2026

Canada Post Corporation

Second Quarter FINANCIAL REPORT

For the period ended July 4, 2026

Financial Performance

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Management's Discussion and Analysis

Unaudited Interim Condensed Consolidated Financial Statements

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) of the financial condition and results of operations is prepared for the 13-week period (second quarter or Q2) and 26-week period (first two quarters or year to date [YTD]) ended July 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 July 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
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 Q2 2026 and YTD of 2026 compared to Q2 and YTD 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. The table below summarizes the variance in business days and paid days for Canada Post, Purolator and the Group.

	Q2 2026		YTD 2026	
	Business days	Paid days	Business days	Paid days
Difference in days	–	–	3	4

This discussion should be read in conjunction with the unaudited condensed consolidated financial statements (interim financial statements) for Q2 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 on August 27, 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;
- 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, and 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 August 27, 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 Q2 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 challenged environment characterized by declining letter mail volumes, intensified parcel competition, and elevated labour costs, regulatory uncertainty and continued operating losses. The Corporation remains dependent on continued access to repayable government funding to maintain solvency and service continuity, reinforcing the need for accelerated modernization.

Q2 and YTD 2026 financial highlights:

YTD Group loss from operations was $386 million, $10 million worse than 2025. YTD results were primarily driven by the Canada Post segment, as follows:

Revenue was lower overall as Domestic Parcels recovery was offset by Transaction Mail erosion, Direct Marketing softness and international parcel pressure:

- Domestic Parcel volumes began to recover following labour instability in 2025. Volumes remain challenged by competition and weaker cross-border volumes.
- Erosion in Transaction Mail continued due to digital substitution despite additional revenue from the 2026 Census.
- Direct Marketing demand weakened despite the expansion of flyer distribution programs with customers in Q2.

Total operating costs declined with savings in labour and non-labour cost categories:

- Better labour scheduling and less reliance on overtime and temporary workers were partially offset by cost pressures from wage increases.
- Employee benefit costs declined due to higher discount rates.
- Other non-labour operating costs declined due to lower international settlement fees, a prolonged ratification period with CUPW and reduced non-capital investment spending.

Segment results

In Q2 2026, compared to the same period in 2025, reduced losses in the Canada Post segment and higher profits in the Purolator segment contributed to the decreased loss from operations; for YTD, 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

(millions of Canadian dollars)

	Q2 2026	Q2 2025	$ change	% change	YTD 2026	YTD 2025	$ change	% change
Canada Post	(255)	(396)	141	35.8%	(528)	(507)	(21)	(4.1)%
Purolator	106	100	6	4.6 %	142	131	11	7.7%
Canada Post Group of Companies	**(149)**	**(296)**	**147**	**49.5%**	**(386)**	**(376)**	**(10)**	**(2.9)%**

Profit (loss) before tax

(millions of Canadian dollars)

	Q2 2026	Q2 2025	$ change	% change	YTD 2026	YTD 2025	$ change	% change
Canada Post	(277)	(407)	130	32.0%	(482)	(448)	(34)	(7.5)%
Purolator	88	82	6	7.1%	111	101	10	9.5%
Consolidation entries and eliminations	1	–	1	–	(68)	(80)	12	(13.8)%
Canada Post Group of Companies	**(188)**	**(325)**	**137**	**41.9%**	**(439)**	**(427)**	**(12)**	**(3.1)%**

Canada Post segment

Financial and business highlights – Q2 2026

Financial support required to continue as a going concern

Since 2018, the Canada Post segment has recorded cumulative losses from operations of over $6.6 billion and cumulative losses before tax of nearly $5.9 billion. The Corporation's ability to continue as a going concern remains dependent on access to government funding and short-term financing facilities. The Government of Canada approved access of up to $1.008 billion in additional repayable funding for 2026, of which $335 million was received in the first half of 2026, bringing total funding received to $1.369 billion. Following Q2 2026, the Corporation received an additional $155 million, representing the first draw under the remaining $673 million ($1.008 billion – $335 million) of approved funding intended to support the Corporation's liquidity requirements through March 31, 2027.

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.

Advancing modernization

Canada Post continues to reposition its operating model in response to ongoing declines in letter mail volumes and evolving parcel market dynamics. Ecommerce remains a key growth opportunity, and with ratified collective agreements now in place for CUPW employees, the Corporation is focused on regaining momentum and strengthening its position in the parcel market.

In Q2, Canada Post advanced a number of modernization efforts focused on improving revenue performance, reducing costs and strengthening the operating model.

To grow **revenue** and increase our value in the marketplace, we are:

- improving ecommerce returns through a new partnership;
- expanding the home parcel pickup service, now available to approximately 8.6 million households across Canada;
- launching a proof of concept for Canada Shops, a new online marketplace;
- refining pricing strategies to win back customers and better compete;
- rolling out financial services offerings through Western Union;
- expanding flyer distribution programs with customers to support continued recovery and growth in Canada Post Smartmail Marketing™.

On the **cost** side, Canada Post achieved improvements in the following areas:

- labour savings due to staffing flexibility and more efficient workforce deployment;
- vehicle sharing practices to reduce vehicle acquisition and maintenance costs;
- cost efficiencies through the removal of underutilized street letter boxes;
- depot consolidation to streamline regional networks and improve operational efficiency;
- operational efficiencies and better service performance through the deployment of a new video encoding system.

See Section 4 for additional details on these modernization initiatives.

Summary of results

(millions of Canadian dollars)

	Q2 2026	Q2 2025	$ change	% change	YTD 2026	YTD 2025	$ change	% change
Revenue from operations	1,530	1,508	22	1.5%	3,138	3,297	(159)	(7.0)%
Cost of operations	1,785	1,904	(119)	(6.3)%	3,666	3,804	(138)	(6.6)%
Loss from operations	**(255)**	**(396)**	**141**	**35.8%**	**(528)**	**(507)**	**(21)**	**(4.1)%**
Investing and financing income (expense), net	(22)	(11)	(11)	(109.6)%	46	59	(13)	(21.8)%
Profit (loss) before tax	**(277)**	**(407)**	**130**	**32.0%**	**(482)**	**(448)**	**(34)**	**(7.5)%**

Q2: Canada Post saw modest revenue growth in Q2 2026, as improved parcel performance was partly offset by lower Transaction Mail revenue following a strong election-related quarter in 2025. Operating losses significantly improved due to these revenue gains, coupled with cost savings in labour and non-labour components.

YTD: Results reflected lower Transaction Mail revenue compared to the prior year that benefited from provincial and federal election activity, weaker Direct Marketing demand and lower cross-border volumes. Census mailings and selective Domestic Parcels recovery partially offset these declines. Savings in labour and non-labour operating costs helped partially offset revenue declines.

Revenue by line of business

	Revenue (millions of Canadian dollars)				Volume (in millions of pieces)			
	Q2 2026	Q2 2025	$ change	% change	Q2 2026	Q2 2025	Change	% change
Parcels	574	475	99	20.7%	48	41	7	15.6 %
Transaction Mail	665	732	(67)	(9.1)%	490	540	(50)	(9.2)%
Direct Marketing	234	233	1	0.3%	1,027	1,030	(3)	(0.2)%
Consumer products and services	57	68	(11)	(15.4)%	–	–	–	–
Total	**1,530**	**1,508**	**22**	**1.5 %**	**1,565**	**1,611**	**(46)**	**(2.8)%**

	Revenue (millions of Canadian dollars)				Volume (in millions of pieces)			
	YTD 2026	YTD 2025	$ change	% change	YTD 2026	YTD 2025	Change	% change
Parcels	1,103	1,083	20	(0.7)%	91	91	–	(2.4)%
Transaction Mail	1,451	1,600	(149)	(11.5)%	1,073	1,199	(126)	(12.6)%
Direct Marketing	467	490	(23)	(6.9)%	2,008	2,157	(149)	(9.1)%
Consumer products and services	117	124	(7)	(6.5)%	–	–	–	–
Total	**3,138**	**3,297**	**(159)**	**(7.0)%**	**3,172**	**3,447**	**(275)**	**(10.1)%**

Domestic Parcels revenue recovers following resolution of labour uncertainty

Parcels revenue and volumes increased in Q2 2026, compared to the same period in 2025, driven primarily by a recovery in Domestic Parcels volumes following prior labour uncertainty. For YTD 2026, Parcels revenue increased modestly while volumes were relatively flat, as growth in Domestic Parcels was partially offset by continued declines in Outbound and Inbound Parcels. The parcel market remains highly competitive, with global carriers, regional operators and low-cost entrants continuing to exert pressure on volumes and pricing.

Inbound parcel volumes and revenue remain under pressure as customers increasingly favour commercial logistics providers and consolidators over traditional postal networks. Outbound parcel volumes also continue to be affected by the August 2025 removal of the *de minimis* exemption, which has reduced demand for shipments to the U.S.

What we're working on: Maintaining competitiveness in this environment requires the continued evolution of our parcel delivery offering. We remain focused on strengthening our value proposition by expanding to weekend delivery later this year starting in Toronto, Montréal and Ottawa, enhancing ecommerce returns, improving local next-day service, refining pricing strategies and supporting small business customers. Operationalizing the recently ratified CUPW collective agreements will support these enhancements.

Transaction Mail declines despite one-time government Census mailings

Transaction Mail revenue and volumes declined in Q2 2026. Although one-time mailings related to the national Census campaign provided some support, they were not sufficient to offset the overall volume decline compared to Q2 2025, when federal election mailings contributed to higher volumes. Results continue to reflect the ongoing migration of consumers, businesses and governments to digital communications.

What we're working on: We continue to advance initiatives aimed at improving the sustainability of our Transaction Mail business. Letter mail rates remain below those of many comparable international postal administrations and have not kept pace with inflation. Following legislative amendments to the *Canada Post Corporation Act* that received royal assent in early 2026, we're working with our sole shareholder, the Government of Canada, to align on a modernized process for letter mail pricing.

Direct Marketing remains under pressure as recovery continues

Direct Marketing revenue and volumes were relatively stable in Q2 2026 compared to Q2 2025. While customers continued to shift marketing activity toward digital channels, results benefited from the expansion of flyer distribution programs with customers.

For YTD 2026, revenue and volumes declined compared to 2025, reflecting pressure from digital marketing alternatives and broader economic uncertainty affecting advertising budgets. Customers remained cautious in their discretionary marketing spending, contributing to lower activity levels during the first half of the year.

What we're working on: Direct Marketing remains an important channel for businesses to physically engage with customers. To maintain its relevance and competitiveness, we are enhancing Canada Post Smartmail Marketing™ services by integrating physical and digital solutions, advancing disciplined pricing strategies across commercial products, pursuing new partnerships and opportunities, and reducing plastics in Neighbourhood Mail™ items.

Lower logistics and financial services revenue impacted the sale of consumer products and services

Consumer products and services revenue declined in Q2 and YTD 2026, compared to 2025, as higher Coin sales were more than offset by revenue declines from mail logistics and financial services.

What we're working on: We've partnered with Western Union to provide international money transfer and cash pickup services across our retail network. The transition of our global remittance and bill payment services to the new vendor is continuing through 2026, with support from Western Union and MoneyGram to ensure service continuity.

Lower operating costs driven by reduced employee benefit costs and operating expenses

(millions of Canadian dollars)

	Q2 2026	Q2 2025	$ change	% change	YTD 2026	YTD 2025	$ change	% change
Labour	963	1,012	(49)	(4.9)%	1,984	1,988	(4)	(3.2)%
Employee benefits	232	284	(52)	(18.3)%	480	572	(92)	(18.6)%
Other operating costs	508	518	(10)	(1.9)%	1,037	1,061	(24)	(5.2)%
Depreciation and amortization	82	90	(8)	(8.8)%	165	183	(18)	(12.5)%
Total cost of operations	**1,785**	**1,904**	**(119)**	**(6.3)%**	**3,666**	**3,804**	**(138)**	**(6.6)%**

The cost of operations declined in Q2 and YTD 2026 compared to the same periods in 2025 for all significant cost components. Labour costs declined as improved labour scheduling and decreased reliance on overtime and temporary workers reduced operating expenses, partially offset by higher wages. Employee benefit costs also decreased, mainly reflecting the impact of higher discount rates.

Other operating costs declined, driven by the following reductions:

- international settlement fees, as changes in U.S. trade and customs policies drove declines in mail-processing fees paid to other foreign postal administrations;
- contracted service fees;
- non-capital investment spending due to project prioritization.

These savings were partially offset by higher transportation fees (fuel rates and inflationary pressure), higher IT costs and higher philatelic product costs due to stronger sales of coins.

What we're working on: We remain focused on strengthening our operating model and improving long-term financial sustainability. We are focused on realizing benefits from more efficient workforce deployment and reduced reliance on overtime. Labour stability is also supporting more consistent service performance across the network. At the same time, we're working with our stakeholders to advance key modernization initiatives aimed at enhancing efficiency and generating sustainable cost savings over the longer term.

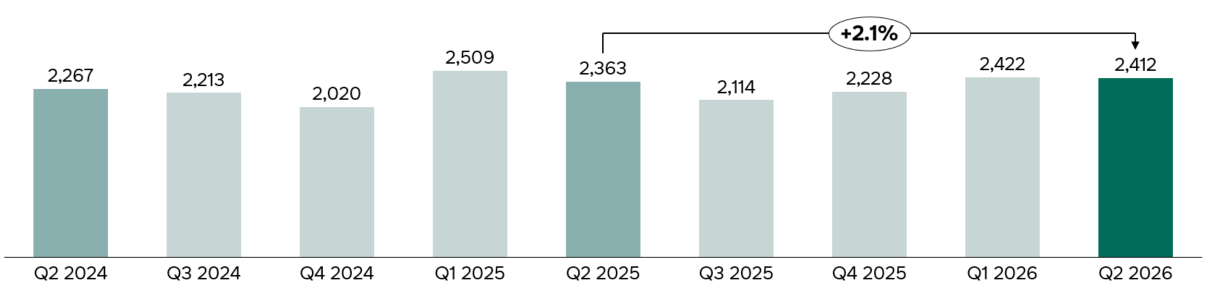
Higher-than-expected asset returns drive remeasurement gains in other comprehensive income

Remeasurement gains of $443 million and $743 million, net of tax, were recorded in other comprehensive income for Q2 2026 and YTD 2026, respectively, for the Canada Post segment's defined benefit plans. The actuarially determined expense recorded in the statement of comprehensive income and regular payments were not affected by these remeasurements. The gains were due to higher-than-expected asset returns at the end of Q2 2026, partially offset by a decrease in discount rates. The Canada Post Corporation Registered Pension Plan (RPP) solvency surplus (using the market value of plan assets) increased to an estimated $3.5 billion, from $2.7 billion at December 31, 2025, primarily due to higher-than-expected year-to-date asset returns, partially offset by a decrease in the discount rate used for solvency measurement. 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.

Canada Post Group of Companies – 2026

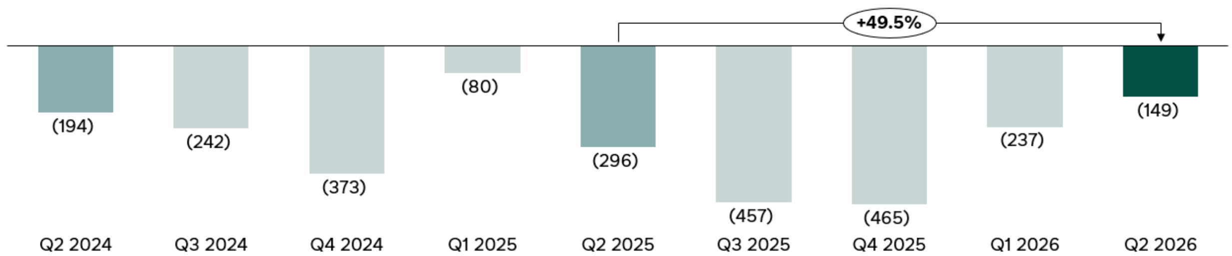
The charts below present a summary of the 2026 consolidated results for the Group.

Quarterly consolidated revenue from operations
(millions of Canadian dollars)



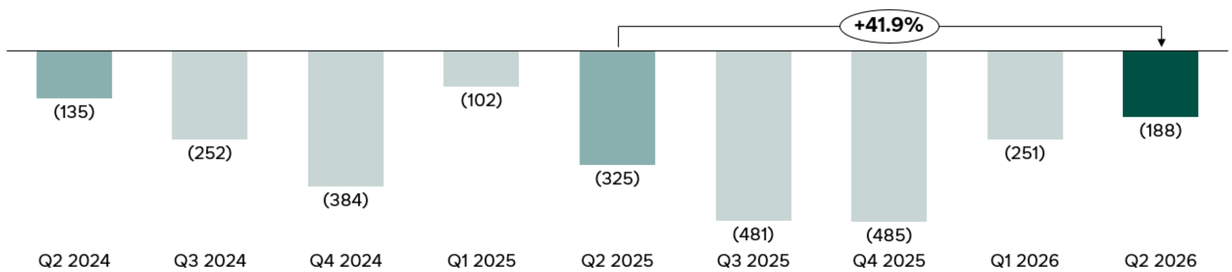
Quarterly consolidated loss from operations

(millions of Canadian dollars)



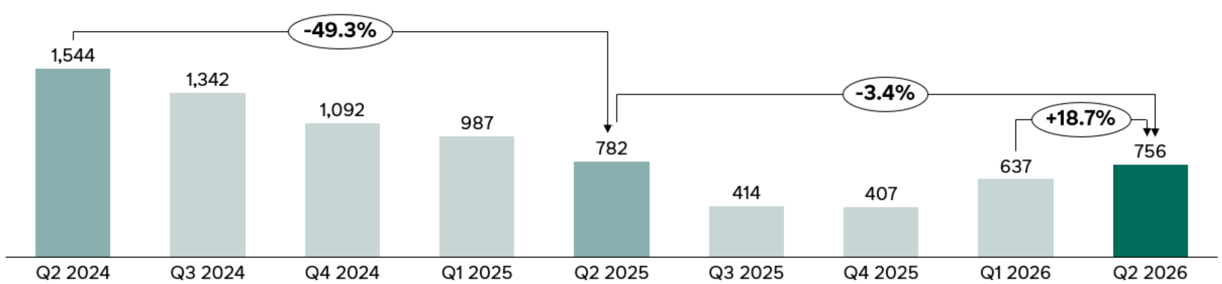
Quarterly consolidated loss before tax

(millions of Canadian dollars)



Cash, cash equivalents and marketable securities

(millions of Canadian dollars)



2. Core Businesses and Strategy

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

Canada Post segment

Canada Post has a mandate to serve all Canadians while maintaining financial self-sustainability. The Corporation continues to work with its shareholder and bargaining agents to address the significant long-term structural challenges facing the postal service while fulfilling its purpose, A Stronger Canada – Delivered, and securing government funding to maintain liquidity. Our core businesses and strategy are described in MD&A Section 2 Core Businesses and Strategy of the 2025 Annual Report. Other than the updates below, there were no material changes to the strategies during the first half of 2026.

Our modernization

Canada Post continues to advance a comprehensive modernization agenda designed to update its operating model, strengthen service delivery and restore long-term financial sustainability. During the first half of 2026, Canada Post continued to make progress in creating the conditions necessary to execute its plan. New collective agreements provide labour stability through January 2029 and support greater operational flexibility, while recent policy and regulatory changes have created opportunities to modernize key elements of the postal network. Building on investments in processing capacity and technology infrastructure, the Corporation is advancing initiatives intended to improve productivity, enhance customer service and better align its network with the evolving needs of Canadians and Canadian businesses.

Centralized delivery

- Approximately four million addresses that still receive door-to-door delivery will be converted to community mailboxes (CMBs) over multiple years, with different areas transitioning each year. The initiative will increase the proportion of mail and parcels delivered through secure centralized delivery, while improving delivery efficiency and helping to align service delivery with changing customer needs. Nearly three quarters of Canadian addresses already receive mail and parcels through some form of secure, centralized delivery such as community mailboxes, apartment lobby boxes and post office boxes.
- In Q2, we announced that we will be reaching out to 37 communities as we prepare to convert 485,000 addresses to CMBs in 2027. These are in addition to the 136,000 addresses in 13 communities already identified for conversion in late 2026 or early 2027.
- Canada Post's Delivery Accommodation Program continues to ensure appropriate access for customers with specific needs. The program provides

free support to assist residential customers with functional limitations in accessing their mail and parcels. Nearly 18,000 households across the country currently benefit from some form of accommodation.

Retail modernization

- Canada Post has taken initial steps to modernize its retail network in response to the Minister's September 2025 direction.
- The Corporation is developing a retail network modernization plan, including establishing governance structures and mobilizing resources to support consultations with employees, bargaining agents, the public and other stakeholders.
- New retail formats and self-service technologies are being piloted as part of broader retail modernization efforts, with the objective of improving convenience and accessibility while maintaining high service standards.
- Canada Post expects to begin implementing elements of its retail network modernization that are consistent with the shareholder's guidance. This will include initiatives to optimize the network footprint and improve efficiency, while maintaining service standards for Canadians. The Corporation will operationalize proven store formats that provide dealer partners with enhanced value and more efficient operating models.

Update of letter mail service standards

- Discussions continue with the Government of Canada regarding updates to delivery standards to reflect declining mail volumes.
- Proposed changes to the *Canadian Postal Service Charter* are expected to support improved efficiency and productivity, while meeting the needs of Canadians.

Continuous improvement and savings opportunities

- Productivity and efficiency initiatives continued across operations.
- Workforce reductions are being managed primarily through natural attrition (retirements, voluntary departures) to minimize impacts on employees.

Letter mail pricing

- As legislative amendments to the *Canada Post Corporation Act* progress, Canada Post continues to engage with the shareholder to align on a new process for letter mail pricing and related terms.

3. Key Performance Indicators

A summary of our non-financial performance drivers.

The Canada Post segment continues to track performance against its strategic priorities using senior executive scorecards aligned with its strategy. Key performance indicators are designed to measure immediate execution and long-term outcomes, supported by regular reporting to management and the Board of Directors. Progress against 2026 targets is presented below, including initiatives supporting environmental, social and governance (ESG) commitments.

Environmental, social and governance leadership

Key performance indicators		2026 target	Q2 2026 result	Status
Injuries	Total injury frequency per 100 employees year over year (reduction)	(3.0)%	(9.3)%	A
	Lost-time injury frequency per 100 employees year over year (reduction)	(4.0)%	(5.9)%	A
Employee diversity[1]	Indigenous Peoples	3.5%	3.6%	A
	People with disabilities	9.1%	9.2%	A
Greenhouse gas (GHG) emissions[2]	Scopes 1 and 2 for fleet and buildings (in kilotonnes of carbon dioxide equivalent emissions)	103.3	60.3	B
Waste diversion rate[3]	Percentage of solid, non-hazardous operational waste diverted from the landfill through reduction, reuse or recycling	73.0%	73.0%	A
Digital accessibility	Percentage of digital accessibility across all active digital products	94.5%	94.9%	A
Indigenous procurement[4]	Spending with Indigenous Peoples (percentage of eligible direct expenditure in Indigenous businesses)	5.0%	4.4%	B
Enhanced postal services in Indigenous communities	Number of communities with improved, expanded services	30	12	A
	Number of engagement discussions	135	76	A
Removal of illicit products from the mail stream in Indigenous communities	Number of pieces inspected and removed	4,000	2,368	A

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. 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. We expect further disruption to our talent acquisition performance due to workforce planning outcomes and the continued hiring freeze.
2. Canada Post's primary sources of energy consumption and operational emissions (scopes 1 and 2) include fuel purchased for the vehicle fleet, fuel used in facilities (e.g., natural gas and oil for heating) and electricity used to power buildings. Targets include a 50% reduction in scopes 1 and 2 emissions in operations by 2030, and a 90% reduction by 2050. The Q2 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 our *2026 Sustainability Report*.
3. Target to divert at least 90% by weight of non-hazardous operational waste and 90% of all construction and demolition waste by 2030.
4. Indigenous spending combines tier 1 and tier 2 (subcontracted) spending with Indigenous-owned businesses. We are continuing to work toward 5% Indigenous spending by onboarding additional Indigenous suppliers, and by working with large non-Indigenous suppliers in categories such as transport, real estate management and security guard services, to introduce or increase the use of Indigenous subcontractors.

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 modernization has just begun. Achievements and updates are presented below under the pillars that support our modernization: powering the Canadian economy, providing a service all Canadians can count on, doing right by our people, and demonstrating social and environmental leadership.

4.1 Powering the Canadian economy

Q2 2026 highlights

Generate revenues

- Generated new unaddressed admail revenue through expanded customer adoption of our flyer distribution service. The additional volume is expected to contribute incremental revenue over the coming years and support continued growth in Canada Post Smartmail Marketing™.
- Expanded the Home Pickup service, increasing availability to approximately 8.6 million households across Canada. The service provides eligible consumers with a convenient option to schedule pickup of returns and outgoing parcels from their residence. The expansion is expected to support customer acquisition and retention, while further strengthening Canada Post's position in the growing returns market.
- Initiated the controlled testing of Western Union money transfer services across 500 retail post offices. As one of the world's largest consumer-to-consumer retail money transfer networks, Western Union will replace the existing

MoneyGram service. The full transition is on track for completion by September 30, 2026.

Enable Canadian businesses to thrive

- Launched a proof of concept for Canada Shops, a new online marketplace connecting Canadian small businesses with customers across the country through Canada Post's delivery network, supporting economic growth and future revenue opportunities.
- Launched a new partnership to expand access to Canada Post services at select retail locations, making it easier for small businesses to ship and return parcels while strengthening Canada Post's presence in key customer channels.

4.2 Providing a service all Canadians can count on

Q2 2026 highlights

Evolve our network and services

- Removed over 600 street letter boxes to date in 2026 where drop-off options were already available at existing postal facilities. Reducing street furniture supports cost efficiencies by lowering acquisition and maintenance costs.
- Modernized the video encoding system, a critical mail-processing platform that converts mail images into routing information; it replaces a legacy system with enhanced optical character reading and intelligent decision-making capabilities. The upgrade reduces manual processing, improves sorting accuracy and reliability, strengthens security and supports faster, more dependable delivery of mail and parcels across Canada.

Continuous improvement

- Introduced new vehicle-sharing practices at over 50 depots to date in 2026 to reduce vehicle acquisition and maintenance costs.
- Closed three depot locations in South Burnaby (Sussex), Ottawa (Parkdale) and Coquitlam–Port Moody (Roderick), with operations integrated into nearby facilities to improve efficiency and optimize costs.

4.3 Doing right by our people

Q2 2026 highlights

Equity, diversity and inclusion

- Recognized the International Day for the Elimination of Racial Discrimination and shared resources, including our *Anti-Racism and Anti-Discrimination Charter*.
- Issued stamps celebrating First Nations, Métis and Inuit Peoples and their contributions to Canada's social, cultural and economic fabric.
- Issued Places of Pride stamps recognizing historic sites that contributed to the development of safe and inclusive spaces for 2SLGBTQIA+ communities across Canada.

Health, safety and wellness

- Expanded the national Team Leader Peer Support network to 48 active peer supporters, who delivered more than 178 hours of one-on-one support in 2026 and increased access to mental health and peer-based support for employees across Canada who are members of the Association of Postal Officials of Canada (APOC).
- Relaunched the Road Safety Prevention Training program to strengthen defensive driving skills, reinforce safe driving practices and help reduce preventable vehicle collisions.

Labour and employee relations

- Engaged with bargaining agents to support the implementation of two core modernization initiatives: converting remaining door-to-door delivery addresses to community mailboxes and modernizing the retail network.
- Continued work with bargaining agents on the Pay Equity Plan.

Status of negotiations

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

During the second quarter, represented employees voted to ratify new collective agreements for the CUPW-UPO and CUPW-RSMC bargaining units. The agreements were signed on June 18, 2026, and will remain in effect until January 31, 2029.

These agreements provide a period of labour stability and include provisions that support the Corporation's modernization and long-term sustainability objectives. The ratification enables

Canada Post to implement key initiatives, including enhancements to parcel delivery services and adjustments to its retail network, while continuing to provide stable employment across the country. These initiatives are critical as we move ahead with our modernization to return to financial sustainability and better meet the modern needs of the country.

With the stability of new agreements in place, we look forward to working with our employees and bargaining agents to rebuild the business, restore confidence in the postal service and better serve the country.

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)

Negotiations for a new collective agreement remain deferred until August 2026 or until both parties agree to resume discussions. The existing agreement, which expired on August 31, 2024, continues to apply.

Association of Postal Officials of Canada (APOC)

Canada Post and the Association of Postal Officials of Canada (APOC) have reached a new tentative collective agreement. The agreement includes a five-year package of wage increases, an increase to evening and night shift premiums, improvements to leave provisions, and other items that are important to both parties.

The new agreement, subject to ratification by APOC-represented employees, would be effective from April 1, 2025, to March 31, 2030.

The tentative agreement follows months of respectful and collaborative discussions between the parties and would provide stability and continued leadership within our operations. In the coming weeks, APOC-represented employees will receive more information on the tentative agreement and the ratification voting process.

The most recent collective agreement expired on March 31, 2025. On March 20, 2025, both parties had agreed to defer negotiations for approximately one year. The parties resumed negotiations in March 2026 and have worked extensively since then to reach the tentative agreement.

APOC represents all supervisory employees involved in mail operations and support, as well as commercial sales and service representatives.

4.4 Demonstrating social and environmental leadership

Q2 2026 highlights

Environmental sustainability

- Continued to roll out a biogenic diesel pilot in the Greater Vancouver Area, with 77% of diesel fuel purchased in British Columbia sourced from renewable fuels made from biological materials, providing a practical lower-carbon alternative for existing diesel-powered vehicles while Canada Post makes the transition to a zero-emission fleet.
- Updated systems and processes to provide customers with detailed emission information, helping them measure and manage their indirect emissions while strengthening Canada Post's position as a trusted and environmentally responsible delivery partner.

ESG leadership

- Conducted knowledge-assessment calls with 750 post offices to validate the effectiveness of the Anti-Money Laundering (AML) training program and meet regulatory training obligations under the *Proceeds of Crime and Terrorist Financing Act*.
- Submitted the Corporate Disclosure of Wrongdoing annual report to the Treasury Board, as required by subsection 38.1(1) of the *Public Servants Disclosure Protection Act*.
- Submitted the 2025-26 Annual Review of Official Languages to the Treasury Board, meeting our reporting obligations under the *Official Languages Act* and reaffirming our ongoing commitment to the advancement of official languages across our operations and service delivery.
- Completed an updated double-materiality assessment and strengthened organizational alignment of the integration of ESG priorities with corporate strategy, risk management and decision-making.

Accessibility

- Celebrated National AccessAbility Week focusing on increasing awareness and understanding of accessibility at Canada Post.
- Increased outreach and communications with organizations representing people with disabilities or functional limitations across Canada, expanding awareness of

the Delivery Accommodation Program and Canada Post's accessibility policies to support more equitable and inclusive access to postal services.

Indigenous communities

- Completed 12 postal service enhancement projects in Indigenous and northern communities, such as installed post office boxes to accommodate growth, enhanced connectivity, upgraded image and equipment, and provided training.
- Engaged with over 70 communities, focusing on explaining Canada Post's modernization, resolving mail service gaps, discussing non-mailable matter concerns and building relationships.

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 Q2 2026.

Unless otherwise indicated, results in this section are presented for Q2 2026 and YTD 2026 and are compared with the same periods in 2025.

5.1 Consolidated results from operations

Consolidated trends

The table below presents the Group's consolidated performance over the past nine quarters and highlights the seasonal nature of the business. Service demand typically peaks in the fourth quarter because of holiday-season activity, then moderates through the first half of the year and reaches its lowest level in the third quarter. These volume fluctuations occur within a cost structure that remains largely fixed throughout the year, influencing quarterly profitability. These seasonal trends may be further affected by labour uncertainty and disruptions. Despite fluctuations in demand, the Group's substantial fixed cost base remains consistent throughout the year.

(millions of Canadian dollars)

	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024
Revenue from operations	2,412	2,422	2,228	2,114	2,363	2,509	2,020	2,213	2,267
Cost of operations	2,561	2,659	2,692	2,571	2,659	2,589	2,393	2,455	2,461
Profit (loss) from operations	**(149)**	**(237)**	**(464)**	**(457)**	**(296)**	**(80)**	**(373)**	**(242)**	**(194)**
Investing and financing income (expense), net	(39)	(14)	(20)	(24)	(29)	(22)	(11)	(10)	59
Profit (loss) before tax	**(188)**	**(251)**	**(484)**	**(481)**	**(325)**	**(102)**	**(384)**	**(252)**	**(135)**
Tax expense (recovery)	(90)	(84)	(35)	(177)	(44)	(41)	(88)	(42)	(122)
Net profit (loss)	**(98)**	**(167)**	**(449)**	**(304)**	**(281)**	**(61)**	**(296)**	**(210)**	**(13)**

Consolidated results for Q2 and YTD

(millions of Canadian dollars)

	Q2 2026	Q2 2025	$ change	% change	YTD 2026	YTD 2025	$ change	% change	Explanation of significant variances
Revenue from operations	2,412	2,363	49	2.1%	4,834	4,872	(38)	(3.1)%	**Q2:** Improved parcel volumes and revenues across the Group, partially offset by lower Transaction Mail revenue in the Canada Post segment. **YTD:** Lower Transaction Mail revenue in the Canada Post segment partially offset by revenue growth in the Purolator segment.
Cost of operations	2,561	2,659	(98)	(3.7)%	5,220	5,248	(28)	(3.5)%	Lower labour, employee-benefit and non-capital investment costs in the Canada Post segment, partly offset by higher transportation costs from increased fuel rates and inflation-driven cost increases in the Purolator segment.
Loss from operations	(149)	(296)	147	49.5%	(386)	(376)	(10)	(2.9)%	**Q2:** Lower loss in the Canada Post segment. **YTD:** Higher loss in the Canada Post segment, partially offset by higher profit in the Purolator segment.
Investing and financing income (expense), net	(39)	(29)	(10)	(36.7)%	(53)	(51)	(2)	(4.6)%	Decrease in interest and dividend income partly offset by interest expense savings following the maturity and repayment of Series 2 bonds in July 2025, and net impacts from the demand note payable from the Government of Canada in the Canada Post segment.
Loss before tax	(188)	(325)	137	41.9%	(439)	(427)	(12)	(3.1)%	
Tax recovery	(90)	(44)	(46)	(108.8)%	(174)	(85)	(89)	(107.8)%	Change in the write-down of the deferred tax asset within the Canada Post segment.
Net profit (loss)	(98)	(281)	183	65.4%	(265)	(342)	77	22.7%	
Other comprehensive income (loss)	482	61	421	+	784	159	625	+	Higher remeasurement gains from higher-than-expected pension asset returns, partially offset by discount rate decreases in the Group.
Comprehensive income (loss)	384	(220)	604	+	519	(183)	702	+	

+ Large percentage change.

A detailed discussion by segment is provided in sections 5.3 to 5.4.

5.2 Operating results by segment

Segmented results – Profit (loss) before tax

(millions of Canadian dollars)

	Q2 2026	Q2 2025	$ change	% change	YTD 2026	YTD 2025	$ change	% change
Canada Post	(277)	(407)	130	32.0%	(482)	(448)	(34)	(7.5)%
Purolator	88	82	6	7.1%	111	101	10	9.5%
Consolidation entries and eliminations	1	–	1	–	(68)	(80)	12	(13.8)%
Canada Post Group of Companies	**(188)**	**(325)**	**137**	**41.9%**	**(439)**	**(427)**	**(12)**	**(3.1)%**

Q2: Compared to Q2 2025, the Group's loss before tax improved in Q2 2026, primarily due to lower losses in the Canada Post segment and higher profits in the Purolator segment.

YTD: The Group's loss before tax increased compared to the prior-year period, as higher losses in the Canada Post segment were only partially offset by improved performance in the Purolator segment and lower dividend income, which is eliminated on consolidation.

5.3 Canada Post segment

Q2: Operating results improved compared with the same period in 2025, reflecting some parcel volume win-back and lower operating expenses driven by cost management initiatives and operational efficiencies. Competitive market conditions, lower cross-border activity, continued Transaction Mail declines and softer Direct Marketing demand partially offset these gains.

YTD: Financial performance remained below the prior year as growth in the Domestic Parcels business and Census-related revenues were insufficient to offset ongoing declines in Transaction Mail and weaker Direct Marketing revenues. Revenue pressures were partially mitigated by lower operating costs, mainly due to reduced employee benefit costs and reduced spending on non-capital initiatives.

Summary of results for Q2 and YTD

(millions of Canadian dollars)

	Q2 2026	Q2 2025	$ change	% change	YTD 2026	YTD 2025	$ change	% change
Revenue from operations	1,530	1,508	22	1.5%	3,138	3,297	(159)	(7.0)%
Cost of operations	1,785	1,904	(119)	(6.3)%	3,666	3,804	(138)	(6.6)%
Loss from operations	(255)	(396)	141	35.8%	(528)	(507)	(21)	(4.1)%
Investing and financing income (expense), net	(22)	(11)	(11)	(109.6)%	46	59	(13)	(21.8)%
Profit (loss) before tax	**(277)**	**(407)**	**130**	**32.0%**	**(482)**	**(448)**	**(34)**	**(7.5)%**

Revenue from operations

Q2: Total revenue increased by $22 million (+1.5%) compared to Q2 2025, driven mainly by a recovery in Parcels revenue as labour conditions stabilized relative to the prior year. This increase was partially offset by lower Transaction Mail revenue compared to a strong prior year that included volumes from the 2025 federal election.

YTD: Revenue decreased by $159 million (-7.0%) compared to 2025, primarily due to lower Transaction Mail revenue following a year in which Ontario provincial and federal elections contributed significant volume and revenue. Although Census-related revenue supported results in Q2 2026, it did not fully offset the decline in election-related revenue and other ongoing revenue pressures.

Revenue and volumes by line of business

	Revenue (millions of Canadian dollars)				**Volume** (millions of pieces)			
	Q2 2026	**Q2 2025**	**$ change**	**% change**	**Q2 2026**	**Q2 2025**	**Change**	**% change**
Domestic Parcels	479	370	109	29.3%	42	32	10	27.0%
Outbound Parcels	44	55	(11)	(18.7)%	1	3	(2)	(43.2)%
Inbound Parcels	42	42	–	(2.4)%	5	6	(1)	(21.1)%
Other	9	8	1	13.5%	–	–	–	–
Total Parcels	**574**	**475**	**99**	**20.7%**	**48**	**41**	**7**	**15.6%**
Domestic Lettermail	642	704	(62)	(8.8)%	477	523	(46)	(8.8)%
Outbound Letter-post	13	17	(4)	(20.7)%	4	7	(3)	(30.3)%
Inbound Letter-post	10	11	(1)	(13.4)%	9	10	(1)	(15.7)%
Total Transaction Mail	**665**	**732**	**(67)**	**(9.1)%**	**490**	**540**	**(50)**	**(9.2)%**
Canada Post Personalized Mail™	87	86	1	1.2%	142	146	(4)	(2.6)%
Canada Post Neighbourhood Mail™	111	110	1	0.3%	848	846	2	0.3%
Total Smartmail Marketing™	198	196	2	0.7%	990	992	(2)	(0.2)%
Publications Mail™	29	29	–	0.2%	35	36	(1)	(1.3)%
Business Reply Mail™ and other mail	3	4	(1)	(17.7)%	2	2	–	(15.0)%
Other	4	4	–	(2.7)%	–	–	–	–
Total Direct Marketing	**234**	**233**	**1**	**0.3%**	**1,027**	**1,030**	**(3)**	**(0.2)%**
Consumer products and services	**57**	**68**	**(11)**	**(15.4)%**	**–**	**–**	**–**	**–**
Total	**1,530**	**1,508**	**22**	**1.5%**	**1,565**	**1,611**	**(46)**	**(2.8)%**

	Revenue (millions of Canadian dollars)				Volume (millions of pieces)			
	YTD 2026	**YTD 2025**	**$ change**	**% change**	**YTD 2026**	**YTD 2025**	**Change**	**% change**
Domestic Parcels	914	854	60	4.4%	79	73	6	4.4%
Outbound Parcels	87	120	(33)	(28.6)%	3	6	(3)	(46.7)%
Inbound Parcels	84	92	(8)	(12.0)%	9	12	(3)	(24.1)%
Other	18	17	1	5.2%	–	–	–	–
Total Parcels	1,103	1,083	20	(0.7)%	91	91	–	(2.4)%
Domestic Lettermail	1,397	1,528	(131)	(10.7)%	1,041	1,159	(118)	(12.3)%
Outbound Letter-post	34	41	(7)	(19.6)%	13	16	(3)	(20.8)%
Inbound Letter-post	20	31	(11)	(38.7)%	19	24	(5)	(24.7)%
Total Transaction Mail	1,451	1,600	(149)	(11.5)%	1,073	1,199	(126)	(12.6)%
Personalized Mail™	185	188	(3)	(3.5)%	310	311	(1)	(2.6)%
Neighbourhood Mail™	210	224	(14)	(8.8)%	1,624	1,764	(140)	(10.1)%
Total Smartmail Marketing™	395	412	(17)	(6.4)%	1,934	2,075	(141)	(9.0)%
Publications Mail	57	62	(5)	(9.8)%	70	78	(8)	(11.4)%
Business Reply Mail and other mail	6	8	(2)	(22.4)%	4	4	–	(18.6)%
Other	9	8	1	3.4%	–	–	–	–
Total Direct Marketing	467	490	(23)	(6.9)%	2,008	2,157	(149)	(9.1)%
Consumer products and services	117	124	(7)	(6.5)%	–	–	–	–
Total	**3,138**	**3,297**	**(159)**	**(7.0)%**	**3,172**	**3,447**	**(275)**	**(10.1)%**

Parcels

Parcels revenue in Q2 and YTD 2026 increased by $99 million (+20.7%) and $20 million (+0.7%), respectively, while volumes increased by 7 million pieces (+15.6%) and remained relatively stable, respectively, for the YTD period, compared to 2025. The ratification of the collective agreements with the Canadian Union of Postal Workers (CUPW) restored labour certainty and customer confidence, allowing the business to begin its recovery from the impacts of the prior year's labour uncertainty. Details by product category were as follows:

- **Domestic Parcels** revenue increased by $109 million (+29.3%) and $60 million (+4.4%) in Q2 and YTD, respectively. Results benefited from stronger parcel volumes relative to prior year periods, particularly in Q2, when customer shipping activity began to recover. The domestic parcel market remains highly competitive, with continued pressure from global carriers, regional operators and other low-cost competitors. Canada Post continues efforts to regain business, as some customers have retained contingency arrangements and diversified carrier strategies established during the period of uncertainty.

- **Outbound Parcels** revenue decreased by $11 million (-18.7%) and $33 million (-28.6%) in Q2 and YTD, respectively, compared to the prior year. Results were impacted by lower outbound volumes, particularly to the United States, reflecting the ongoing effects of the U.S. suspension of the *de minimis* threshold, which has increased customs-related costs and dampened cross-border demand.
- **Inbound Parcels** revenue (fees paid to Canada Post by other posts for delivering mail originating outside of Canada) was relatively flat in Q2 and declined by $8 million (-12.0%) for YTD. Volumes continued to decrease as customers increasingly utilized commercial carriers and alternative logistics providers in place of traditional postal networks. Economic uncertainty and softer cross-border commerce further contributed to the decline.
- **Other Parcels** revenue increased by $1 million (+13.5%) in Q2 and by $1 million (+5.2%) for YTD, primarily reflecting higher revenues from customer services and other parcel activities (mostly fees from the Customs Postal Import Program).

Transaction Mail

Transaction Mail revenue declined by $67 million (-9.1%) and $149 million (-11.5%) in Q2 and YTD, respectively, with volume declines of 50 million pieces (-9.2%) and 126 million pieces (-12.6%), respectively, compared to 2025. Results were significantly affected by an exceptionally strong prior year of 2025, which benefited from non-recurring provincial and federal election mailings that increased Transaction Mail volumes and revenue. The year-over-year decline also reflects the ongoing migration of customers to digital alternatives. Details by product category were as follows:

- **Domestic Lettermail** revenue decreased by $62 million (-8.8%) and $131 million (-10.7%) in Q2 and YTD 2026, respectively, compared to 2025. The decline primarily reflects an exceptionally strong prior year, which benefited from provincial and federal election mailings that generated significantly more volumes than the nationwide Census campaign in Q2 2026. Results also continued to reflect the long-term shift toward digital communications.
- **Outbound Letter-post** and **Inbound Letter-post** revenue decreased in Q2, by $4 million (-20.7%) and $1 million (-13.4%), respectively, and for YTD by $7 million (-19.6%) and $11 million (-38.7%), reflecting lower international mail volumes. Outbound Letter-post revenue represents mail sent from Canada to other postal administrations, while Inbound Letter-post revenue reflects fees earned by Canada Post for delivery of mail originating outside Canada.

Direct Marketing

Direct Marketing revenue remained relatively flat in Q2 2026, increasing by $1 million (+0.3%) on 3 million fewer pieces, compared to 2025, while YTD revenue decreased by $23 million (-6.9%) on 149 million fewer pieces (-9.1%). Details by product category were as follows:

- **Canada Post Personalized Mail™** revenue increased by $1 million (+1.2%) in Q2 but decreased by $3 million (-3.5%) for YTD, compared to 2025. Results continue to reflect the ongoing shift toward digital marketing platforms and channels. Customers remained cautious in the current economic environment and continued to moderate discretionary marketing spending.
- **Canada Post Neighbourhood Mail™** revenue increased by $1 million (+0.3%) in Q2 but declined by $14 million (-8.8%) YTD, compared to 2025. Revenue from the expansion of flyer distribution programs partially offset weaker results in Neighbourhood Mail™, as economic uncertainty continued to weigh on customer marketing spending.
- **Publications Mail** revenue remained relatively unchanged in Q2 but decreased by $5 million (-9.8%) for YTD, compared to 2025, reflecting continued declines in print distribution as publishers reduce mailings and increasingly adopt digital distribution models.
- **Business Reply Mail™** and Other Mail products were relatively flat.

Consumer products and services

Consumer products and services revenue decreased by $11 million (-15.4%) in Q2 and by $7 million (-6.5%) for YTD, compared to 2025. Results were impacted by a strong prior-year comparative period, which included logistics services for election mailings. Lower financial services revenue also contributed to the decline, partially offset by growth in coin revenue.

Cost of operations

In Q2 2026, the Canada Post segment's cost of operations decreased by $119 million (-6.3%) compared to Q2 2025 and $138 million (-6.6%) for YTD 2026, compared to YTD 2025.

(millions of Canadian dollars)

	Q2 2026	Q2 2025	$ change	% change	YTD 2026	YTD 2025	$ change	% change	Explanation of significant variances
Labour	963	1,012	(49)	(4.9)%	1,984	1,988	(4)	(3.2)%	Wage increases and more paid days (YTD), partially offset by savings from lower overtime due to improved workforce scheduling.
Employee benefits	232	284	(52)	(18.3)%	480	572	(92)	(18.6)%	Higher discount rates reduced non-cash pension expense, along with health plan changes and YTD lower statutory deductions.
Total labour and employee benefits	**1,195**	**1,296**	**(101)**	**(7.9)%**	**2,464**	**2,560**	**(96)**	**(6.7)%**	
Non-labour collection, processing and delivery	289	274	15	5.3%	590	587	3	2.6%	Higher transportation fees (driven by higher fuel rates), partially offset by lower international settlement fees (from declines in outbound volumes).
Property, facilities and maintenance	67	63	4	5.5%	141	135	6	1.3%	
Selling, administrative and IT	119	126	(7)	(5.7)%	244	250	(6)	(5.3)%	Lower contracted services partially offset by higher IT costs and cost of products sold (coins).
Non-capital investment expense	33	55	(22)	(38.7)%	62	89	(27)	(32.0)%	Lower spending due to project prioritization.
Total other operating costs	508	518	(10)	(1.9)%	1,037	1,061	(24)	(5.2)%	
Depreciation and amortization	82	90	(8)	(8.8)%	165	183	(18)	(12.5)%	Lower depreciation reflecting reduced capital spending and changes in useful-life estimates for certain assets.
Total cost of operations	**1,785**	**1,904**	**(119)**	**(6.3)%**	**3,666**	**3,804**	**(138)**	**(6.6)%**	

Investing and financing income (expense), net

For the first six months of 2026, net investing and financing income decreased compared to the prior year.

(millions of Canadian dollars)

	Q2 2026	Q2 2025	$ change	% change	YTD 2026	YTD 2025	$ change	% change	Explanation of significant variances
Investment and other income	4	9	(5)	(58.3)%	100	98	2	2.4%	**Q2:** Interest income declined due to the liquidation of marketable securities to fund operating requirements. **YTD:** Grant income recognized on the demand notes payable from the Government of Canada partially offset by lower dividend income and factors from Q2.
Finance costs and other expenses	(26)	(20)	(6)	(33.4)%	(54)	(39)	(15)	(39.4)%	Deemed interest expense on demand notes payable to the Government of Canada, partially offset by interest expense savings following the maturity and repayment of Series 2 bonds in July 2025.
Investing and financing income (expense), net	**(22)**	**(11)**	**(11)**	**(109.6)%**	**46**	**59**	**(13)**	**(21.8)%**	

Purolator

5.4 Purolator segment

The Purolator segment's profit before tax improved by $6 million (+7.1%) in Q2 2026 and $10 million (+9.5%) for the YTD 2026, compared to Q2 and YTD 2025.

Summary of results

(millions of Canadian dollars)

	Q2 2026	Q2 2025	$ change	% change	YTD 2026	YTD 2025	$ change	% change	Explanation of significant variances
Revenue from operations	**893**	**863**	**30**	**3.5%**	**1,717**	**1,587**	**130**	**5.6%**	Fuel-price surcharge, tied to market volatility.
Labour	346	328	18	5.4%	687	623	64	7.0%	Inflationary pressures and four additional paid days in YTD 2026.
Employee benefits	65	67	(2)	(1.9)%	143	129	14	7.4%	YTD: Higher paid medical leave and workers' compensation costs in addition to four extra working days this year compared to 2025.
Total labour and employee benefits	**411**	**395**	**16**	**4.2%**	**830**	**752**	**78**	**7.1%**	
Other operating costs	316	311	5	1.5%	624	598	26	1.1%	Inflationary pressure.
Depreciation and amortization	60	57	3	7.7%	121	106	15	11.3%	Depreciation is higher due to increased capital investment in business.
Cost of operations	**787**	**763**	**24**	**3.3%**	**1,575**	**1,456**	**119**	**4.9%**	
Profit from operations	**106**	**100**	**6**	**4.6%**	**142**	**131**	**11**	**7.7%**	
Investing and financing income (expense), net	(18)	(18)	–	7.0%	(31)	(30)	(1)	(1.5)%	
Profit before tax	**88**	**82**	**6**	**7.1%**	**111**	**101**	**10**	**9.5%**	

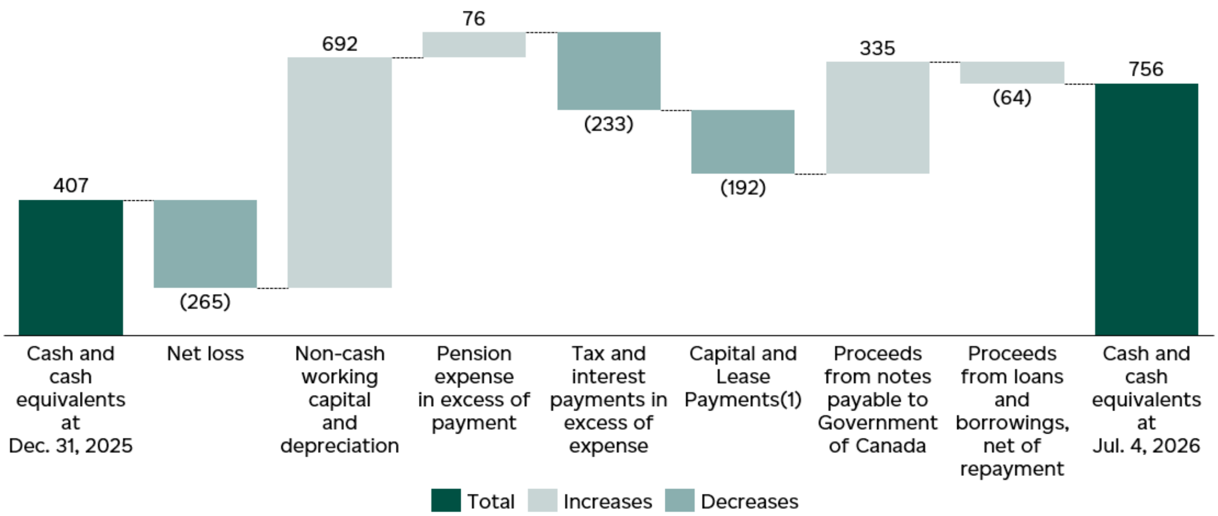
6. Liquidity and Capital Resources

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

6.1 Cash and cash equivalents

Change and cash equivalents

(millions of Canadian dollars)



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

The increase in cash of $349 million (+85.7%) is primarily due to changes in working capital and the receipt of $335 million in repayable government funding in Q1 2026, offset by operating losses in the Canada Post segment and cash payments for capital assets and interest.

Capital expenditures

(millions of Canadian dollars)[1]

	Q2 2026	Q2 2025	$ change	% change	YTD 2026	YTD 2025	$ change	% change
Canada Post	51	33	18	54.3%	75	51	24	45.7%
Purolator	57	61	(4)	(8.6)%	99	91	8	8.1%
Canada Post Group of Companies	**108**	**94**	**14**	**12.9%**	**174**	**142**	**32**	**21.7%**

1. 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

(millions of Canadian dollars)[1]

	Q2 2026	Q2 2025	$ change	% change	YTD 2026	YTD 2025	$ change	% change
Capital expenditures	51	33	18	54.3%	75	51	24	45.7%
Non-capital investment expense	33	55	(22)	(38.7)%	62	89	(27)	(32.0)%
Total investment	**84**	**88**	**(4)**	**(3.9)%**	**137**	**140**	**(3)**	**(2.2)%**

1. Generally, 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 other costs do not and must be expensed as other operating costs in the interim condensed consolidated statement of comprehensive income (non-capital investment expense).

Total investment in the Canada Post segment was relatively consistent in 2026, compared to 2025, and reflected a shift toward capital spending due to the centralized delivery program. The increase in capital spending was offset by declines in non-capital investment expense due to project prioritization.

The Corporation continues to operate a large, complex national network that requires sustained, targeted investment. Modernization remains a priority, with efforts focused on operations and a return to long-term financial self-sustainability.

Key investment priorities for 2026:

- **Centralized delivery** – advancing the program through continued acquisition and deployment of community mailboxes.
- **Asset renewal** – replacing aging or inefficient equipment to maintain operational reliability.
- **Service expansion** – introducing weekend delivery in select urban markets, including Toronto, Montréal and Ottawa.
- **Universal service obligation** – supporting address growth across Canada through the addition of new delivery points.
- **Environmental, social and governance (ESG) progress** – advancing initiatives to reduce greenhouse gas emissions with a particular focus on real-estate-related improvements.

6.2 Canada Post Corporation Registered Pension Plan

Funding status

In June 2026, Canada Post filed the actuarial valuation of the Canada Post Corporation Registered Pension Plan (RPP) as at December 31, 2025, with the federal pension regulator, the Office of the Superintendent of Financial Institutions. The valuation disclosed the following:

(billions of Canadian dollars)

	$ 2025	% 2025
Going-concern surplus using the smoothed value of RPP assets	7.4	129%[1]
Solvency surplus using market value of plan assets	2.7	109%[1]
Solvency surplus to be funded using the three-year average solvency ratio basis	2.3	108%[2]

1. The going-concern ratio was above 125% and the solvency ratio was above 105%; therefore, no current service contributions are permitted for 2026. This position will be reassessed when the actuarial valuation at December 31, 2026, is completed in 2027.
2. The solvency ratio was above 100%; therefore, no special solvency payments are required for 2026.

At the end of Q2 2026, the solvency surplus (using the market value of plan assets) of the Canada Post RPP was estimated at $3.5 billion, an increase of $800 million compared to 2025 year-end. This was primarily due to higher-than-expected year-to-date asset returns, partially offset by a decrease in the discount rate used for solvency measurement.

Remeasurements

On an accounting basis, remeasurement gains of $469 million and $737 million for the RPP, net of tax, for Q2 and YTD, respectively, were recorded in other comprehensive income. The gains were due to higher-than-expected asset returns, partially offset by a discount rate decrease.

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.

6.3 Liquidity and capital resources

Liquidity

Canada Post segment

(millions of Canadian dollars)

	Q2 2026	Q4 2025	$ change
Cash and cash equivalents	345	318	27
Loans and borrowings	(499)	(499)	–
Cash government funding	(1,369)	(1,034)	(335)
Net liquidity position	**(1,523)**	**(1,215)**	**(308)**

Canada Post maintains sufficient cash and liquid investments to support operations and meet operating cash flow requirements. However, access to government funding and short-term credit facilities remains necessary to support liquidity requirements, fund ongoing modernization initiatives and ensure the continued provision of postal services over the next 12 months. The net liquidity position declined by $308 million in the first six months of 2026, as Canada Post required an additional $335 million in government funding, primarily due to ongoing operating losses.

Access to capital markets

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

Canada Post segment

The Corporation met its funding needs primarily through cash on hand, funds generated from operations and repayable government funding.

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 support its transformation toward 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:

(millions of Canadian dollars)

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

After the end of Q2 2026, the Corporation received a further $155 million under its approved funding arrangement. This amount represents the first draw from the remaining $673 million available under the total approved amount for 2026 of $1.008 billion, which is intended to provide liquidity support through March 31, 2027.

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 its position as a going concern.

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 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 was undrawn at Q2 2026. At July 4, 2026, letters of credit of $20 million (December 31, 2025 – $20 million) were issued.

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

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 ($350 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 $38 million has been repaid. As at July 4, 2026, Purolator had $410 million in unrestricted cash on hand, ensuring sufficient liquidity to support operations for at least the next 12 months. The cash balance included U.S. tariff refunds received on behalf of customers, which are expected to be returned to those customers.

7. Changes in Financial Position

A discussion of significant changes in the Group's assets and liabilities between July 4, 2026, and December 31, 2025.

(millions of Canadian dollars)

ASSETS	July 4, 2026	Dec. 31, 2025	$ change	% change	Explanation of significant variances
Cash and cash equivalents	756	407	349	85.7%	Refer to Section 6 Liquidity and Capital Resources.
Trade, other receivables and contract assets	1,251	1,330	(79)	(5.9)%	Lower receivables in both segments.
Income tax receivable	20	–	20	+	Income tax receivable in the Purolator segment.
Assets held for sale	41	41	–	–	
Prepaid expenses	182	189	(7)	(3.6)%	Lower prepaid expenses in the Purolator segment, partially offset by increases in the Canada Post segment.
Total current assets	**2,250**	**1,967**	**283**	**14.4%**	
Property, plant and equipment	3,997	4,024	(27)	(0.7)%	Depreciation in excess of acquisitions in the Canada Post segment.
Intangible assets	790	819	(29)	(3.6)%	Depreciation in excess of acquisitions in the Purolator segment.
Right-of-use assets	1,375	1,398	(23)	(1.7)%	Depreciation in excess of new leases and lease renewals in the Purolator segment.
Segregated securities	310	301	9	2.8%	Interest income and gains on segregated securities in the Canada Post segment, recorded in other comprehensive income.
Pension benefit assets	6,321	5,343	978	18.3%	Remeasurement gain mainly in the Canada Post Registered Pension Plan (RPP).
Goodwill	661	661	–	–	
Other assets	66	61	5	8.9%	Increase in long-term prepaid expenses in the Canada Post segment.
Total non-current assets	**13,520**	**12,607**	**913**	**7.2%**	
Total assets	**15,770**	**14,574**	**1,196**	**8.2%**	

+ Large percentage change.

(millions of Canadian dollars)

LIABILITIES	July 4, 2026	Dec. 31, 2025	$ change	% change	Explanation of significant variances
Trade and other payables	1,451	1,229	222	18.1%	Timing and higher payables and accruals in the Purolator segment offset by lower payables in the Canada Post segment.
Salaries and benefits payable	903	755	148	19.4%	Increase primarily in the Canada Post segment, mainly due to timing.
Loans and borrowings	234	278	(44)	(16.0)%	Purolator's use of revolving credit facilities to fund government remittances on behalf of its subsidiary, Livingston.
Demand notes payable to Government of Canada	1,351	1,005	346	34.4%	Additional repayable government funding per section 31 of the *Canada Post Corporations Act* received in the first half of 2026.
Provisions	70	77	(7)	(8.3)%	Lower provisions in the Canada Post segment.
Income tax payable	4	15	(11)	(73.5)%	Decrease due to Purolator being in a receivable position due to instalments.
Deferred revenue	138	160	(22)	(13.6%)	Decrease in the Canada Post segment, mostly from the recognition of deferred grant income.
Lease liabilities	105	103	2	1.3%	
Other long-term benefit liabilities	52	52	–	–	
Total current liabilities	**4,308**	**3,674**	**634**	**17.2%**	
Lease liabilities	1,509	1,524	(15)	(1.0)%	Lease payments partially offset by new leases and renewals, primarily in the Purolator segment.
Loans and borrowings	1,020	1,038	(18)	(1.7)%	Purolator's term loan repayment.
Pension, other post-employment and other long-term benefit liabilities	3,003	2,990	13	0.5%	Remeasurement losses on other post-employment plans.
Deferred tax liabilities	281	219	62	28.4%	Remeasurement gain mainly in the Canada Post Registered Pension Plan (RPP).
Other liabilities	60	53	7	11.7%	Increase in other long-term liabilities in the Purolator segment.
Total non-current liabilities	**5,873**	**5,824**	**49**	**0.8%**	
Total liabilities	**10,181**	**9,498**	**683**	**7.2%**	
EQUITY					
Contributed capital	1,155	1,155	–	–	
Accumulated other comprehensive income (loss)	10	6	4	82.3%	
Retained earnings	4,319	3,813	506	13.3%	Pension remeasurement gains.
Equity of Canada	5,484	4,974	510	10.3%	
Non-controlling interests	105	102	3	2.3%	
Total equity	5,589	5,076	513	10.1%	
Total liabilities and equity	**15,770**	**14,574**	**1,196**	**8.2%**	

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 related to our emerging or principal risks in Q2 2026.

Principal risks

Strategic planning and modernization

Canada Post is undertaking a significant, multi-year modernization program to renew the national postal system, improve service and support a return to long-term financial self-sustainability.

Regulatory and policy risk

The amount of change required to support Canada Post's modernization is significant and requires substantial collaboration with key stakeholders. Canada Post and the shareholder have continued to strengthen their working relationships to address and deliver several policy and regulatory changes affecting the Corporation. These changes are critical as Canada Post looks to modernize and better serve Canadians.

Execution risk

The Corporation is managing a complex period of change as it advances multiple modernization initiatives, introduces new technologies and processes and implements significant organizational changes. In addition, realizing the benefits of the new collective agreements requires the successful implementation of associated operational, workforce and system changes. These factors increase execution risk and uncertainty, and may affect the timing and realization of benefits.

These risks are expected to moderate over time as initiatives move from implementation to stabilization and become embedded within core operations. As governance, organizational capabilities and change readiness continue to strengthen, the Corporation will be increasingly well positioned to execute its modernization strategy, realize benefits and make progress toward long-term financial self-sustainability.

Labour disruption

Canada Post has significantly improved labour stability following the ratification and signing of new five-year collective agreements with the Canadian Union of Postal Workers (CUPW) for the Urban Postal Operations (UPO) and Rural and Suburban Mail Carriers (RSMC) bargaining units. These agreements provide greater operational stability and establish a stronger foundation for advancing the Corporation's strategic priorities, supporting its return to financial self-sustainability and strengthening its ability to better meet the evolving needs of Canadians.

Although the new agreements are an important milestone, continued engagement and effective labour relations are important across the Corporation: Canada Post is committed to fostering constructive and collaborative relationships with all bargaining agents.

Emerging risks

International conflicts

In early 2026, an evolving military conflict in the Middle East increased geopolitical and energy market uncertainty. Potential impacts on Canada Post may include increased fuel and operating cost pressures, modest disruptions to international mail and parcel flows, and lower parcel, Transaction Mail and Smartmail Marketing™ volumes should broader economic uncertainties emerge.

Counterfeit label fraud

As with other postal administrations, the Corporation faces the risk of counterfeit or unauthorized shipping labels being used to ship parcels without valid postage, negatively affecting revenue and margins. Management continues to mitigate this risk through enhanced monitoring, stronger customer and account controls, and coordinated operational and security measures.

International business risk

Effective July 1, 2026, the European Union (EU) removed its €150 duty-free *de minimis* threshold for low-value imports from outside the bloc and introduced a temporary customs duty of €3 per item. The change may affect consumer purchasing behaviour and the economics of cross-border ecommerce, potentially reducing outbound parcel volumes and revenue.

In addition, the EU has introduced enhanced customs compliance and data-reporting requirements for low-value imports as part of its broader customs reform initiative. These requirements have increased operational complexity for international parcel shipments and, in some cases, have limited Canada Post's ability to offer service to certain EU destinations until compliant solutions for duty collection and customs processing are available. The changes may affect parcel volumes, revenue, customer experience and future compliance costs, particularly as the EU moves to a broader customs framework by 2028.

Tariff uncertainty

The United States has announced additional trade measures under Section 338 of the *Tariff Act of 1930*, including tariffs of up to 50% on approximately US$20 billion of Canadian goods. These measures represent a significant escalation of previously disclosed trade risks and increase uncertainty regarding the outlook for Canada-U.S. trade and economic activity.

Potential impacts on Canada Post include lower cross-border parcel volumes, reduced commercial shipping activity and weaker business confidence. If broader economic uncertainty materializes, reduced consumer and business spending may result in lower domestic parcel and Direct Marketing volumes.

The scope, severity and duration of these measures, as well as any resulting policy responses or negotiations, remain uncertain. Canada Post continues to monitor developments closely.

9. Critical Accounting Policies and Estimates and Internal Controls

A review of critical accounting estimates and changes in accounting policies in Q2 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 Q2 2026. There have been no significant changes in accounting policies from those disclosed in the Corporation's 2025 audited consolidated financial statements.

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 Q2 2026, the most significant accounting judgments and estimates are related to going concern (Note 2 [a]).

9.3 Internal controls

For Q2 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

Chief Financial Officer

August 27, 2026

Interim Condensed Consolidated Statement of Financial Position

(Unaudited – in millions of Canadian dollars)

ASSETS	As at July 4, 2026	As at December 31, 2025
Current assets		
Cash and cash equivalents	**756**	407
Trade, other receivables and contract assets	**1,251**	1,330
Income tax receivable	**20**	–
Assets held for sale	**41**	41
Other assets	**182**	189
Total current assets	**2,250**	1,967
Non-current assets		
Property, plant and equipment (Note 4)	**3,997**	4,024
Intangible assets (Note 4)	**790**	819
Right-of-use assets (Note 4)	**1,375**	1,398
Segregated securities	**310**	301
Pension benefit assets (Note 5)	**6,321**	5,343
Goodwill	**661**	661
Other assets	**66**	61
Total non-current assets	**13,520**	12,607
Total assets	**15,770**	14,574

LIABILITIES AND EQUITY	As at July 4, 2026	As at December 31, 2025
Current liabilities		
Trade and other payables, including government remittances	**1,451**	1,229
Salaries and benefits payable	**903**	755
Loans and borrowings (Note 8)	**234**	278
Demand notes payable to Government of Canada (Note 9)	**1,351**	1,005
Provisions	**70**	77
Income tax payable	**4**	15
Deferred revenue	**138**	160
Lease liabilities (Note 7)	**105**	103
Other long-term benefit liabilities (Note 5)	**52**	52
Total current liabilities	**4,308**	3,674
Non-current liabilities		
Lease liabilities (Note 7)	**1,509**	1,524
Loans and borrowings (Note 8)	**1,020**	1,038
Pension, other post-employment and other long-term benefit liabilities (Note 5)	**3,003**	2,990
Deferred tax liabilities (Note 6)	**281**	219
Other liabilities	**60**	53
Total non-current liabilities	**5,873**	5,824
Total liabilities	**10,181**	9,498

LIABILITIES AND EQUITY	**As at July 4, 2026**	As at December 31, 2025
Equity		
Contributed capital	**1,155**	1,155
Accumulated other comprehensive income (Note 14)	**10**	6
Retained earnings	**4,319**	3,813
Equity of Canada	**5,484**	4,974
Non-controlling interests	**105**	102
Total equity	**5,589**	5,076
Total liabilities and equity	**15,770**	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		For the 26 weeks ended	
	July 4, 2026	June 28, 2025	**July 4, 2026**	June 28, 2025
Revenue from operations (Note 11)	**2,412**	2,363	**4,834**	4,872
Cost of operations				
Labour	**1,308**	1,340	**2,670**	2,610
Employee benefits	**298**	351	**624**	702
	1,606	1,691	**3,294**	3,312
Other operating costs (Note 12)	**813**	821	**1,640**	1,647
Depreciation and amortization (Note 4)	**142**	147	**286**	289
Total cost of operations	**2,561**	2,659	**5,220**	5,248
Loss from operations	**(149)**	(296)	**(386)**	(376)
Investing and financing income (expense)				
Investment and other income (Note 13)	**5**	11	**36**	22
Finance costs and other expense (Note 13)	**(44)**	(40)	**(89)**	(73)
Investing and financing income (expense), net	**(39)**	(29)	**(53)**	(51)
Loss before tax	**(188)**	(325)	**(439)**	(427)
Tax recovery (Note 6)	**(90)**	(44)	**(174)**	(85)
Net loss	**(98)**	(281)	**(265)**	(342)
Other comprehensive income (loss) (Note 14)				
Items that may subsequently be reclassified to net profit (loss)				
Change in unrealized fair value of financial assets	**4**	(7)	**1**	(5)
Unrealized losses on currency translation differences	**2**	2	**3**	5
Item never reclassified to net profit (loss)				
Remeasurements of defined benefit plans	**476**	66	**780**	159
Other comprehensive income	**482**	61	**784**	159
Comprehensive income (loss)	**384**	(220)	**519**	(183)
Net profit (loss) attributable to				
Government of Canada	**(103)**	(286)	**(271)**	(348)
Non-controlling interests	**5**	5	**6**	6
	(98)	(281)	**(265)**	(342)
Comprehensive income (loss) attributable to				
Government of Canada	**376**	(226)	**510**	(190)
Non-controlling interests	**8**	6	**9**	7
Comprehensive income (loss)	**384**	(220)	**519**	(183)

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 July 4, 2026	**Contributed capital**	**Accumulated other comprehensive income**	**Retained earnings**	**Equity of Canada**	**Non-controlling interests**	**Total equity**
Balance at April 4, 2026	**1,155**	**4**	**3,949**	**5,108**	**97**	**5,205**
Net profit (loss)	**–**	**–**	**(103)**	**(103)**	**5**	**(98)**
Other comprehensive income (Note 14)	**–**	**6**	**473**	**479**	**3**	**482**
Comprehensive income	**–**	**6**	**370**	**376**	**8**	**384**
Balance at July 4, 2026	**1,155**	**10**	**4,319**	**5,484**	**105**	**5,589**

For the 13 weeks ended June 28, 2025	Contributed capital	Accumulated other comprehensive income (loss)	Retained earnings	Equity of Canada	Non-controlling interests	Total equity
Balance at March 29, 2025	1,155	10	3,880	5,045	83	5,128
Net profit (loss)	–	–	(286)	(286)	5	(281)
Other comprehensive income (loss)	–	(5)	65	60	1	61
Comprehensive income (loss)	–	(5)	(221)	(226)	6	(220)
Balance at June 28, 2025	1,155	5	3,659	4,819	89	4,908

For the 26 weeks ended July 4, 2026	**Contributed capital**	**Accumulated other comprehensive income**	**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)	**–**	**–**	**(271)**	**(271)**	**6**	**(265)**
Other comprehensive income (Note 14)	**–**	**4**	**777**	**781**	**3**	**784**
Comprehensive income	**–**	**4**	**506**	**510**	**9**	**519**
Transactions with shareholders – Dividend	**–**	**–**	**–**	**–**	**(6)**	**(6)**
Balance at July 4, 2026	**1,155**	**10**	**4,319**	**5,484**	**105**	**5,589**

For the 26 weeks ended June 28, 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)	–	–	(348)	(348)	6	(342)
Other comprehensive income	–	–	158	158	1	159
Comprehensive income (loss)	–	–	(190)	(190)	7	(183)
Transactions with shareholders – Dividend	–	–	–	–	(9)	(9)
Balance at June 28, 2025	1,155	5	3,659	4,819	89	4,908

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		For the 26 weeks ended	
	July 4, 2026	June 28, 2025	**July 4, 2026**	June 28, 2025
Operating activities				
Net loss	**(98)**	(281)	**(265)**	(342)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:				
Depreciation and amortization (Note 4)	**142**	147	**286**	289
Pension, other post-employment and other long-term benefit expense (Note 5)	**90**	143	**199**	280
Pension, other post-employment and other long-term benefit payments (Note 5)	**(58)**	(64)	**(123)**	(125)
Gain on sale of capital assets, net of impairment loss (Note 13)	**–**	(2)	**(2)**	(2)
Tax recovery and other items affecting net income tax receivable (Note 6)	**(92)**	(46)	**(175)**	(113)
Net interest expense (Note 13)	**38**	30	**73**	52
Change in non-cash operating working capital:				
(Increase) decrease in trade and other receivables	**(82)**	43	**78**	(59)
Increase (decrease) in trade and other payables, including government remittances	**503**	(64)	**202**	26
(Decrease) increase in salaries and benefits payable and related provisions	**(12)**	98	**148**	134
Increase (decrease) in provisions	**3**	(2)	**(6)**	(7)
Net increase in other non-cash operating working capital	**(23)**	(66)	**(11)**	(97)
Other (income) expense not affecting cash, net	**(1)**	(3)	**(3)**	2
Cash provided by (used in) operating activities before interest and tax	**410**	(67)	**401**	38
Interest received	**10**	35	**14**	49
Interest paid	**(47)**	(45)	**(90)**	(82)
Tax paid	**(35)**	(17)	**(55)**	(35)
Cash provided by (used in) operating activities	**338**	(94)	**270**	(30)
Investing activities				
Business acquisitions, net of cash acquired	**–**	–	**–**	(279)
Acquisition of securities	**–**	(20)	**–**	(35)
Proceeds from sale of securities	**–**	63	**–**	274
Cash payments for capital assets	**(76)**	(19)	**(141)**	(134)
Proceeds from the sale of capital assets and assets held for sale	**5**	–	**5**	–
Other investing activities, net	**(6)**	(5)	**(6)**	(6)
Cash (used in) provided by investing activities	**(77)**	19	**(142)**	(180)
Financing activities				
Proceeds from notes payable to the Government of Canada (Note 9)	**–**	–	**335**	–
Repayment of loans and borrowings (Note 8)	**(502)**	(53)	**(1,230)**	(729)
Proceeds from loans and borrowings (Note 8)	**385**	–	**1,166**	955
Payments of lease liabilities (Note 7)	**(25)**	(27)	**(50)**	(56)
Dividend paid to non-controlling interests	**–**	–	**(6)**	(9)
Other financing activities, net	**(2)**	(1)	**3**	(9)
Cash (used in) provided by financing activities	**(144)**	(81)	**218**	152
Net increase (decrease) in cash and cash equivalents	**117**	(156)	**346**	(58)
Cash and cash equivalents, beginning of period	**637**	902	**407**	802
Effect of exchange rate changes on cash and cash equivalents	**2**	(4)	**3**	(2)
Cash and cash equivalents, end of period	**756**	742	**756**	742

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

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the 26 weeks ended July 4, 2026

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 be comparable for 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 their addressees 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 to 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 August 27, 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 (second quarter or Q2) and 26-week period (first two quarters or year to date [YTD]) ended July 4, 2026 (comparative period ended June 28, 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 are no significant changes to these judgments or sources of estimation uncertainty in the YTD period of 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 $6.6 billion. At July 4, 2026, accumulated funds from operating activities were insufficient to meet contractual repayment terms; continued government funding is required for the Corporation to remain solvent. 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 meets 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 operating components included in 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, for the Government of Canada year ending March 31, 2027. Additional amounts 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.
- **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 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, 9 and 10 for additional information about the Corporation's borrowing facilities, demand notes payable, capital management and liquidity risk.

(b) External economic, trade and geopolitical developments

The Group operates in an environment influenced by global economic, trade and geopolitical developments. These developments may affect customer demand, international trade flows, supply chains, operating costs and financial performance. Due to the evolving nature of these events, significant uncertainty remains regarding their scope, severity and duration. Accordingly, it is not currently possible to reliably estimate their future impact on the Group's financial performance, cash flows or financial position.

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.

International business – Effective July 1, 2026, the European Union (EU) removed its €150 duty-free de minimis threshold for low-value imports and introduced a temporary €3 customs duty per item. New customs requirements and related operational constraints may affect the Group's international parcel volumes, revenues and operating costs.

Tariff threats and economic uncertainty – Tariff measures announced by the United States, including tariffs of up to 50% on approximately US$20 billion of Canadian goods, have increased uncertainty regarding Canada-U.S. trade and economic activity. These measures could adversely affect cross-border parcel volumes, commercial shipping activity and Direct Marketing revenues.

3. Application of New and Revised International Financial Reporting Standards

(a) New standards, amendments and interpretations effective January 1, 2026

There were no new standards, amendments or interpretations issued by the International Accounting Standards Board (IASB) or the IFRS Interpretations Committee that required adoption in Q2 2026.

In Q1 2026, amendments issued by the IASB that required mandatory adoption by the Group on or after January 1, 2026, resulted in no changes to the Corporation's interim financial statements. Refer to the Q1 quarterly financial report for additional information on the amendments issued in that quarter.

(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 as at July 4, 2026, that would have a possible effect on the Group in the future.

4. Capital Assets

(a) Property, plant and equipment

(millions of Canadian dollars)

	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	–	11	11	2	3	2	39	76	144
Retirements	–	–	(1)	(6)	(20)	(7)	–	(4)	(38)
Transfers	–	17	32	11	37	4	–	(100)	1
July 4, 2026	**447**	**2,865**	**472**	**1,504**	**1,282**	**202**	**1,372**	**232**	**8,376**
Accumulated depreciation									
Dec. 31, 2025	–	1,529	302	942	701	152	619	–	4,245
Depreciation	–	34	12	41	39	9	33	–	168
Retirements	–	–	–	(6)	(20)	(7)	(1)	–	(34)
July 4, 2026	**–**	**1,563**	**314**	**977**	**720**	**154**	**651**	**–**	**4,379**
Carrying amounts									
Dec. 31, 2025	447	1,308	128	555	561	51	714	260	4,024
July 4, 2026	**447**	**1,302**	**158**	**527**	**562**	**48**	**721**	**232**	**3,997**

(b) Intangible assets

(millions of Canadian dollars)

	Software	Software under development	Customer contracts and brand[1]	Total
Cost				
December 31, 2025	810	55	607	1,472
Additions	2	28	–	30
Retirements	(5)	–	–	(5)
Transfers	52	(53)	–	(1)
July 4, 2026	**859**	**30**	**607**	**1,496**
Accumulated amortization				
December 31, 2025	606	–	47	653
Amortization	34	–	24	58
Retirements	(5)	–	–	(5)
July 4, 2026	**635**	**–**	**71**	**706**
Carrying amounts				
December 31, 2025	204	55	560	819
July 4, 2026	**224**	**30**	**536**	**790**

1. Includes Customer relationships – custom solutions, an individual material asset recorded through Purolator's acquisition of Livingston, with a net book value of $432 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

(millions of Canadian dollars)

	Land	Buildings – gross	Buildings – net	Vehicles	Plant equipment	Total
Carrying amounts						
December 31, 2025	165	275	948	4	6	1,398
Additions[1]	1	12	42	1	3	59
Depreciation	(2)	(13)	(43)	(1)	(1)	(60)
Terminations	–	(7)	(14)	(1)	–	(22)
July 4, 2026	**164**	**267**	**933**	**3**	**8**	**1,375**

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:

(millions of Canadian dollars)

	As at July 4, 2026	As at December 31, 2025
Pension benefit assets	**6,321**	5,343
Other post-employment and other long-term benefit liabilities	3,055	3,042
Current other long-term benefit liabilities	**52**	52
Non-current pension, other post-employment and other long-term benefit liabilities	**3,003**	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:

(millions of Canadian dollars)

	Q2 2026			Q2 2025		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	95	19	114	116	21	137
Interest cost	319	34	353	320	36	356
Interest income on plan assets	(378)	–	(378)	(369)	–	(369)
Other administration costs	3	–	3	5	–	5
Plan amendments	–	(14)	(14)	–	–	–
Defined benefit expense	39	39	78	72	57	129
Defined contribution expense	12	–	12	14	–	14
Total expense	51	39	90	86	57	143
Return on segregated securities	–	(3)	(3)	–	(4)	(4)
Component included in employee benefits expense	**51**	**36**	**87**	86	53	139
Remeasurement (gains) losses:						
Return on plan assets, excluding interest income on plan assets	(1,489)	–	(1,489)	293	–	293
Actuarial (gains) losses	788	65	853	(328)	(52)	(380)
Component included in other comprehensive income[1,2]	**(701)**	**65**	**(636)**	(35)	(52)	(87)

1. Amounts presented in this table exclude income tax expense of $160 million for Q2 2026 (Q2 2025 - tax expense of $21 million).
2. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at Q2 2026 were 4.94% and 5.00%, compared to 5.13% and 5.18%, respectively, at Q1 2026 (4.86% and 4.91%, respectively, at Q2 2025, compared to 4.72% and 4.76% at Q1 2025).

(millions of Canadian dollars)

	YTD 2026			YTD 2025		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	192	38	230	228	42	270
Interest cost	647	69	716	630	71	701
Interest income on plan assets	(768)	–	(768)	(727)	–	(727)
Other administration costs	7	–	7	9	–	9
Plan amendments	–	(14)	(14)	–	–	–
Defined benefit expense	78	93	171	140	113	253
Defined contribution expense	28	–	28	27	–	27
Total expense	106	93	199	167	113	280
Return on segregated securities	–	(6)	(6)	–	(7)	(7)
Component included in employee benefits expense	**106**	**87**	**193**	167	106	273
Remeasurement (gains) losses:						
Return on plan assets, excluding interest income on plan assets	(1,335)	–	(1,335)	210	–	210
Actuarial (gains) losses	277	17	294	(363)	(57)	(420)
Component included in other comprehensive income[1,2]	**(1,058)**	**17**	**(1,041)**	(153)	(57)	(210)

1. Amounts presented in this table exclude income tax expense of $261 million for YTD 2026 (YTD 2025 – tax expense of $51 million).
2. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at Q2 2026 were 4.94% and 5.00%, compared to 4.98% and 5.02%, respectively, at Q4 2025 (4.86% and 4.91%, respectively, at Q2 2025, compared to 4.71% and 4.73%, respectively, at Q4 2024).

(c) Total cash payments and funding relief

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

(millions of Canadian dollars)

	Q2 2026	Q2 2025	**YTD 2026**	YTD 2025
Cash payments for defined benefit plans	48	50	97	98
Contributions to defined contribution plans	10	14	26	27
Total cash payments	**58**	**64**	**123**	**125**

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 (millions of Canadian dollars):

	As at July 4, 2026	As at Dec. 31, 2025
Deferred tax assets	–	–
Deferred tax liabilities	281	219
Net deferred tax liabilities	**(281)**	(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 Q2 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 concluded that the amount of gross deferred tax assets that were not recognized due to insufficient gross deferred tax liabilities expected to reverse in the same period, are as follows (millions of Canadian dollars):

	As at July 4, 2026	As at Dec. 31, 2025
Gross deferred tax assets	1,994	1,881
Gross deferred tax liabilities arising from taxable temporary differences expected to reverse in the same period	1,807	1,631
Deferred tax assets not recognized	**187**	250

This assessment adjusted the total reduction of the deferred tax asset (netted with deferred tax liabilities) to $187 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 $747 million (December 31, 2025 – $1.001 billion).

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

	Q2 2026	Q2 2025	YTD 2026	YTD 2025
Current tax expense	21	29	25	45
Deferred tax recovery relating to origination and reversal of temporary differences	(66)	(118)	(136)	(153)
Deferred tax expense (recovery) relating to the reversal of the deferred tax asset write-down	(45)	45	(63)	23
Tax recovery	**(90)**	**(44)**	**(174)**	**(85)**

The tax expense (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 (millions of Canadian dollars):

	Q2 2026	Q2 2025	YTD 2026	YTD 2025
Loss before tax	**(188)**	**(325)**	**(439)**	**(427)**
Federal tax at Corporation's statutory rate	(46)	(82)	(109)	(107)
Subsidiaries' provincial tax less federal tax abatement	(14)	1	2	(16)
Adjustments for prior years	(1)	4	(4)	4
Deferred tax expense (recovery) relating to the reversal of the deferred tax asset write-down	(45)	45	(63)	23
Other	16	(12)	–	11
Tax recovery	**(90)**	**(44)**	**(174)**	**(85)**

7. Lease Liabilities

(a) Lease liabilities

(millions of Canadian dollars)

	As at July 4, 2026	As at December 31, 2025
Maturity analysis – contractual undiscounted cash flows[1,2]		
Less than one year	**164**	166
One to five years	**596**	640
More than five years	**1,503**	1,694
Total undiscounted lease liabilities	**2,263**	2,500
Lease liabilities in the interim condensed consolidated statement of financial position	**1,614**	1,627
Current lease liabilities	**105**	103
Non-current lease liabilities	**1,509**	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 $37 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 July 4, 2026, have future cash outflows of $245 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

(millions of Canadian dollars)

	December 31, 2025	Payments	Interest	Net lease additions[1]	**July 4, 2026**
Lease liabilities	1,627	(82)	32	37	**1,614**

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

8. Loans and Borrowings

(a) Fair value measurement (millions of Canadian dollars)

	As at July 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]	511	499	509	499
Total – Canada Post segment	511	499	509	499
Purolator[3]				
Revolving credit facility, fixed interest ranging from 4.58% to 5.45%, payable at end of term[4,5]	200	200	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]	555	555	568	568
Total – Purolator segment	755	755	817	817
Total loans and borrowings	**1,266**	**1,254**	1,326	1,316
Current		**234**		278
Non-current		**1,020**		1,038

1. The estimated fair values disclosed for loans and borrowing are categorized as level 2 in the fair value hierarchy and are applied on a recurring basis. There were no transfers between the levels of the fair value hierarchy.
2. The Corporation has a right of redemption prior to maturity at a premium to fair value. Bonds constitute direct, unconditional and unsecured obligations of the Corporation and direct, unconditional obligations of the Government of Canada. Fair value approximates carrying value.
3. The fair value of Purolator's loans and borrowings approximates their carrying value, as all loans were issued in Q1 2025 and are based on current market terms.
4. Purolator entered into a four-year credit agreement consisting of a $600 million non-revolving term credit facility and a $550 million revolving credit facility ($38 million permanently repaid, $350 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.
5. Purolator remits customs duties and goods and services tax to government agencies on the customers' behalf. Purolator primarily utilizes available cash balances and the revolving term credit facility to fund these remittances. The revolving credit facility is typically repaid in full within the same month as the associated accounts receivable are collected. In addition, Purolator utilizes the revolving term credit facility to fund capital purchases and other cash flow requirements during the year.

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

	December 31, 2025	Proceeds	Repayments	Other[1]	**July 4, 2026**
Loans and borrowings	1,316	1,166	(1,230)	2	**1,254**

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 (millions of Canadian dollars):

	As at July 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)	18	12
Notes payable balance, end of period	**1,351**	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 (millions of Canadian dollars):

	As at July 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 period[2]	**–**	17

1. The difference between the proceeds received and the initial carrying value of the demand notes payable, due to the benefit of the interest-free loan, is recorded as deferred government grant income in the period the note is issued and recognized on a systematic basis in 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 $5.484 billion at July 4, 2026 (December 31, 2025 – $4.974 billion). Operating losses for YTD 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 meet 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 July 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 was undrawn (December 31, 2025 – $575 million). At Q2 2026, letters of credit of $20 million (December 31, 2025 – $20 million) were issued against the line of credit.

(c) Liquidity risk

(millions of Canadian dollars)

	As at July 4, 2026	As at December 31, 2025
Cash and cash equivalents	345	318
Loans and borrowings (note 8)	(499)	(499)
Cash government funding	(1,369)	(1,034)
Net liquidity position	**(1,523)**	(1,215)

Operating losses have significantly depleted the Corporation's cash resources since 2018. As a result, 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

For the Corporation, revenue is reported based on the location of the foreign postal administration or the customer using the service. For the Purolator segment, revenue is reported based on the product group (determined by destination). Individual foreign countries that generate 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 (millions of Canadian dollars):

	Q2 2026	Q2 2025	**YTD 2026**	YTD 2025
Canada	2,275	2,337	4,564	4,722
United States	92	2	183	80
Rest of the world	45	24	87	70
Total revenue	**2,412**	2,363	**4,834**	4,872

(b) Products and services revenue

Revenue reported for products and services is based on information available at the time of sale. As a result, stamp and meter revenue are reported separately, rather than being attributed to the lines of business (millions of Canadian dollars):

	Q2 2026			Q2 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	1,323	(11)	1,312	1,206	(6)	1,200
Transaction Mail	530	–	530	590	–	590
Direct Marketing	234	–	234	234	–	234
Consumer products and services	58	–	58	65	(1)	64
Customs brokerage	83	–	83	90	(1)	89
Global Trade and Transportation Solutions	59	–	59	48	–	48
	2,287	**(11)**	**2,276**	2,233	(8)	2,225
Unattributed revenue						
Stamp postage	46	–	46	45	–	45
Meter postage	90	–	90	93	–	93
	136	**–**	**136**	138	–	138
Total	**2,423**	**(11)**	**2,412**	2,371	(8)	2,363

	YTD 2026			YTD 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	2,549	(20)	2,529	2,463	(10)	2,453
Transaction Mail	1,147	–	1,147	1,289	–	1,289
Direct Marketing	467	–	467	490	–	490
Consumer products and services	116	–	116	112	(1)	111
Customs brokerage	169	(1)	168	143	(1)	142
Global Trade and Transportation Solutions	104	–	104	77	–	77
	4,552	**(21)**	**4,531**	4,574	(12)	4,562
Unattributed revenue						
Stamp postage	107	–	107	110	–	110
Meter postage	196	–	196	200	–	200
	303	**–**	**303**	310	–	310
Total	**4,855**	**(21)**	**4,834**	4,884	(12)	4,872

(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).

(millions of Canadian dollars)

	Q2 2026			Q2 2025		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic						
Commercial	1,723	(11)	1,712	1,760	(8)	1,752
Retail	563	–	563	586	–	586
	2,286	(11)	2,275	2,346	(8)	2,338
International	137	–	137	25	–	25
Total	**2,423**	**(11)**	**2,412**	2,371	(8)	2,363

(millions of Canadian dollars)

	YTD 2026			YTD 2025		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic						
Commercial	3,410	(21)	3,389	3,560	(12)	3,548
Retail	1,175	–	1,175	1,175	–	1,175
	4,585	(21)	4,564	4,735	(12)	4,723
International	270	–	270	149	–	149
Total	**4,855**	**(21)**	**4,834**	4,884	(12)	4,872

12. Other Operating Costs

(millions of Canadian dollars)

	Q2 2026	Q2 2025	**YTD 2026**	YTD 2025
Non-labour collection, processing and delivery	509	488	1,018	992
Property, facilities and maintenance	86	78	182	168
Selling, administrative and IT	185	200	378	398
Non-capital investment expense	33	55	62	89
Other operating costs	**813**	**821**	**1,640**	**1,647**

13. Investing and Financing Income (Expense)

(millions of Canadian dollars)

	Q2 2026	Q2 2025	**YTD 2026**	YTD 2025
Interest income	4	8	9	18
Gain on sale of capital assets, net of impairment loss	–	–	2	–
Other income[1]	1	3	25	4
Investment and other income	**5**	**11**	**36**	**22**
Interest expense[2]	(42)	(38)	(82)	(70)
Other expense	(2)	(2)	(7)	(3)
Finance costs and other expense	**(44)**	**(40)**	**(89)**	**(73)**
Investing and financing (expense) income, net	**(39)**	**(29)**	**(53)**	**(51)**

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 (Loss)

(millions of Canadian dollars)

	Items that may subsequently be reclassified to net profit (loss)			Item never reclassified to net profit (loss)	
	Change in unrealized fair value of financial assets	Cumulative foreign currency adjustment	Accumulated other comprehensive income (loss)	Remeasurements of defined benefit plans	Other comprehensive income (loss)
Accumulated balance as at December 31, 2025	(5)	11	6		
Gains (losses) arising	1	3	4	1,041	1,045
Income taxes	–	–	–	(261)	(261)
Net	**1**	**3**	**4**	**780**	**784**
Accumulated balance as at Q2 2026	**(4)**	**14**	**10**		

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, as well as with 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

(millions of Canadian dollars)

	Q2 2026	Q2 2025	**YTD 2026**	YTD 2025
Related party revenue	**152**	147	**259**	250
Compensation payments for programs				
Government mail and mailing of materials for persons who are blind	**5**	5	**11**	11
Payments from related parties for premises leased from the Corporation	**2**	1	**4**	3
Related party expenditures	**4**	4	**13**	6

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, both of which are sent free of postage. For related party lease information, refer to Note 7 (a).

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

	As at July 4, 2026	As at December 31, 2025
Due to/from related parties		
Included in trade and other receivables	**43**	20
Included in trade and other payables	**12**	26
Deferred revenue from related parties	**12**	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 YTD 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 $1 million and $4 million for Q2 2026 and YTD 2026 periods, respectively (2025 – nil and $3 million, respectively). These transactions were conducted on terms and conditions comparable to those that would have been obtained from unrelated parties.

(c) Transactions with the Corporation's pension plans

During Q2 and YTD 2026, the Corporation provided administration services to the Canada Post Corporation Registered Pension Plan in the amount of $6 million and $11 million, respectively (2025 – $3 million and $8 million, respectively). As at July 4, 2026, $3 million (December 31, 2025 – $6 million) relating to transactions with the Registered Pension Plan was 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 are conducted on terms and conditions comparable to those offered in the marketplace. On a consolidated basis, there was no external customer whose purchases accounted for more than 10% of total revenue.

As at July 4, 2026, and for Q2 2026
(millions of Canadian dollars)

	Canada Post	Purolator	Consolidation entries and eliminations	Total
Revenue from external customers	1,524	888	–	2,412
Intersegment revenue	6	5	(11)	–
Revenue from operations	1,530	893	(11)	2,412
Labour and employee benefits	1,195	411	–	1,606
Other operating costs	508	316	(11)	813
Depreciation and amortization	82	60	–	142
Cost of operations	1,785	787	(11)	2,561
Profit (loss) from operations	(255)	106	–	(149)
Investment and other income	4	–	1	5
Finance costs and other expense	(26)	(18)	–	(44)
Profit (loss) before tax	(277)	88	1	(188)
Tax expense (recovery)	(113)	23	–	(90)
Net profit (loss)	(164)	65	1	(98)
Total assets	11,524	4,490	(244)	15,770
Cash payments for capital assets	35	41	–	76
Total liabilities	7,461	2,729	(9)	10,181

As at June 28, 2025, and for Q2 2025
(millions of Canadian dollars)

	Canada Post	Purolator[1]	Consolidation entries and eliminations	Total
Revenue from external customers	1,502	861	–	2,363
Intersegment revenue	6	2	(8)	–
Revenue from operations	1,508	863	(8)	2,363
Labour and employee benefits	1,296	395	–	1,691
Other operating costs	518	311	(8)	821
Depreciation and amortization	90	57	–	147
Cost of operations	1,904	763	(8)	2,659
Profit (loss) from operations	(396)	100	–	(296)
Investment and other income	9	2	–	11
Finance costs and other expense	(20)	(20)	–	(40)
Profit (loss) before tax	(407)	82	–	(325)
Tax expense (recovery)	(57)	13	–	(44)
Net profit (loss)	(350)	69	–	(281)
Total assets	10,328	4,007	(246)	14,089
Total liabilities	6,714	2,479	(12)	9,181

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

As at July 4, 2026, and for YTD 2026
(millions of Canadian dollars)

	Canada Post	**Purolator**	**Consolidation entries and eliminations[1]**	**Total**
Revenue from external customers	3,127	1,707	–	4,834
Intersegment revenue	11	10	(21)	–
Revenue from operations	3,138	1,717	(21)	4,834
Labour and employee benefits	2,464	830	–	3,294
Other operating costs	1,037	624	(21)	1,640
Depreciation and amortization	165	121	–	286
Cost of operations	3,666	1,575	(21)	5,220
Profit (loss) from operations	(528)	142	–	(386)
Investment and other income	100	4	(68)	36
Finance costs and other expense	(54)	(35)	–	(89)
Profit (loss) before tax	(482)	111	(68)	(439)
Tax expense (recovery)	(200)	26	–	(174)
Net profit (loss)	(282)	85	(68)	(265)
Total assets	11,524	4,490	(244)	15,770
Cash payments for capital assets	70	71	–	141
Total liabilities	7,461	2,729	(9)	10,181

1. Intercompany dividends are eliminated on consolidation.

As at June 28, 2025, and for YTD 2025
(millions of Canadian dollars)

	Canada Post	Purolator[1]	Consolidation entries and eliminations[2]	Total
Revenue from external customers	3,285	1,587	–	4,872
Intersegment revenue	12	–	(12)	–
Revenue from operations	3,297	1,587	(12)	4,872
Labour and employee benefits	2,560	752	–	3,312
Other operating costs	1,061	598	(12)	1,647
Depreciation and amortization	183	106	–	289
Cost of operations	3,804	1,456	(12)	5,248
Profit (loss) from operations	(507)	131	–	(376)
Investment and other income	98	4	(80)	22
Finance costs and other expense	(39)	(34)	–	(73)
Profit (loss) before tax	(448)	101	(80)	(427)
Tax expense (recovery)	(109)	24	–	(85)
Net profit (loss)	(339)	77	(80)	(342)
Total assets	10,328	4,007	(246)	14,089
Total liabilities	6,714	2,479	(12)	9,181

1. Results for Livingston were consolidated in the Purolator segment from the acquisition date of January 31, 2025.
2. Intercompany dividends are eliminated on consolidation.

17. Events After the Reporting Period

Government funding

On July 15, 2026, in accordance with section 31 of the *Canada Post Corporation Act*, Canada Post received $155 million in additional repayable government funding (treated as a demand note payable), bringing the total received to date to $1.524 billion. Refer to Note 2 (a), which explains the impact of this funding on the Corporation's going-concern assessment.

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