	447	2,855	449	1,501	1,290	204	1,347	215	8,308
Accumulated depreciation									
Dec. 31, 2025	–	1,529	302	942	701	152	619	–	4,245
Depreciation	–	17	6	21	20	5	16	–	85
Retirements	–	–	–	–	(10)	–	–	–	(10)
April 4, 2026	–	1,546	308	963	711	157	635	–	4,320
Carrying amounts									
Dec. 31, 2025	447	1,308	128	555	561	51	714	260	4,024
April 4, 2026	447	1,309	141	538	579	47	712	215	3,988

(b) Intangible assets

(in millions)

	Software	Software under development	Customer contracts and brand ¹	Total
Cost				
Dec. 31, 2025	810	55	607	1,472
Additions	1	12	–	13
Transfers	39	(38)	–	1
April 4, 2026	850	29	607	1,486
Accumulated amortization				
December 31, 2025	606	–	47	653
Amortization	16	–	13	29
April 4, 2026	622	–	60	682
Carrying amounts				
December 31, 2025	204	55	560	819
April 4, 2026	228	29	547	804

1. Includes Customer relationships – custom solutions, an individual material asset recorded through Purolator's acquisition of Livingston, with a net book value \$442 million and a remaining amortization period of 11 years. No other individual intangible assets are material to the consolidated statement of financial position.

(c) Right-of-use assets

(in millions)

	Land	Buildings – gross	Buildings – net	Vehicles	Plant equipment	Total
Carrying amounts						
Dec. 31, 2025	165	275	948	4	6	1,398
Additions ¹	–	(1)	26	–	1	26
Depreciation	(1)	(7)	(22)	–	–	(30)
Terminations	–	(7)	(13)	(1)	–	(21)
April 4, 2026	164	260	939	3	7	1,373

1. Represents additions of right-of-use assets, including changes due to the reassessment of the lease term.

5. 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 April 4, 2026	As at December 31, 2025
Pension benefit assets	5,660	5,343
Other post-employment and other long-term benefit liabilities	2,998	3,042
Current other long-term benefit liabilities	52	52
Non-current pension, other post-employment and other long-term benefit liabilities	2,946	2,990

(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 2026			Q1 2025		
	Pension benefit plans	Other benefit plans	Total	Pension benefit plans	Other benefit plans	Total
Current service cost	97	19	116	112	21	133
Interest cost	328	35	363	310	35	345
Interest income on plan assets	(390)	–	(390)	(358)	–	(358)
Other administration costs	4	–	4	4	–	4
Defined benefit expense	39	54	93	68	56	124
Defined contribution expense	16	–	16	13	–	13
Total expense	55	54	109	81	56	137
Return on segregated securities	–	(3)	(3)	–	(3)	(3)
Component included in employee benefits expense	55	51	106	81	53	134
Remeasurement (gains) losses:						
Return on plan assets, excluding interest income on plan assets	154	–	154	(83)	–	(83)
Actuarial (gains) losses	(511)	(48)	(559)	(35)	(5)	(40)
Component included in other comprehensive income^{1,2}	(357)	(48)	(405)	(118)	(5)	(123)

1. Amounts presented in this table exclude income tax expense of \$101 million for Q1 2026 (Q1 2025 – tax expense of \$30 million).

2. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at Q1 2026 were 5.13% and 5.18%, compared to 4.98% and 5.02%, respectively, at Q4 2025, and 4.72% and 4.76% at Q1 2025, compared to 4.71% and 4.73% respectively, at Q4 2024.

(c) Total cash payments

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

(in millions)

	Q1 2026	Q1 2025
Cash payments for defined benefit plans	49	48
Contributions to defined contribution plans	16	13
Total cash payments	65	61

The estimates for the Group of Companies' total contributions to the defined benefit pension plans in 2026 did not change significantly from those disclosed in the Corporation's audited consolidated financial statements for the year ended December 31, 2025.

6. 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, 2025.

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

	As at April 4, 2026	As at December 31, 2025
Deferred tax assets	–	–
Deferred tax liabilities	231	219
Net deferred tax liabilities	(231)	(219)

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 2026, 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 \$232 million (December 31, 2025 – \$250 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's

immediate liquidity position. The Corporation has not recognized a deferred tax asset relating to deductible temporary differences of \$928 million (December 31, 2025 – \$1.001 billion).

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

	Q1 2026	Q1 2025
Current tax expense	4	16
Deferred tax recovery relating to origination and reversal of temporary differences	(70)	(35)
Deferred tax expense relating to the reversal of the deferred tax asset write-down	(18)	(22)
Tax recovery	(84)	(41)

The tax recovery differed from the amount that would be computed by applying the Corporation's federal statutory income tax rate of 25% (2025 – 25%) to loss before tax. The reasons for the differences were as follows (in millions):

	Q1 2026	Q1 2025
Loss before tax	(251)	(102)
Federal tax at Corporation's statutory rate	(63)	(25)
Subsidiaries' provincial tax less federal tax abatement	16	(17)
Adjustments for prior years	(3)	–
Deferred tax expense relating to the reversal of the deferred tax asset write-down	(18)	(22)
Other	(16)	23
Tax recovery	(84)	(41)

7. Lease Liabilities

(a) Lease liabilities

(in millions)

	As at April 4, 2026	As at December 31, 2025
Maturity analysis – contractual undiscounted cash flows^{1,2}		
Less than one year	166	166
One to five years	625	640
More than five years	1,667	1,694
Total undiscounted lease liabilities	2,458	2,500
Lease liabilities in the interim condensed consolidated statement of financial position		
	1,607	1,627
Current lease liabilities	104	103
Non-current lease liabilities	1,503	1,524

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 \$38 million for premises used in postal operations (December 31, 2025 – \$38 million).

2. Leases that have not yet commenced, but which have been committed to at April 4, 2026, have future cash outflows of \$206 million that are included in the above maturity analysis, but they are excluded from the measurement of lease liabilities (December 31, 2025 – \$208 million).

(b) Changes in liabilities arising from financing activities

(in millions)

	December 31, 2025	Payments	Interest	Net lease additions ¹	April 4, 2026
Lease liabilities	1,627	(41)	16	5	1,607

1. Represents lease additions and changes due to the reassessment of the lease term.

8. Loans and Borrowings

(a) Fair value measurement (in millions)

	As at April 4, 2026		As at December 31, 2025	
	Fair value ¹	Carrying value	Fair value	Carrying value
Canada Post				
Series 1 bonds maturing July 2040, interest at 4.36%, payable semi-annually on January 16 and July 16 ²	505	499	509	499
Total – Canada Post Segment	505	499	509	499
Purolator³				
Revolving credit facility, fixed interest ranging from 4.58% to 5.45%, payable at end of term ^{4,5}	310	310	246	246
Promissory notes	–	–	3	3
Term loan maturing in January 2029, interest at 4.58%, quarterly repayments of 1.25% of the original balance ⁴	561	561	568	568
Total – Purolator Segment	871	871	817	817
Total loans and borrowings	1,376	1,370	1,326	1,316
Current		340		278
Non-current		1,030		1,038

- 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.
- 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.
- The fair value of Purolator's loans and borrowings approximates their carrying value as the interest rates reset quarterly to reflect current market conditions.
- Purolator entered into a four-year credit agreement consisting of a \$600M non-revolving term credit facility and a \$550 million revolving credit facility (\$30 million permanently repaid, \$240 million undrawn). Purolator's facilities have financial covenants, as well as other financial reporting requirements. These are tested and reported to the syndicate on a quarterly basis; Purolator is in compliance with all covenants. While non-compliance could trigger a negotiated settlement and reclassification to current, a sensitivity analysis was performed and confirmed that only a significant, material, adverse event impacting the business would cause covenants to be offside. 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.
- 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.

(b) Changes in loans and borrowings arising from financing activities (in millions)

	December 31, 2025	Proceeds	Repayments	Other ¹	April 4, 2026
Loans and borrowings	1,316	781	(728)	1	1,370

1. Includes the effect of accrued but not yet paid interest on interest-bearing loans and borrowings. The Group classifies interest paid as cash flows from operating activities.

Additional information regarding the Group's externally imposed capital requirements and borrowing capacity is disclosed in Note 10.

9. Demand Notes Payable to the Government of Canada and Deferred Government Grant Income

Change in the demand notes payable to the Government of Canada balance was as follows:

	As at April 4, 2026	As at December 31, 2025
Demand notes payable balance, beginning of the year	1,005	–
Additions (proceeds received)	335	1,034
Change in fair value ¹	(7)	(41)
Recognized as interest expense during the year (Note 13)	8	12
Notes payable balance, end of period	1,341	1,005

1. Fair value changes for the demand note payable at initial recognition relate to the benefit of deferred government grant income (below market, or interest-free loan).

Change in the deferred government grant income balance was as follows:

	As at April 4, 2026	As at December 31, 2025
Deferred government grant income, beginning of the year	17	–
Additions ¹	7	41
Recognized as other income during the year (Note 13)	(24)	(24)
Deferred government grant income, end of period²	–	17

1. The difference between the proceeds received and the initial carrying value of the demand note payable, due to the benefit of the interest-free loan, is recorded as deferred government grant income in the period of the note issuance, and recognized on a systematic basis to other income over the expected period the funds are intended to compensate.

2. Included in deferred revenue as presented in the interim condensed consolidated statement of financial position.

10. 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 status of these items has not changed materially since the end of the last reporting period.

The equity of Canada was in a surplus position of \$5.108 billion at April 4, 2026 (December 31, 2025 – \$4.974 billion). Operating losses for Q1 2026 were more than offset by remeasurement gains of defined benefit plans, recognized in other comprehensive income and included immediately in retained earnings.

Canada Post segment

(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 the 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, including repayable government funding 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 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. Operational components in the first year of the Corporation's 2026-30 Corporate Plan were approved by the Treasury Board. Canada Post is working with the federal government to align on transformational measures.

(b) Borrowing and credit facilities

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 \$595 million for the period ending December 31, 2026. Short-term borrowings may consist of a line of credit or the issuance of promissory notes that is not to exceed \$95 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. At April 4 2026, Canada Post entered into credit agreements with financial institutions for short-term facilities totalling \$595 million (December 31, 2025 – \$595 million) for which \$575 million is undrawn (December 31, 2025 – \$575 million). At Q1 2026, letters of credit of \$20 million (December 31, 2025 – \$20 million) were issued against the line of credit.

(c) Liquidity risk

As at Q1 2026, the Canada Post segment had \$559 million of unrestricted liquid investments on hand (December 31, 2025 – \$318 million), for a net liquidity position of negative \$1.309 billion (December 31, 2025 – negative \$1.215 billion), after outstanding loans and borrowings (including repayable government funding) of \$1.868 billion (December 31, 2025 – \$1.533 billion). The Corporation's cash resources have been depleted significantly since 2018 due to operating losses. 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.

11. 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 2026	Q1 2025
Canada	2,289	2,385
United States	91	78
Rest of the world	42	46
Total revenue	2,422	2,509

(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 2026			Q1 2025		
	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	1,226	(9)	1,217	1,257	(4)	1,253
Transaction Mail	617	–	617	699	–	699
Direct Marketing	233	–	233	256	–	256
Consumer products and services	58	–	58	47	–	47
Customs brokerage	86	(1)	85	53	–	53
Global Trade and Transportation Solutions	45	–	45	29	–	29
	2,265	(10)	2,255	2,341	(4)	2,337
Unattributed revenue						
Stamp postage	61	–	61	65	–	65
Meter postage	106	–	106	107	–	107
	167	–	167	172	–	172
Total	2,432	(10)	2,422	2,513	(4)	2,509

(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).

(in millions)

	Q1 2026			Q1 2025		
	Total revenue	Intersegment and consolidation	Revenue from external customers	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic						
Commercial	1,687	(10)	1,677	1,800	(4)	1,796
Retail	612	–	612	589	–	589
	2,299	(10)	2,289	2,389	(4)	2,385
International	133	–	133	124	–	124
Total	2,432	(10)	2,422	2,513	(4)	2,509

12. Other Operating Costs

(in millions)

	Q1 2026	Q1 2025
Non-labour collection, processing and delivery	509	504
Property, facilities and maintenance	96	90
Selling, administrative and IT	193	198
Non-capital investment expense	29	34
Other operating costs	827	826

13. Investing and Financing Income (Expense)

(in millions)

	Q1 2026	Q1 2025
Interest income	5	10
Gain on sale of capital assets, net of impairment loss	2	–
Other Income ¹	24	1
Investment and other income	31	11
Interest expense ²	(40)	(32)
Other expense	(5)	(1)
Finance costs and other expense	(45)	(33)
Investing and financing (expense) income, net	(14)	(22)

1. Includes government grant income resulting from the benefit of the interest-free loan on the demand notes payable to the Government of Canada (Note 9).

2. Includes imputed non-cash interest expense from interest-free loan from the Government of Canada (Note 9).

14. Other Comprehensive Income

(in millions)

	Items that may subsequently be reclassified to net profit (loss)			Item never reclassified to net profit (loss)	Other comprehensive income (loss)
	Change in unrealized fair value of financial assets	Cumulative foreign currency adjustment	Accumulated other comprehensive income (loss)	Remeasurements of defined benefit plans	
Accumulated balance as at December 31, 2025	(5)	11	6		
Gains (losses) arising	(3)	1	(2)	405	403
Income taxes	–	–	–	(101)	(101)
Net	(3)	1	(2)	304	302
Accumulated balance as at Q1 2026	(8)	12	4		

15. 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 2026	Q1 2025
Related party revenue	107	103
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	9	2

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 7 (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 April 4, 2026	As at December 31, 2025
Due to/from related parties		
Included in trade and other receivables	32	20
Included in trade and other payables	11	26
Deferred revenue from related parties	11	10

(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 2026 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 2025 – \$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 2026, the Corporation provided administration services to the Canada Post Corporation Registered Pension Plan in the amount of \$5 million (Q1 2025 – \$5 million). At the end of Q1 2026, \$9 million (December 31, 2025 – \$6 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 5 (c).

16. 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. On a consolidated basis, no external customer purchases account for more than 10% of total revenue.

As at April 4, 2026, and for Q1 2026

(in millions)

	Canada Post	Purolator	Consolidation entries and eliminations	Total
Revenue from external customers	1,603	819	–	2,422
Intersegment revenue	5	5	(10)	–
Revenue from operations	1,608	824	(10)	2,422
Labour and employee benefits	1,269	419	–	1,688
Other operating costs	529	308	(10)	827
Depreciation and amortization	83	61	–	144
Cost of operations	1,881	788	(10)	2,659
Profit (loss) from operations	(273)	36	–	(237)
Investment and other income	96	4	(69)	31
Finance costs and other expense	(28)	(17)	–	(45)
Profit (loss) before tax	(205)	23	(69)	(251)
Tax expense (recovery)	(87)	3	–	(84)
Net profit (loss)	(118)	20	(69)	(167)
Total assets	11,113	3,985	(243)	14,855
Cash payments for capital assets	35	30	–	65
Total liabilities	7,334	2,325	(9)	9,650

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
Cash payments for capital assets	37	78	–	115
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.

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