2024
Canada Post Corporation

FIRST QUARTER
FINANCIAL REPORT

For the period ended March 30, 2024

Financial Performance

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Management's Discussion and Analysis

Unaudited Interim Condensed Consolidated Financial Statements

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) of the financial condition and results of operations is prepared for the 13-week period (first quarter or Q1) ended March 30, 2024, for Canada Post Corporation (Corporation or Canada Post) and its subsidiaries – Purolator Holdings Ltd. (Purolator), Innovapost Inc. (Innovapost) and SCI up to March 1, 2024, when they ceased to be a subsidiary. 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 legal entities.

Three reportable operating segments have been identified: Canada Post, Purolator and SCI. The Other segment includes the results of the support functions provided by the information technology business unit, Innovapost, under a shared services agreement between Canada Post, Purolator and Innovapost, as well as consolidation adjustments and intersegment balance eliminations. Consolidation of SCI was discontinued March 1, 2024, when the divestiture was completed. Details of the Corporation's material subsidiaries are set out below.

				Proportion of ownership interest held directly or indirectly	
Name of subsidiary	**Principal activity**	**Place of incorporation**	**Place of operation**	**As at March 30, 2024**	**As at December 31, 2023**
Purolator Holdings Ltd.	Transportation and courier services	Canada	Canada and United States	91%	91%
SCI Group Inc.	Logistics and transportation services	Canada	Canada	–	99%
Innovapost Inc.	IS/IT services	Canada	Canada	99%	98%

Financial results reported in the MD&A were prepared using IFRS accounting standards as issued by the International Accounting Standards Board (IASB). Amounts are presented in Canadian dollars, rounded to the nearest million, while related percentages are based on numbers rounded to the nearest thousand. Percentage changes for revenue, volume and cost of operations in this report are adjusted for differences in business or paid days in Q1 2024 compared to Q1 2023. Fewer business days and paid days result in decreased revenue and volume, and decreased cost of operations, respectively, while the opposite is true for additional days. These days varied by reporting entity, as follows.

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

This discussion should be read in conjunction with the unaudited condensed consolidated financial statements (interim financial statements) for Q1 2024, 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, 2023.

Management is responsible for the information presented in the interim financial statements and the MD&A. All references to *our* or *we* mean either Canada Post or, collectively, Canada Post and its subsidiaries, as the context may require. The Board of Directors, on the recommendation of its Audit Committee, approved the content of this MD&A and the interim financial statements May 23, 2024.

Forward-looking statements

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

The forward-looking statements included in the interim financial statements and MD&A are made as of May 23, 2024, 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 summary of the Q1 2024 financial results.

The Group is one of Canada's largest employers with over 82,000 people (full-time and part-time employees, including temporary, casual and term employees). Canada Post, the largest segment, is a federal Crown corporation, reporting to Parliament through the Minister of Public Services and Procurement. The Corporation operates the largest retail network in Canada with nearly 5,800 retail post offices across the country. Under the *Canada Post Corporation Act*, Canada Post has a mandate to provide a standard of postal service that meets the needs of Canadians in a secure manner and have regard to the need to conduct operations on a self-sustaining financial basis.

Canada Post is part of the global postal industry comprising foreign postal administrations (posts) that have traditionally financed their universal service obligation (USO) through a legislated exclusive privilege, or monopoly, over a portion of the postal market. In less than two decades, our country has evolved from peak mail to an era defined by digital commerce. When Canadians started to receive less mail and more parcels, we pivoted to serve these new mailing habits, with the most significant changes occurring in the last five years. The rapid shift in the competitive delivery landscape has occurred at a pace not seen before in our history.

Canada Post has been continuously responding to change for centuries. However, a network built to deliver 5.5 billion letters annually, our peak in 2006, cannot be sustained on the 2.2 billion letters delivered in 2023. Canada Post's operations are funded by revenue generated by the sale of postal products and services, not taxpayer dollars. It is a user-pay system, which means when Canadians change their mailing and shipping needs, the postal system must respond, or revenue suffers. Significant changes are needed to our operating model to modernize and preserve our national postal service for all Canadians. Canada Post is committed to lead that change, understanding the important role it continues to play in connecting all Canadians – in urban, rural and remote communities.

Financial and business highlights – Q1 2024

Our deteriorating liquidity position and its impact on going concern

Canada Post's financial performance continues to be negatively impacted by recurring losses, increased competition in the parcel delivery sector, ongoing erosion of Lettermail™ volumes, and the company's high fixed-cost structure. Like other companies, Canada Post is also being impacted by broad economic uncertainty, high inflation and fluctuating retail spending. The growing and cumulative financial losses, combined with our deteriorating cash position, threaten our ability to meet the changing needs of Canadians and fulfill the responsibilities set by the Government of Canada. Without changes and new operating parameters to address our challenges, we forecast larger and increasingly unsustainable losses in future years. Further, $500 million of debt maturing in July 2025 will add significant cash flow pressure. In the interim, the Corporation is carefully managing discretionary costs and investment spending to preserve cash.

We have prepared these interim condensed consolidated financial statements on a going-concern basis in accordance with IFRSs, which assumes that the Corporation will continue 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. The Corporation's capital management, access to borrowing facilities and management of liquidity risks are key considerations in our assessment of going-concern risk, as is the ability to align with the Government of Canada on changes that will help address financial self-sustainability. Significant judgments were involved in these assessments.

Corporate Plan

Canada Post has been without an approved Corporate Plan since 2020. As a result, the Corporation has been operating under an outdated plan, based on former assumptions and projections. Our financial landscape and operating environment have changed significantly during that time:

- Our market share in the parcels sector has decreased due to intense competition.
- Lettermail volumes have eroded significantly.
- Our operational costs have increased at a rate greater than our revenue growth.
- We've seen a substantial deterioration of our cash position.

These factors are having a material effect on Canada Post's performance.

We have submitted our 2024-28 Corporate Plan to the Government of Canada. The plan outlined the challenges we face and highlights the need to work with our shareholder to align on changes that will help address our financial self-sustainability. As of the date of this report, the Plan has not yet been approved. However, planning on our future roadmap is under way as we are having important discussions with the Minister of Public Services and Procurement, the Government of Canada, our bargaining agents and the Canadians we proudly serve.

Segment results

Profit (loss) from operations (in millions of dollars)

	Q1 2024	Q1 2023	$ change	% change
Canada Post	(221)	(112)	(109)	(96.5)%
Purolator	31	50	(19)	(38.8)%
SCI	1	3	(2)	(55.3)%
Other	11	–	11	+
Canada Post Group of Companies	**(178)**	**(59)**	**(119)**	**(200.3)%**

+ Large percentage change.

The Group's loss from operations is mainly due to revenue declines in all segments and cost increases from the Canada Post segment. Results of the SCI divestiture are recorded in investment and other income in the interim condensed consolidated statement of comprehensive income; therefore, they are excluded from this view of business performance.

Profit (loss) before tax (in millions of dollars)

	Q1 2024	Q1 2023	$ change	% change
Canada Post	(76)	(107)	31	28.7%
Purolator	39	46	(7)	(16.1)%
SCI	–	3	(3)	(109.9%)
Other	143	–	143	+
Canada Post Group of Companies	**106**	**(58)**	**164**	**283.3%**

\+ Large percentage change.

The Group's loss before tax improved by $164 million compared to Q1 2023. Losses in the Canada Post segment are offset by the gain on sale of SCI of $287 million in the Other segment and Purolator's profit before tax. Canada Post and Purolator segment results include dividends received just prior to the divestiture of SCI. Canada Post segment results are also positively impacted by the timing of dividend income from Purolator (paid in Q1 2024, compared to Q4 2023). These dividends are eliminated upon consolidation, also in the Other segment.

Divestiture of SCI Group Inc., and Innovapost Inc. – In January 2024, Canada Post and Purolator announced their plan to divest 100% of the shares of two subsidiaries, SCI Group Inc., a leading Canadian third-party logistics provider, and Innovapost Inc., the Group's shared services provider in information technology. The divestiture of SCI closed March 1, 2024; sale proceeds of $356 million were received and the $287 million gain on sale (before tax) was recognized in the interim condensed consolidated financial statements for Q1 2024. The divestiture of Innovapost closed April 15, 2024; proceeds of the sale and gains will be recorded in Q2 2024. The divestitures are part of the company's overall transformation plan to adapt to the changing needs of Canadians and Canadian businesses. Outsourcing information technology (IT) services to a world-class IT strategic partner will help position the company for growth in Canada's ecommerce market while delivering on its core mandate of providing reliable delivery of mail and parcels to every Canadian address.

Canada Post segment

A Stronger Canada – Delivered

Over the last several years, we have progressed on implementing our transformation plan, A Stronger Canada – Delivered. Our progress, presented in Section 4 Capabilities, includes initiating several projects across the plan's three pillars: providing a service all Canadians can count on, social and environmental leadership, and doing right by our people.

We are committed to these three transformational pillars. However, due to our present financial challenges, we have taken steps to align our investments with our near-term priorities. In late 2023, we conducted a thorough review of our transformational investments to ensure they align with our immediate priorities, with a focus on competing in the ecommerce market, providing excellent service to Canadians and ensuring the safety of our people. As a result, we decided to temporarily pause several key initiatives, including investments in our processing network, some customer experience projects and the deferral of the purchase of additional electric vehicles.

Revenue by line of business

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	Q1 2024	Q1 2023	$ change	% change	Q1 2024	Q1 2023	Change	% change
Parcels	802	861	(59)	(5.4)%	68	70	(2)	(1.1)%
Transaction Mail	645	665	(20)	(1.3)%	617	633	(16)	(1.1)%
Direct Marketing	246	223	23	12.2%	1,058	878	180	22.4%
Other	54	54	–	1.7%	–	–	–	–
Total	**1,747**	**1,803**	**(56)**	**(1.5)%**	**1,743**	**1,581**	**162**	12.0%

Parcels revenue decreased due to competition and a decline in fuel surcharges

Parcels revenue and volume declined in Q1 2024 compared to Q1 2023. This decrease can be attributed to increasing competition and a decline in fuel surcharges, which are closely linked to market rates and changes in customer and channel mix. Inbound parcel volumes and revenue are negatively impacted by the growing shift where competitive commercial consolidators are increasingly being used over the conventional inbound postal network.

What we're working on: Parcels growth through 2024 will be influenced by macro-economic factors such as real gross domestic product (GDP) growth, consumer spending patterns and retail ecommerce growth, as well as competitive dynamics and our ongoing labour negotiations with the Canadian Union of Postal Workers (CUPW). With a focus on addressing competitive pressures and expanding market share, we are capitalizing on the growing returns business through the continued pilot of return service enhancements such as box-free and label-free returns. We also continue to respond to consumer expectations for environmental sustainability; for example, in Q1 we switched to over 90% renewable electricity in Saskatchewan through a renewable subscription service agreement with SaskPower.

Mail volume erosion continued; regulated rates to increase in Q2 2024

Transaction Mail revenue and volumes were down in Q1 2024 compared to Q1 2023 as consumers and mailers continue to migrate to digital communications. Maintaining regulated stamp prices at 2020 levels through Q1 2024 also negatively affected revenue in this eroding line of business.

What we're working on: Lettermail rates have increased only minimally since 2014 and have been frozen since January 2020. As a result, rates have fallen significantly behind the rate of inflation, which has also had a substantial impact on revenue and our ability to sustain mail delivery in the future. On April 19, 2024, the Governor in Council approved rate increases to Lettermail items, International Letter-post items, and special services and fees. Rates took effect on May 6, 2024.

Direct Marketing experienced double-digit growth due to strong Neighbourhood Mail™ results

Direct Marketing revenue and volumes increased in Q1 2024 compared to Q1 2023. New customer relationships and product developments in the Canada Post Neighbourhood Mail™ service positively impacted results. Economic uncertainty and the continued shift toward digital marketing resulted in revenue and volume declines in all other Direct Marketing products, which continue to fall below pre-pandemic levels.

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

Higher operating costs partially offset by a reduction in non-capital investment

(in millions of dollars)

	Q1 2024	Q1 2023	$ change	% change
Labour	969	966	3	0.3%
Employee benefits	295	238	57	24.0%
Other operating costs	612	627	(15)	(2.5)%
Depreciation and amortization	92	84	8	10.3%
Total cost of operations	**1,968**	**1,915**	**53**	**2.8%**

The cost of operations increased in Q1 2024, compared to Q1 2023 mainly due to higher employee benefits costs driven by a lower discount rate. Pressure in labour costs from wage increases was offset by improvements in aligning labour scheduling with volume fluctuations. These increases were partly offset by lower non-capital investment costs, as we refocused our 2024 investment priorities.

What we're working on: We continue to expect higher operating costs associated with collecting, processing and delivering parcels, as our business continues to shift from mail to parcels. Negotiations are under way for new collective agreements between Canada Post and CUPW. Non-capital investments will continue through 2024 as we prepare to upgrade our enterprise resource planning system to SAP S/4HANA and modernize technical platforms and processes within the Finance, Order to Cash, Human Resources and Procurement teams. These deployments, set to go live in Q3 2024, are expected to transform the broad business experiences that have impeded Canada Post's ability to compete in the ever-changing and increasingly competitive marketplace, with improvements on the end-to-end experience for customers and employees.

Remeasurement gains and higher solvency surplus due to discount rate increases; no current service contributions or solvency payments for 2024

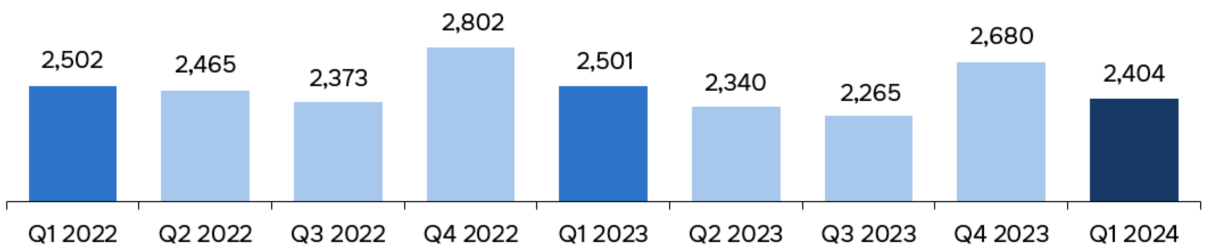
Remeasurement gains of $628 million, net of tax, were recorded in other comprehensive income at March 30, 2024, for the Canada Post segment defined benefit plans. The actuarially determined expense recorded in the statement of comprehensive income and regular payments were not affected by these remeasurements. The gains were primarily the result of an increase in discount rates at the end of Q1 2024 from Q4 2023; this factor also improved the Canada Post Corporation Registered Pension Plan (RPP) solvency surplus (using market value of plan assets) to an estimated $2.9 billion from the December 31, 2023, estimate of $2.1 billion. 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 2024. Final actuarial valuation results may differ significantly from these estimates.

Canada Post Group of Companies – 2024

The charts below present a summary of the 2024 consolidated results for the Group.

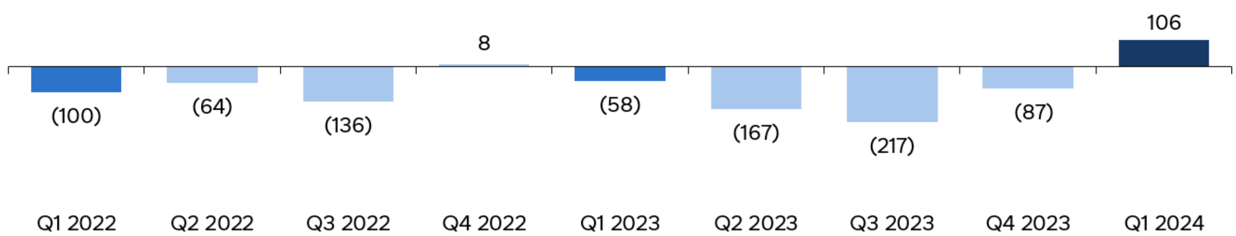
Quarterly consolidated revenue from operations

(in millions of dollars)



Quarterly consolidated profit (loss) before tax

(in millions of dollars)



The following table presents the Group's consolidated performance for the first quarter of 2024, compared to the same period in the prior year.
(in millions of dollars)

	Q1 2024	Q1 2023	$ change	% change	Explanation of significant variances
Consolidated statement of comprehensive income					Discussed in Section 5 Discussion of Operations.
Revenue from operations	2,404	2,501	(97)	(2.4)%	Decline in all segments.
Cost of operations	2,582	2,560	22	0.8%	Higher employee benefits partly offset by lower non-capital investment expenses in the Canada Post segment.
Loss from operations	(178)	(59)	(119)	(200.3)%	Loss in the Canada Post segment, partially offset by profit in the Purolator segment.
Investing and financing income (expense), net	284	1	283	+	Gain on sale of SCI.
Profit (loss) before tax	106	(58)	164	283.3%	
Tax expense (recovery)	6	(13)	19	147.2%	Profit before tax in the Group due to the gain on sale of SCI.
Net income (loss)	100	(45)	145	321.7%	

	Q1 2024	Q1 2023	$ change	% change	Explanation of significant variances
Comprehensive income (loss)	767	(141)	908	644.8%	Remeasurement gains on pension and other post-employment plans from discount rate increases.
Consolidated statement of cash flows					Discussed in Section 6 Liquidity and Capital Resources.
Cash used in operating activities	(10)	(34)	24	70.2%	Lower pension payments, partially offset by an increase in cost of operations.
Cash provided by (used in) investing activities	29	(13)	42	328.9%	Proceeds from the sale of SCI, partially offset by a decrease in proceeds (net of acquisitions) of securities.
Cash used in financing activities	(35)	(32)	(3)	(11.8)%	Dividends paid to non-controlling interests, partially offset by lower payments of lease liabilities.

+ Large percentage change.

2. Core Businesses and Strategy

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

2.1 Our business

Assets and liabilities of disposal groups held for sale

SCI Group Inc. – On January 9, 2024, following approval by their Board of Directors, Canada Post and Purolator announced their plan to divest 100% of the shares of SCI Group Inc. to a Canadian leader in third-party logistics (3PL). SCI has become a leading Canadian 3PL provider specializing in warehousing fulfillment, supply-chain solutions, and transportation management. SCI continues to provide warehousing and other logistics services to Canada Post after the closing date; however, transactions are at an arm's-length basis as the parties are no longer related. Control of SCI Group Inc. was transferred on March 1, 2024, when the divestiture was completed.

Innovapost Inc. – On January 16, 2024, following approval by their Board of Directors, Canada Post and Purolator announced their plan to divest 100% of the shares of Innovapost Inc., the Group's shared-service provider in information technology (IT), to a world-class IT strategic partner. The majority of Innovapost's employees transitioned to the strategic partner, which will provide the Group with day-to-day operational IT services. Strategic IT elements and leaders from Innovapost transitioned to Canada Post or Purolator. Control of Innovapost Inc. transferred to its acquirer on April 15, 2024.

2.2 Our strategy and strategic priorities

Canada Post segment

The Government of Canada expects the Corporation to have regard for the need to conduct its operations on a self-sustaining financial basis while meeting the needs of Canadians. We submitted our 2024-28 Corporate Plan (Plan) to the Government of Canada. The Plan focused on our cumulative financial losses, the erosion of our liquidity position, increased competition, and the need to transform our business model. Fulfilling our dual responsibility requires critical and timely changes to our operating structure to ensure its continued viability.

Canada Post remains committed to its transformation plan, A Stronger Canada – Delivered. Since 2019, Canada Post has been undergoing a company-wide transformation designed to serve Canada's growing appetite for parcel delivery. In 2023, we posted some of our best-ever service results thanks to strategic investments in network capacity. We've moved the company forward and focused on improving the customer experience with extensive upgrades to our facilities, sorting equipment, digital platforms and more. Over the last few years, we've made important advancements on health and safety, environmental sustainability, and equity, diversity, and inclusion.

In late 2023, given our financial challenges, we decided to pause or adjust the timing of a number of transformational investments, while continuing to focus on remaining competitive, providing exceptional service to Canadians and ensuring the safety of our people. Our progress on remaining initiatives to support our strategy is included in Section 4 Capabilities.

3. Key Performance Indicators

The Canada Post segment uses senior executive scorecards to monitor performance and progress against strategic priorities tied to our transformation. Regular reporting provides management and the Board of Directors with a comprehensive view of the segment's performance. Our progress and achievements against 2024 targets reflecting our commitment to our people and to social and environmental leadership were as follows:

Key performance indicators	2024 target	Q1 2024 result	Status
Total injury frequency per 100 employees year-over-year reduction	10%	0%	C
Fleet with telematics installed (to date)	13,500	8,090	A

Key performance indicators		2024 target	Q1 2024 result	Status
Employee diversity[1]	Indigenous Peoples	3.2%	3.4%	A
	People with disabilities	7.9%	8.5%	A
Greenhouse gas emissions (GHGs)	Scopes 1 and 2 for fleet and buildings[2] (in kilotonnes of carbon dioxide equivalent emissions)	112.7	38.3[3]	A
Digital accessibility	Percentage of digital accessibility across all active digital products	92.0%	92.5%	A
Indigenous procurement	Spending with Indigenous Peoples (percentage of eligible direct expenditure in Indigenous businesses)	4.3%	4.2%	A
Enhanced postal services in Indigenous communities	Number of communities with improved expanded services	Over 15	8	A
	Number of engagement discussions	120	31	A
Removal of illicit products from the mail stream in Indigenous communities	Number of pieces inspected and removed	3,660	1,373	A

Notes:

Status A Achieved target within success parameters, or on track to meet target by December 31, 2024.
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 is above 80% of Canadian Labour Market Availability for women and members of visible minorities. The Corporation does not modify recruitment strategies when the goal is exceeded.
2. Scope 3 emissions, which include all upstream transportation, make up 90% of Canada Post's GHG emissions. As part of our science-based targets (SBTs), we are working with our suppliers toward the goal of having 67% of suppliers, by spend, to set an SBT by December 31, 2025.
3. The Q1 2024 result is a forecast and will be verified one quarter in lag. Results are impacted by seasonality. The confirmed value for 2024 (full year) will be reported in the *2024 Sustainability Report*.

4. Capabilities

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

In 2024, we continue to make progress in our efforts to provide a service all Canadians can count on, demonstrate social and environmental leadership and do right by our people. After a prioritization exercise was conducted in late 2023, certain transformational investments and projects have been paused through 2024 due to the financial challenges we are facing.

4.1 Doing right by our people

It is our responsibility to maintain the safety of our employees, customers and communities we serve, as well as aligning our workforce and culture with the expectations of Canadians for the Corporation.

Canada Post segment

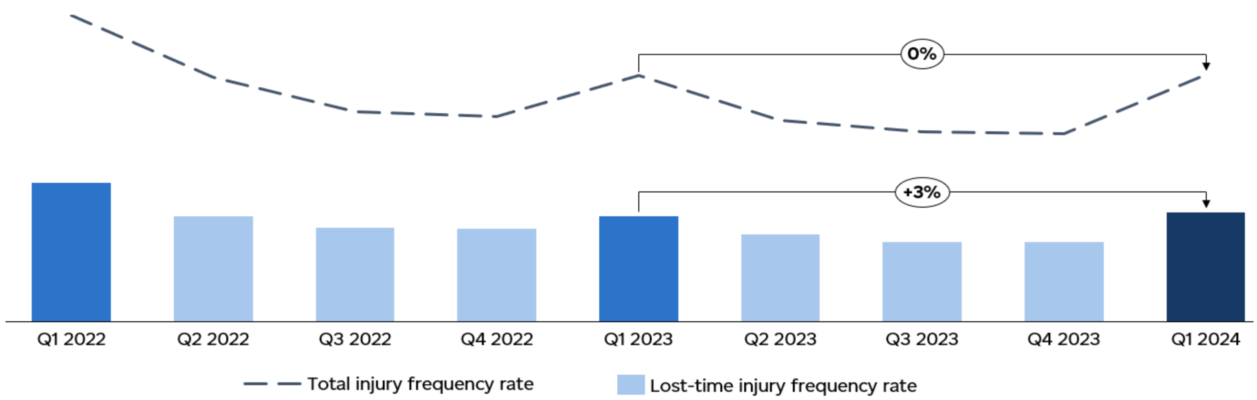
Employee engagement

In the first quarter of 2024, we announced the recognition of the leaders of tomorrow with 30 new scholarships awarded to deserving students across the country.

Health, safety and wellness

It is our priority and responsibility to ensure the safety of our employees, our customers and the communities we serve, and we aim to be a leader in workplace health and safety. In the first quarter of 2024, the total injury frequency rate remained stable, while lost-time injury frequency rate increased by 3%, over the same period in 2023. We continued to reinforce safe practices with a highlight on life safety and compliance, to transition into reducing injuries and ensuring our employees make it safe and make it home at the end of the day.

Injury frequency (% change)



As part of our 10-year Health and Safety Strategy we progressed on several initiatives in Q1 2024:

- Launched a suicide awareness campaign for our employees promoting access to the new Canadian crisis helpline.
- Communicated an employee refresher on emergency safety and security protocols to reaffirm Canada Post's top priority to make it safe and make it home.
- Completed the pilot launch of the Drive Safe Personal Data Terminal (PDT) screen lock application within multiple depots nationally. This application activates when a vehicle is in motion to prevent drivers from interacting or looking at their PDT screen.
- Provided upskilling and refresher training to over 1,300 employees in the areas of vehicle inspection, safe backing, safety talks, defensive driving and team leader support.
- Continued the deployment of collision avoidance training to over 10,600 rural and suburban mail carriers (RSMCs), with 2,700 employees who completed the training in Q1. This training provides drivers with an understanding of how to respond to many types of road hazards and driving situations.

Equity, diversity and inclusion

We progressed on the following initiatives in the first quarter of 2024:

- Achieved a score of 3.9 out of 5 and 191 benchmarks out of 275 for the Global Diversity, Equity, and Inclusion Benchmarks from the Canadian Centre for Diversity and Inclusion, trending ahead of our five-year goal.
- Launched our Equity, Diversity, and Inclusion Mentorship program in partnership with the Employee Engagement team; the first cohort of the program is providing mentorship for Indigenous Peoples.
- Launched Indigenous Cultural Awareness sessions in English and French in accordance with the Truth and Reconciliation Commission's Call to Action 92 (Business and Reconciliation),

which calls on corporate Canada to take several actions, which include providing "education for management and staff on the history of Aboriginal peoples."

Labour and employee relations

Building alignment

In Q1 2024, we continued to collaborate with our bargaining agents on issues that are important to Canadians through relationships and various committees, consultations and other mechanisms. For example:

- Met with our various bargaining agents on our broader pay equity plan.
- Worked with our bargaining agents to resolve grievances in a number of areas and to proactively address issues with a view of reducing the total number of grievances filed.
- Conducted ongoing discussions with the Canadian Union of Postal Workers (CUPW) on financial services.

Status of negotiations

Collective bargaining continues with CUPW (representing CUPW-Urban and Rural and Suburban Mail Carriers) and the Canadian Postmasters and Assistants Association (CPAA) with a goal to reach negotiated agreements, with no impact to Canadians.

Purolator

Purolator segment

In Q1 2024, Purolator and Public Service Alliance of Canada reached a unanimously recommended agreement, which was ratified April 8, 2024.

4.2 Our network and infrastructure

Canada Post segment

The Canada Post segment operates a vast operating network that requires significant coordination between collection, processing, transportation and delivery activities. With online shopping expected to double over the next decade, we're investing in our operations and technology to handle that growth and better serve Canadians now and in the future.

Service and capacity

In the first quarter of 2024, we focused on projects that meet the evolving needs of Canadians with a focus on increasing capacity and support ecommerce growth.

New and improved facilities

- Completed six facility expansions, relocations and modifications:

Province	Municipality	Facility	Change
Ontario	Windsor	Retail post office	Relocation
Quebec	Magog	Letter carrier depot, retail post office	Relocation
	Chambly	Retail post office	Relocation
Northwest Territories	Yellowknife	Retail post office	Modification
British Columbia	Lake Country	Retail post office	Relocation
	Errington	Retail post office	Expansion

- Opened four new facilities:

Province	Municipality	Facility type
Ontario	Windsor	Retail post office
Quebec	Magog	Depot, retail post office
	Chambly	Retail post office
British Columbia	Lake Country	Retail post office

Asset replenishments

In Q1 2024, we received over 250 C-250 right-hand drive (RHD) vehicles, the newest delivery vehicle to Canada Post's fleet. These vehicles, which will replace end-of-life RHD vehicles, include updated features that allow our rural delivery agents to safely and ergonomically deliver mail to roadside mailboxes.

Technology

To advance operational efficiency, improve service and tracking, enable our network and capacity, and provide exceptional experiences to Canadians, we progressed with technology project upgrades and launched the following throughout the first quarter:

- Upgraded our routing tool from a paper format to a mobile application, allowing agents to receive updated workflows and revised delivery routes, which can provide important delivery and destination hazards and warnings for the delivery agent.

- Continued success in the rollout of the Experience Transformation (XT) program, including the national deployment of Salesforce, and the release of the new My Care Connect Grievance Management System and Consequence Management Portal. The program continues to prepare for the transformation and technical upgrade of our enterprise resource planning system to SAP S/4HANA, which is scheduled to go live in Q3 2024.

4.3 Our environmental, social and governance priorities

Canada Post segment

As a prominent employer in Canada, with a widespread presence in communities nationwide, Canada Post embraces its responsibility in areas such as diversity, inclusion and environmental sustainability.

Environmental sustainability

Canada Post is committed to protecting the environment and helping deliver a sustainable future. This means reducing the environmental impact of our operations, including reducing greenhouse gas emissions (GHG), reducing waste, promoting circular economics and moving toward sustainable transport operations. Here's the progress made in Q1 on our environmental sustainability goals:

- Switched to over 90% renewable electricity in Saskatchewan through a renewable subscription service agreement with SaskPower.
- Continued to roll out our multi-phase GHG reduction program in our facilities with GHG reduction initiatives such as electrification of heating systems and installation of solar panels. There are 14 electrification projects undergoing design and five under construction, along with one solar project that wrapped up in Q1 2024.
- Undertook a detailed climate risk assessment to quantify the potential financial impacts of key climate-related risks and opportunities and identify priority risk mitigation measures.
- Began the rollout of our zero-waste program at 10 more plants and 68 depots across our network to increase the diversion of waste from landfill through reduction and recycling.
- Launched a life cycle analysis study of our packaging to better understand its environmental impacts and inform our sustainable packaging strategy.
- Introduced a new corporate policy on sustainability to underscore our commitment to conduct our operations in a manner that is safe, socially and environmentally responsible, and ethical.

Employee and community engagement

Achievement of our environment, social and governance goals requires engagement by our employees and the communities we serve. Our Q1 2024 achievements:

- Opened applications for the Canada Post Community Foundation Grant, an annual program that provides project grants up to $25,000 as well as four $50,000 signature grants, including the Indigenous Truth and Reconciliation Signature Grant. These grants are awarded to Canadian schools, charities and community organizations that make a difference in the lives of children and youth across Canada.
- Launched the 2024 Sustainability Action Fund, a $500,000 annual granting program that engages employees in implementing environmental sustainability projects where they work.

Governance

Canadians expect Canada Post to serve them in the language of their choice, handle their personal information responsibly and protect it.

- The Treasury Board Secretariat (TBS) officially initiated the phased rollout of The Official Languages Regulations Reapplication Exercise in February 2024, which will unfold in the coming months through 2026. Canada Post has an action plan in place to conduct this regulatory exercise.
- Launched new ethics workshops with the goal of refreshing employee knowledge on how ethical decisions are made, applying ethical decision-making to everyday work-life situations and understanding how ethical decision-making aligns with Canada Post's corporate values and behaviours.

Accessibility

Canada Post's Accessibility Strategy is to adopt a proactive approach to integrate accessibility improvements across the Corporation for customers and employees. Progress on adopting this strategy included the following Q1 achievements:

- Introduced a new corporate policy on accessibility affirming our commitment to provide accessible workplaces, programs and services that Canadians can rely on.
- Completed internal accessibility audits of our access to information and privacy programs, allowing us to focus on key areas in our portfolio as we strive for continuous improvement.

- Appeared as silver sponsor and presenter at the 2024 Accessibility Professionals Network (APN) Conference organized by the Rick Hansen Foundation.
- Awarded the fourth annual Canada Post award for students with disabilities.

4.4 Products and offerings to serve Canadians

Canada Post segment

Canada Post serves Canadians through various channels. We serve consumers through our extensive delivery network and retail reach. Our commercial domestic business is the most significant from a revenue perspective and includes product and service offerings to large national enterprises, mid-market commercial customers and small local businesses. The international channel includes inbound and outbound services provided by Canada Post in collaboration with other foreign postal administrations and as governed through the Universal Postal Union and bilateral agreements between trading partners.

Serving Canadians in their community: Retail reach

Our retail network of post offices serves an essential point of contact for Canadians who rely on Canada Post for important services such as parcel and mail pickups, drop-offs and product returns. In the first quarter, we enhanced our security, personalization and convenience features as a result of improvements to our online personal account registration process and dashboard.

Strengthening Canadian ecommerce growth

The ecommerce market in Canada is expected to more than double in size over the next decade. To improve the customer experience and increase our presence in a very competitive market, the Corporation continues to invest in innovative products and services. For example, in Q1, we refreshed and reorganized the Canada Post website with new visual branding, usability, and accessibility features to ensure all Canadians can access and use the website as intended.

5. Discussion of Operations

A detailed discussion of our financial performance in Q1 2024.

5.1 Consolidated results from operations

Consolidated trends

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

(in millions of dollars)

	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Revenue from operations	2,404	2,680	2,265	2,340	2,501	2,802	2,373	2,465	2,502
Cost of operations	2,582	2,764	2,485	2,508	2,560	2,786	2,498	2,512	2,582
Profit (loss) from operations	**(178)**	**(84)**	**(220)**	**(168)**	**(59)**	**16**	**(125)**	**(47)**	**(80)**
Investing and financing income (expense), net	284	(3)	3	1	1	(8)	(11)	(17)	(20)
Profit (loss) before tax	**106**	**(87)**	**(217)**	**(167)**	**(58)**	**8**	**(136)**	**(64)**	**(100)**
Tax expense (recovery)	6	215	(54)	(40)	(13)	9	(35)	(15)	(23)
Net profit (loss)	**100**	**(302)**	**(163)**	**(127)**	**(45)**	**(1)**	**(101)**	**(49)**	**(77)**

Consolidated results for the first quarter

(in millions of dollars)

	Q1 2024	Q1 2023	$ change	% change
Revenue from operations	2,404	2,501	(97)	(2.4)%
Cost of operations	2,582	2,560	22	0.8%
Loss from operations	**(178)**	**(59)**	**(119)**	**(200.3)%**
Investing and financing income (expense), net	284	1	283	+
Profit (loss) before tax	**106**	**(58)**	**164**	**283.3%**
Tax expense (recovery)	6	(13)	19	147.2%
Net profit (loss)	**100**	**(45)**	**145**	**321.7%**
Other comprehensive income (loss)	667	(96)	763	797.2%
Comprehensive income (loss)	**767**	**(141)**	**908**	**644.8%**

+ Large percentage change.

In Q1 2024, the Group reported significant **losses from operations,** worsening over Q1 2023 by $119 million (-200.3%). This was largely due to revenue declines in all segments and cost increases in the Canada Post segment. However, these losses from operations were reduced by the gain on the sale (before tax) from the SCI divestiture of $287 million, which led to a $164 million improvement in the Group's Q1 2024 **profit before tax** (+283.3%) over the loss before tax in Q1 2023. A detailed discussion by segment is provided in sections 5.3 to 5.5.

Revenue from operations

Revenue from operations decreased in Q1 2024, compared to Q1 2023, in all reporting segments. Growth in Direct Marketing revenue in the Canada Post segment partially offset these overall declines.

Cost of operations

The cost of operations increased by $22 million (+0.8%) in Q1 2024 compared to Q1 2023, due to higher employee benefits partly offset by lower non-capital investment expenses in the Canada Post segment.

Investing and financing income (expense), net

Net investing and financing income increased by $283 million in 2024, mainly due to the gain on the divestiture of SCI.

Other comprehensive income (loss)

The consolidated other comprehensive income of $667 million was mainly the result of remeasurement gains on pension and other post-employment plans due to discount rate increases.

5.2 Operating results by segment

Segmented results – Profit (loss) before tax

(in millions of dollars)

	Q1 2024	Q1 2023	$ change	% change
Canada Post	(76)	(107)	31	28.7%
Purolator	39	46	(7)	(16.1)%
SCI	–	3	(3)	(109.9)%
Other	143	–	143	+
Canada Post Group of Companies	**106**	**(58)**	**164**	**283.3%**

+ Large percentage change.

The Group's results improved to a profit before tax of $106 million (+283.3%) compared to a loss of $58 million reported in Q1 2023. The consolidated gain on sale (before tax) of SCI of $287 million, in the Other segment largely contributed to these results. The Canada Post and Purolator segment results include dividends received just prior to the SCI divestiture. The Canada Post segment's results also include dividend income from Purolator (paid in Q1 2024, compared to in Q4 2023). These dividends were eliminated on consolidation.

5.3 Canada Post segment

Losses from operations in the Canada Post segment worsened in Q1 2024 compared to the same period in 2023 by $109 million (-96.5%).

The segment's loss before tax of $76 million in Q1 2024 was $31 million better (+28.7%) than the loss in Q1 2023 due to dividends received just prior to the SCI divestiture and the timing of dividend income received from Purolator (paid in Q1 2024, compared to Q4 2023). The decline in revenue and higher employee benefits were partly offset by lower non-capital investment costs.

Summary of results for the first quarter

(in millions of dollars)

	Q1 2024	Q1 2023	$ change	% change
Revenue from operations	1,747	1,803	(56)	(1.5)%
Cost of operations	1,968	1,915	53	2.8%
Loss from operations	**(221)**	**(112)**	**(109)**	**(96.5)%**
Investing and financing income (expense), net	145	5	140	+
Loss before tax	**(76)**	**(107)**	**31**	**28.7%**

\+ Large percentage change.

Revenue from operations

In Q1 2024, total revenue declined by $56 million (-1.5%). Total volumes rose by 162 million pieces (+12.0%) largely due to new customer relationships and the launch of a new environmentally sustainable Canada Post Neighbourhood Mail™ service format in mid-2023, which offset volume declines in all other product categories. Growing competition in the ecommerce parcel delivery sector, combined with economic uncertainty and reduced consumer spending contributed to these results.

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	Q1 2024	Q1 2023	$ change	% change	Q1 2024	Q1 2023	Change	% change
Domestic Parcels	647	696	(49)	(5.5)%	56	57	(1)	0.1%
Outbound Parcels	73	77	(4)	(3.4)%	3	3	–	12.3%
Inbound Parcels	71	81	(10)	(10.7)%	9	10	(1)	(11.9)%
Other	11	7	4	39.5%	–	–	–	–
Total Parcels	**802**	**861**	**(59)**	**(5.4)%**	**68**	**70**	**(2)**	**(1.1)%**
Domestic Lettermail	611	631	(20)	(1.6)%	595	611	(16)	(1.2)%
Outbound Letter-post	18	19	(1)	(3.4)%	9	9	–	(1.7)%
Inbound Letter-post	16	15	1	10.3%	13	13	–	0.8%
Total Transaction Mail	**645**	**665**	**(20)**	**(1.3)%**	**617**	**633**	**(16)**	**(1.1)%**
Personalized Mail™	104	106	(2)	(0.6)%	170	175	(5)	(1.2)%
Neighbourhood Mail™	107	80	27	36.5%	849	660	189	30.5%
Total Smartmail Marketing™	211	186	25	15.4%	1,019	835	184	23.8%
Publications Mail™	28	29	(1)	(3.3)%	37	40	(3)	(5.3)%
Business Reply Mail™ and other mail	4	4	–	(5.2)%	2	3	(1)	(10.5)%
Other	3	4	(1)	(4.0)%	–	–	–	–
Total Direct Marketing	**246**	**223**	**23**	**12.2%**	**1,058**	**878**	**180**	**22.4%**
Other Revenue	**54**	**54**	**–**	**1.7%**	**–**	**–**	**–**	**–**
Total	**1,747**	**1,803**	**(56)**	**(1.5)%**	**1,743**	**1,581**	**162**	**12.0%**

Revenue and volumes by line of business

Parcels

Parcels revenue in Q1 2024 declined $59 million (-5.4%) on volume declines of two million pieces (-1.1%) compared to the first quarter of 2023. Details by product category were as follows:

- **Domestic Parcels** revenue declined $49 million (-5.5%) largely due to a decrease in fuel surcharges, which are tied to market fluctuations in addition to changes in customer and channel mix. General softness in the ecommerce market due to economic uncertainties has negatively impacted volumes while our commercial customers continue to exercise cost control through rate shopping. With the expectation that online shopping in Canada will continue to grow, so too will competition for ecommerce parcel delivery. To better serve customers and compete in this challenging market, we are focused on expanding capacity and enhancing competitive offerings such as late induction in major markets and weekend delivery. Improvements to service performance in critical lanes over the last year and sustainable initiatives to help us achieve net-zero by 2050 are helping us compete.

- **Outbound Parcels** revenue (postage revenue collected from domestic customers for parcels destined to foreign postal administrations [posts]) declined by $4 million (-3.4%) compared to the prior year. Outbound Parcels revenue per piece differs according to the country of destination as well as the sales channel (consumers at retail or commercial customers). In Q1 2024, revenue was negatively impacted by the customer mix.
- **Inbound Parcels** revenue (fees paid to Canada Post by other posts for delivering mail originating outside of Canada) declined by $10 million (-10.7%). Inbound volume, particularly from the U.S., China, and the U.K., decreased as countries continue to shift away from the postal network into competitive commercial channels and low-cost competitors. Volume declines were positively offset by a change in product and country mix moving through this channel.
- **Other Parcels** revenue, which mostly comprises fees from the Customs Postal Import Program, increased by $4 million (+39.5%) due to higher volumes of inbound postal items requiring customs and duties collection for which we receive an administration fee per piece.

Transaction Mail

Transaction Mail revenue decreased by $20 million (-1.3%) and volume declined 16 million pieces (-1.1%), in Q1 2024, compared to Q1 2023. Details by product category were as follows:

- **Domestic Lettermail** revenue declined by $20 million (-1.6%) in Q1 2024 as our traditional Lettermail™ service continues to be replaced by digital communications. The impact on revenue from volume declines was compounded by the fact that there's been no regulated stamp price increase since 2020. On April 19, 2024, the Governor in Council approved rate increases to Lettermail items, International Letter-post items, and special services and fees. Rates took effect May 6, 2024.
- **Inbound and Outbound Letter-post** volumes were relatively flat. Outbound Letter-post revenue is collected from domestic customers for mail destined to other posts and Inbound Letter-post revenue is collected by other posts and shared with Canada Post for delivering mail in Canada.

Direct Marketing

Direct Marketing revenue increased by $23 million (+12.2%) on 180 million more pieces (+22.4%), in Q1 2024 compared to Q1 2023. Details by product category were as follows:

- **Personalized Mail™** revenue declined by $2 million (-0.6%), while volumes continued to be negatively impacted by economic uncertainty. Declines in consumer spending resulted in pressure on customer marketing campaign budgets; however, the value proposition of our service offering remains strong.

- **Neighbourhood Mail™** revenue increased by $27 million (+36.5%) in Q1 from the development of a more environmentally sustainable mail format, new customer relationships, expanded distribution of existing campaigns to additional points of contact, and an upsurge in volumes from our existing customers.
- **Publications Mail** revenue and volumes were negatively impacted by declines in paper subscriptions and campaigns. Digital publications are increasingly becoming the preferred method of delivery.
- **Business Reply Mail™ and Other Mail products** also decreased due to fewer Direct Marketing mailings and lower sales of data products.

Other revenue

Other revenue was relatively flat (+1.7%) mainly due to increased consumer products and services such as coins and collectible and postal boxes. These were offset by decreased mail forwarding, which is tied to declines in the Canadian housing market.

Cost of operations

In Q1 2024, the Canada Post segment's cost of operations increased by $53 million (+2.8%) compared to Q1 2023, mainly due to higher employee benefits and wage increases offset by improvements in aligning labour scheduling with volume fluctuations. These increases were partly offset by lower non-capital investments, as the business has refocused 2024 investment priorities.

(in millions of dollars)

	Q1 2024	Q1 2023	$ change	% change
Labour	969	966	3	0.3%
Employee benefits	295	238	57	24.0%
Total labour and employee benefits	**1,264**	**1,204**	**60**	**5.0%**
Non-labour collection, processing and delivery	352	346	6	1.6%
Property, facilities and maintenance	75	73	2	2.4%
Selling, administrative and IT	129	130	(1)	(0.8)%
Non-capital investment expense	56	78	(22)	(28.2)%
Total other operating costs	**612**	**627**	**(15)**	**(2.5)%**
Depreciation and amortization	92	84	8	10.3%
Total cost of operations	**1,968**	**1,915**	**53**	**2.8%**

Labour and employee benefits

Labour costs increased due to wage increases. These increases were offset by improvements in aligning labour scheduling with volume fluctuations. Employee benefits increased by $57 million (+24.0%) compared to Q1 2023, primarily due to a decrease in discount rates that increased the non-cash pension and other post-employment expense.

Other operating costs, depreciation and amortization

Changes in these costs in Q1 2024 compared to Q1 2023 were as follows:

- Non-labour collection, processing and delivery costs increased by $6 million (+1.6%), mainly due to automotive services and maintenance, repairs and operating supplies expenses, partly offset by lower dealer, customs and other fees.
- Non-capital investment expenses decreased by $22 million (-28.2%) as we adjusted the focus of our investment projects in 2024, prioritizing investments that are required to remain competitive, provide excellent service to Canadians and ensure the safety of our employees.
- The depreciation and amortization expense increased by $8 million (+10.3%) due to significant capital asset investments in 2023.

Investing and financing income (expense), net

In Q1 2024, investing and financing income increased by $140 million compared to Q1 2023, mainly due to dividends received prior to the SCI divestiture and timing of dividend income from Purolator (paid in Q1 2024, compared to Q4 2023).

Purolator

5.4 Purolator segment

The Purolator segment's profit before tax decreased by $7 million (-16.1%) in Q1 2024 compared to Q1 2023.

Summary of results

(in millions of dollars)

	Q1 2024	Q1 2023	$ change	% change
Revenue from operations	623	658	(35)	(3.9)%
Labour	234	235	(1)	(0.5)%
Employee benefits	73	63	10	16.9%
Other operating costs	254	284	(30)	(10.3)%
Depreciation and amortization	31	26	5	15.6%
Cost of operations	592	608	(16)	(2.6)%
Profit from operations	**31**	**50**	**(19)**	**(38.8)%**
Investing and financing income (expense), net	8	(4)	12	289.9%
Profit before tax	**39**	**46**	**(7)**	**(16.1)%**

Revenue from operations decreased by $35 million (-3.9%) in Q1 2024, compared to Q1 2023, due to a softening in ecommerce volumes. Volume in the express market decreased compared to the same period in the prior year, mainly from general economic uncertainty and high inflation, partly offset by price increases, changes in product mix and sales initiatives.

Total labour was relatively flat, while employee benefits increased by $10 million (+16.9%) due to higher active benefit usage and a decrease in discount rates. Depreciation increased by $5 million (+15.6%) due to additional capital investments. Other operating costs decreased from Q1 2023 by $30 million (-10.3%) due to the decline in volume and cost-saving initiatives in operations.

5.5 SCI segment

As a result of the divestiture, SCI's results of operations were consolidated through March 1, 2024, when control was transferred to the acquirer. For the first two months of 2024, SCI's profit before tax was nil compared to $3 million for all three months of Q1 2023. Year-over-year variances were largely attributed to the timing of the divestiture.

Summary of results

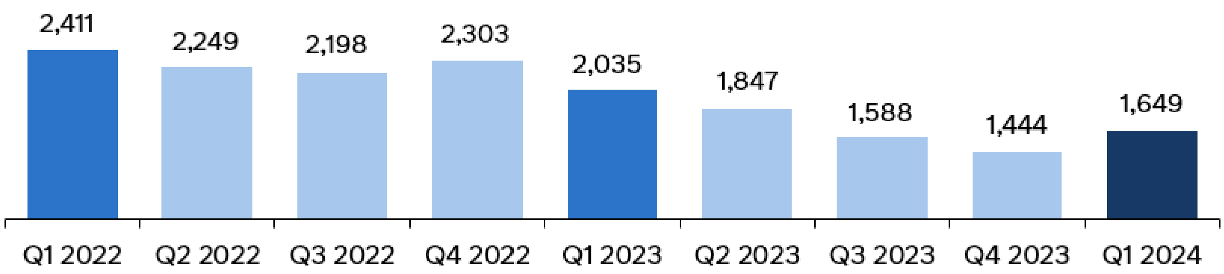
(in millions of dollars)

	Q1 2024	Q1 2023	$ change	% change
Revenue from operations	59	80	(21)	(28.7)%
Cost of operations	58	77	(19)	(27.6)%
Profit from operations	**1**	**3**	**(2)**	**(55.3)%**
Investing and financing income (expense), net	(1)	–	(1)	(380.5)%
Profit before tax	**–**	**3**	**(3)**	**(109.9)%**

6. Liquidity and Capital Resources

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

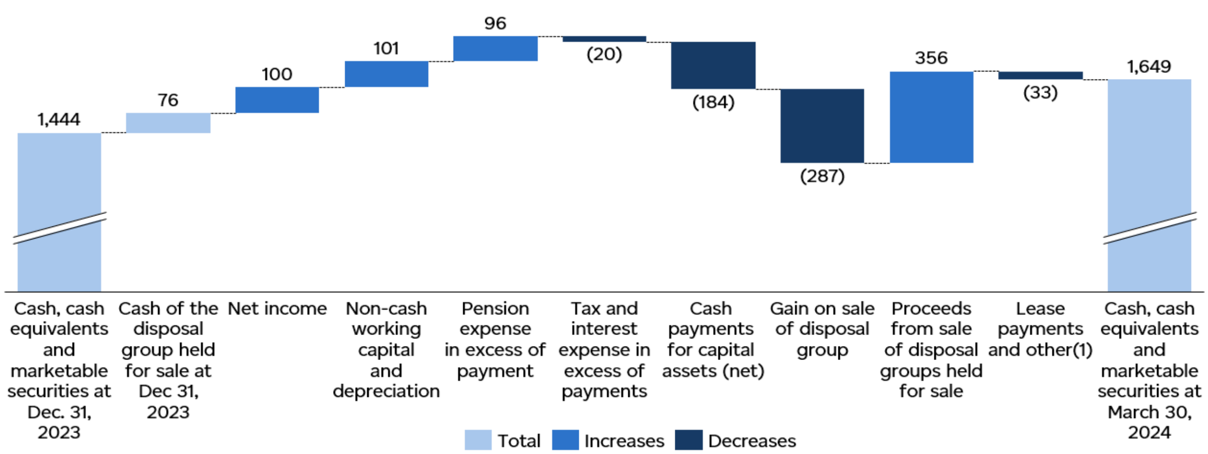
6.1 Cash, cash equivalents and marketable securities



The Group held cash, cash equivalents and marketable securities of $1,649 million as at March 30, 2024, compared to $1,444 million as at December 31, 2023. The increase of $205 million (+14.1%) is due to cash inflows related to the divestiture of SCI, partially offset by operating losses in the Canada Post segment and cash payments for the acquisition of capital assets.

Change in cash, cash equivalents and marketable securities for Q1 2024

(in millions of dollars)



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

Cash inflows from the sale of SCI, received in Q1 2024, contributed largely to the increase in marketable securities of $143 million (+42.5%) and cash and cash equivalents of $62 million (+5.6%) compared to balances at Q4 2023.

Consolidated statement of cash flows

(in millions of dollars)

	Q1 2024	Q1 2023	$ change	% change	Explanation of significant variances
Cash used in operating activities	(10)	(34)	24	70.2%	Lower pension payments, partially offset by an increase in cost of operations.
Cash provided by (used in) investing activities	29	(13)	42	328.9%	Proceeds from the sale of SCI, partly offset by a decrease in proceeds (net of acquisitions) of securities.
Cash used in financing activities	(35)	(32)	(3)	(11.8)%	Dividends paid to non-controlling interests, partly offset by lower payments of lease liabilities.

Several factors led to increases in cash provided by investing (+$42 million) and operating (+$24 million) activities, offset by cash used in financing (-$3 million) activities, when comparing cash flows in Q1 2024 to Q1 2023, as shown below.

Capital expenditures

(in millions of dollars)*

	Q1 2024	Q1 2023	$ change	% change
Canada Post	62	89	(27)	(29.9)%
Purolator	52	52	–	(0.7)%
SCI	–	1	(1)	(100.0)%
Canada Post Group of Companies	**114**	**142**	**(28)**	**(20.1)%**

* 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

(in millions of dollars)

	Q1 2024	Q1 2023	$ change	% change
Capital expenditures	62	89	(27)	(29.9)%
Non-capital investment expense	56	78	(22)	(28.2)%
Total investment	**118**	**167**	**(49)**	**(29.1)%**

In Q1 2024 compared to Q1 2023, Canada Post segment investments decreased by $49 million (-29.1%) with declines in capital and non-capital investments. While we are committed to the three pillars of our transformation plan over the longer term, we adjusted the focus of our investment projects in 2024 to focus on prioritizing investments that are required to remain competitive, provide excellent service to Canadians and ensure the safety of our employees. In Q1 2024 we focused on the following:

- Continued to upgrade our enterprise resource planning (ERP) system.

- Maintained and replenished assets, including fleet, facilities, equipment, and street furniture.
- Invested to improve the efficiency of our network.
- Continued to modernize and enhance applications, infrastructure, and customer-facing platforms.

6.2 Canada Post Corporation Registered Pension Plan

Funding status and solvency relief

At the end of the quarter, the solvency surplus (using market value of plan assets) of the Canada Post Corporation Registered Pension Plan (RPP) was estimated at $2.9 billion, an improvement of $800 million compared to the 2023 year-end estimate, primarily due to a discount rate increase. The most recent actuarial funding valuation for the RPP disclosed a going-concern surplus. 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 2024. Final actuarial valuation results may differ significantly from these estimates. The December 31, 2023, valuation will be filed in June 2024.

Remeasurements

On an accounting basis, a remeasurement gain of $547 million for the RPP, net of tax, was recorded in other comprehensive income, primarily due to a discount rate increase.

Contributions

Current service contributions were not permitted in Q1 2024 (Q1 2023 – $69 million).

6.3 Liquidity and capital resources

Liquidity

The Canada Post segment had $1,440 million of unrestricted liquid investments on hand as at March 30, 2024, for a net liquidity position of $442 million (2023 – $170 million), after outstanding loans and borrowings of $998 million (2023 – $998 million). The increase in the segment's net liquidity position of $272 million is mainly due to proceeds from the sale of SCI partially offset by continued operating losses and higher costs associated with expanding capacity and sustaining the network. Excluding non-recurring sale proceeds and dividends from the sale of SCI, the net liquidity position would have declined $118 million, a trend that is projected to continue throughout 2024. Without solutions to alleviate our deteriorating liquidity position, $500 million in debt maturing in July 2025 will add significant cash flow pressure. In the interim, the Corporation is carefully managing discretionary costs and investment spending to preserve cash.

The Corporation believes it has sufficient liquidity and authorized borrowing capacity to support its operations for at least, but not limited to, the next 12 months from the reporting date, supporting the Corporation's ability to continue as a going concern.

The Corporation's subsidiaries had a total of $209 million of unrestricted cash on hand and undrawn credit facilities of $105 million as at March 30, 2024, ensuring sufficient liquidity to support operations for at least the next 12 months.

Access to capital markets

Pursuant to *Appropriation Act No. 4, 2009-10*, borrowing from other than the Government of Canada's Consolidated Revenue Fund is limited to $2.5 billion, including a maximum of $100 million for cash management purposes in the form of short-term borrowings. In addition, pursuant to the *Canada Post Corporation Act*, the Canada Post segment may also borrow a maximum of $500 million from the Government of Canada's Consolidated Revenue Fund, which requires the approval of the Governor in Council and the Minister of Finance. Any additional borrowings must be within the limits of the approved borrowing plan, and their terms and conditions require approval from the Minister of Finance. The Corporation believes that these arrangements provide it with sufficient and timely access to capital markets.

With $998 million of borrowings as at March 30, 2024, the Canada Post segment had $1,502 million of its $2.5 billion external borrowing limit available for use. The Corporation funded itself primarily through the use of cash on hand, funds generated from operations and the sale of SCI.

7. Changes in Financial Position

A discussion of significant changes in our assets and liabilities between March 30, 2024, and December 31, 2023.

(in millions of dollars)

ASSETS	Mar. 30, 2024	Dec. 31, 2023	$ change	% change	Explanation of significant variances
Cash and cash equivalents	1,171	1,109	62	5.6%	Refer to Section 6 Liquidity and Capital Resources.
Marketable securities	458	335	123	36.5%	Increase in purchases of marketable securities.
Trade, other receivables and contract assets	880	963	(83)	(8.6)%	Lower receivables in the Canada Post and Purolator segments.
Income tax receivable	7	6	1	31.9%	
Other assets	124	123	1	1.1%	
Assets of disposal groups held for sale	23	424	(401)	(94.4)%	Divestiture of SCI; refer to Note 4 of the consolidated financial statements.
Total current assets	**2,663**	**2,960**	**(297)**	**(10.0)%**	
Marketable securities	20	–	20	–	Purchases of bonds during the year.
Property, plant and equipment	3,947	3,935	12	0.3%	Acquisitions in excess of depreciation.
Intangible assets	260	252	8	3.2%	Increase in software under development.
Right-of-use assets	1,276	1,285	(9)	(0.7)%	Depreciation exceeding new leases and lease renewals in the Purolator segment.
Segregated securities	389	398	(9)	(2.1)%	Unrealized losses in the Canada Post segment recorded in other comprehensive income.
Pension benefit assets	4,207	3,471	736	21.2%	Remeasurement gains in the Canada Post Registered Pension Plan (RPP).
Goodwill	162	161	1	0.6%	
Other assets	55	55	–	(0.3)%	
Total non-current assets	**10,316**	**9,557**	**759**	**7.9%**	
Total assets	**12,979**	**12,517**	**462**	**3.7%**	

(in millions of dollars)

LIABILITIES	**Mar. 30, 2024**	**Dec. 31, 2023**	**$ change**	**% change**	**Explanation of significant variances**
Trade and other payables	759	880	(121)	(13.8)%	Lower expenses and timing in the Canada Post and Purolator segments.
Salaries and benefits payable	616	656	(40)	(6.1)%	Lower accrued salaries and benefits in the Canada Post segment.
Provisions	65	63	2	4.3%	
Income tax payable	29	–	29	–	Gain on the divestiture of SCI.
Deferred revenue	170	172	(2)	(1.0)%	
Lease liabilities	92	94	(2)	(1.8)%	
Other long-term benefit liabilities	56	56	–	0.1%	
Liabilities directly associated to disposal groups held for sale	26	299	(273)	(91.4)%	Divestiture of SCI; refer to Note 4 of the consolidated financial statements.
Total current liabilities	**1,813**	**2,220**	**(407)**	**(18.3)%**	
Lease liabilities	1,387	1,390	(3)	(0.2)%	
Loans and borrowings	998	998	–	0.0%	
Pension, other post-employment and other long-term benefit liabilities	3,052	3,118	(66)	(2.1)%	Remeasurement gains resulting from an increase in discount rates on other post-employment plans.
Deferred tax liabilities	349	169	180	106.5%	Remeasurement gains in pension and other post-employment plans, driven by an increase in the discount rate.
Other liabilities	47	48	(1)	(1.0)%	
Total non-current liabilities	**5,833**	**5,723**	**110**	**1.9%**	
Total liabilities	**7,646**	**7,943**	**(297)**	**(3.7)%**	
EQUITY					
Contributed capital	1,155	1,155	–	–	
Accumulated other comprehensive income (loss)	(4)	4	(8)	(248.1)%	Unrealized losses on segregated securities for dental, term life, and death benefit plans in the Canada Post segment.
Retained earnings	4,106	3,337	769	23.0%	Remeasurement gains resulting from an increase in discount rates and the gain on the sale of SCI.
Equity of Canada	**5,257**	**4,496**	**761**	**16.9%**	
Non-controlling interests	76	78	(2)	(4.1)%	
Total equity	**5,333**	**4,574**	**759**	**16.6%**	
Total liabilities and equity	**12,979**	**12,517**	**462**	**3.7%**	

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 2023 annual MD&A, we provided a detailed review of the risks that could materially affect our business. An overarching risk is the expectation from the Government of Canada (our single shareholder) to fund our operations with revenue from the sale of products and services, rather than with taxpayer dollars, and have regard to the need to conduct operations in a financially self-sustaining basis. We submitted to the Government of Canada our Corporate Plan that illustrates our challenges, significant recurring financial losses and deteriorating liquidity position. It is critical that discussions between Canada Post and the shareholder align on changes that address the company's financial self-sustainability.

Management considers risks and opportunities at all levels of decision-making and has implemented a rigorous approach to enterprise risk management (ERM). Where appropriate, Canada Post has recorded provisions for claims, grievances and non-litigated disputes. Should the ultimate resolution of these actions differ from management's assessments and assumptions, this difference could result in a material future adjustment to the Corporation's financial position and results of operations.

There were no new developments in our emerging or principal risks in Q1 2024.

9. Critical Accounting Policies and Estimates and Internal Controls

A review of critical accounting estimates and changes in accounting policies in Q1 2024 and future years.

9.1 Accounting policies

Information on Canada Post's accounting policies are provided in notes 2 and 3 of the Unaudited Interim Condensed Consolidated Financial Statements for the first quarter of 2024.

9.2 Critical accounting judgments and estimates

The preparation of the Corporation's consolidated 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 consolidated financial statements and accompanying notes. 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.

The Group's critical accounting estimates remain substantially unchanged from the prior year. For additional information, refer to our discussion of critical accounting estimates in the 2023 Annual MD&A and Note 4 Critical Accounting Estimates and Judgments of the 2023 Consolidated Financial Statements in addition to Note 2 Basis of Presentation in this first quarter financial report.

Going concern

The Canada Post segment has experienced cumulative losses before taxes since 2018 of over $3.0 billion. Cumulative losses from operations, which exclude results of the SCI divestiture in 2024, over the same time horizon, amount to nearly $3.5 billion. These results are depleting our cash and cash equivalents, negatively impacting the Corporation's net liquidity position. We filed our 2024-28 Corporate Plan (Plan) to the Government of Canada. The Plan presents the significant challenges we are facing with recurring financial losses and deteriorating liquidity position. Canada Post has been operating without an approved Corporate Plan since 2020.

Our consolidated financial statements have been prepared on a going-concern basis in accordance with IFRSs, which assumes that the Group will continue 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. Management's assessment of the entity's ability to continue as a going concern involves making a judgment, at a particular point in time, about inherently uncertain future outcomes, events or conditions. Judgments about capital management, access to borrowing facilities and management of liquidity risks were considered in this assessment, as was the alignment with the Government of Canada on solutions for financial self-sustainability.

9.3 Internal controls

During the first quarter of 2024, there were no changes in internal control over financial reporting that materially affected, or were reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Management's Responsibility for Interim Financial Reporting

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

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

President and Chief Executive Officer

Chief Financial Officer

May 23, 2024

Interim Condensed Consolidated Statement of Financial Position

(Unaudited – in millions of Canadian dollars)

ASSETS	As at March 30, 2024	As at December 31, 2023
Current assets		
Cash and cash equivalents	**1,171**	1,109
Marketable securities	**458**	335
Trade, other receivables and contract assets	**880**	963
Income tax receivable	**7**	6
Other assets	**124**	123
Assets of disposal groups held for sale (Note 4)	**23**	424
Total current assets	**2,663**	2,960
Non-current assets		
Marketable securities	**20**	–
Property, plant and equipment (Note 5)	**3,947**	3,935
Intangible assets (Note 5)	**260**	252
Right-of-use assets (Note 5)	**1,276**	1,285
Segregated securities	**389**	398
Pension benefit assets (Note 6)	**4,207**	3,471
Goodwill	**162**	161
Other assets	**55**	55
Total non-current assets	**10,316**	9,557
Total assets	**12,979**	12,517

LIABILITIES AND EQUITY	As at March 30, 2024	As at December 31, 2023
Current liabilities		
Trade and other payables	**759**	880
Salaries and benefits payable	**616**	656
Provisions	**65**	63
Income tax payable	**29**	–
Deferred revenue	**170**	172
Lease liabilities (Note 8)	**92**	94
Other long-term benefit liabilities (Note 6)	**56**	56
Liabilities directly associated with disposal groups held for sale (Note 4)	**26**	299
Total current liabilities	**1,813**	2,220
Non-current liabilities		
Lease liabilities (Note 8)	**1,387**	1,390
Loans and borrowings	**998**	998
Pension, other post-employment and other long-term benefit liabilities (Note 6)	**3,052**	3,118
Deferred tax liabilities (Note 7)	**349**	169
Other liabilities	**47**	48
Total non-current liabilities	**5,833**	5,723
Total liabilities	**7,646**	7,943

LIABILITIES AND EQUITY	**As at March 30, 2024**	As at December 31, 2023
Equity		
Contributed capital	**1,155**	1,155
Accumulated other comprehensive income (loss) (Note 14)	**(4)**	4
Retained earnings	**4,106**	3,337
Equity of Canada	**5,257**	4,496
Non-controlling interests	**76**	78
Total equity	**5,333**	4,574
Total liabilities and equity	**12,979**	12.517
Commitments (Note 10)		

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

Interim Condensed Consolidated Statement of Comprehensive Income (Loss)

(Unaudited – in millions of Canadian dollars)

	For the 13 weeks ended March 30, 2024	For the 13 weeks ended April 1, 2023
Revenue from operations (Note 11)	**2,404**	2,501
Cost of operations		
Labour	**1,254**	1,259
Employee benefits	**377**	309
	1,631	1,568
Other operating costs (Note 12)	**826**	871
Depreciation and amortization (Note 5)	**125**	121
Total cost of operations	**2,582**	2,560
Loss from operations	**(178)**	(59)
Investing and financing income (expense)		
Investment and other income (Note 13)	**310**	26
Finance costs and other expense (Note 13)	**(26)**	(25)
Investing and financing income (expense), net	**284**	1
Profit (loss) before tax	**106**	(58)
Tax expense (recovery) (Note 7)	**6**	(13)
Net profit (loss)	**100**	(45)
Other comprehensive income (loss) (Note 14)		
Items that may subsequently be reclassified to net profit (loss)		
Change in unrealized fair value of financial assets	**(7)**	10
Item never reclassified to net profit (loss)		
Remeasurements of defined benefit plans	**674**	(106)
Other comprehensive income (loss)	**667**	(96)
Comprehensive income (loss)	**767**	(141)
Net profit (loss) attributable to		
Government of Canada	**98**	(48)
Non-controlling interests	**2**	3
	100	(45)
Comprehensive income (loss) attributable to		
Government of Canada	**761**	(144)
Non-controlling interests	**6**	3
	767	(141)

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

Interim Condensed Consolidated Statement of Changes in Equity

(Unaudited – in millions of Canadian dollars)

For the 13 weeks ended March 30, 2024	Contributed capital	Accumulated other comprehensive income (loss)	Retained earnings	Equity of Canada	Non-controlling interests	Total equity
Balance at December 31, 2023	**1,155**	**4**	**3,337**	**4,496**	**78**	**4,574**
Net profit	**–**	**–**	**98**	**98**	**2**	**100**
Other comprehensive income (loss) (Note 14)	**–**	**(8)**	**671**	**663**	**4**	**667**
Comprehensive income (loss)	**–**	**(8)**	**769**	**761**	**6**	**767**
Transactions with shareholders - Dividend	**–**	**–**	**–**	**–**	**(8)**	**(8)**
Balance at March 30, 2024	**1,155**	**(4)**	**4,106**	**5,257**	**76**	**5,333**

For the 13 weeks ended April 1, 2023	Contributed capital	Accumulated other comprehensive income	Retained earnings	Equity of Canada	Non-controlling interests	Total equity
Balance at December 31, 2022	1,155	(10)	5,214	6,359	73	6,432
Net profit (loss)	–	–	(48)	(48)	3	(45)
Other comprehensive income (loss) (Note 14)	–	10	(106)	(96)	–	(96)
Comprehensive income (loss)	–	10	(154)	(144)	3	(141)
Balance at April 1, 2023	1,155	–	5,060	6,215	76	6,291

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

Interim Condensed Consolidated Statement of Cash Flows

(Unaudited – in millions of Canadian dollars)

	For the 13 weeks ended March 30, 2024	For the 13 weeks ended April 1, 2023
Operating activities		
Net profit (loss)	**100**	(45)
Adjustments to reconcile net profit to cash provided by (used in) operating activities:		
Depreciation and amortization (Note 5)	**125**	121
Pension, other post-employment and other long-term benefit expense (Note 6)	**155**	99
Pension, other post-employment and other long-term benefit payments (Note 6)	**(59)**	(145)
Gain on sale of disposal groups held for sale (Note 13)	**(287)**	–
Impairment loss (Note 13)	**4**	–
Tax recovery and other items affecting net income tax receivable (Note 7)	**6**	(13)
Net interest expense (income) (Note 13)	**2**	(3)
Change in non-cash operating working capital:		
Decrease in trade and other receivables	**70**	71
Decrease in trade and other payables	**(56)**	(46)
Decrease in salaries and benefits payable and related provisions	**(40)**	(70)
Increase in provisions	**1**	3
Net decrease in other non-cash operating working capital	**4**	18
Other income not affecting cash, net	**(7)**	(2)
Cash provided by (used in) operating activities before interest and tax	**18**	(12)
Interest received	**21**	22
Interest paid	**(32)**	(32)
Tax paid	**(17)**	(12)
Cash used in operating activities	**(10)**	(34)
Investing activities		
Acquisition of securities	**(322)**	(189)
Proceeds from sale of securities	**180**	386
Cash payments for capital assets	**(186)**	(210)
Proceeds from the sale of capital assets and assets held for sale	**2**	–
Proceeds from the sale of disposal groups held for sale (Note 4)	**356**	–
Other investing activities, net	**(1)**	–
Cash provided by (used in) investing activities	**29**	(13)
Financing activities		
Payments of lease liabilities	**(28)**	(32)
Dividend paid to non-controlling interests	**(8)**	–
Other financing activities, net	**1**	–
Cash used in financing activities	**(35)**	(32)
Net decrease in cash and cash equivalents	**(16)**	(79)
Cash and cash equivalents, beginning of period[1]	**1,185**	1,220
Effect of exchange rate changes on cash and cash equivalents	**2**	–
Cash and cash equivalents, end of period	**1,171**	1,141

1. Cash and cash equivalents of $1,109 million presented in the consolidated statement of financial position exclude $76 million of cash transferred to the assets of disposal groups held for sale.

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

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the 13 weeks ended March 30, 2024

1. Incorporation, Business Activities and Directives

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

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

Under the *Canada Post Corporation Act*, the Corporation has the sole and exclusive privilege (with some exceptions) of collecting, transmitting and delivering letters to the addressee thereof within Canada. The Corporation is also subject to directives issued pursuant to section 89 of the *Financial Administration Act* as described in Note 1 to the Corporation's annual consolidated financial statements for the year ended December 31, 2023. There is no change to the status of these directives.

2. Basis of Presentation

Statement of compliance • The Corporation has prepared its unaudited interim condensed consolidated financial statements (interim financial statements) in compliance with IAS 34 "Interim Financial Reporting" of the IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), and the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports. As permitted under this standard, these interim financial statements do not include all of the disclosures required for annual consolidated financial statements, and they should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2023. They were approved and authorized for issue by the Board of Directors May 23, 2024.

Basis of presentation • These interim financial statements have been prepared on a historical-cost basis, except as permitted by IFRSs and as otherwise indicated within these notes. Although the Corporation's year end of December 31 matches the calendar year end, the Corporation's quarter end dates do not necessarily coincide with calendar year quarters; instead, each of the Corporation's quarters contains 13 weeks. The interim financial statements and notes to the interim financial statements are prepared for the 13-week period (first quarter or Q1) ended March 30, 2024 (comparative period ended April 1, 2023). Amounts are shown in millions of dollars, unless otherwise noted.

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

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

Material accounting policy information • Material accounting policy information used in these interim financial statements are disclosed in Note 3 of the Corporation's annual consolidated financial statements for the year ended December 31, 2023. The accounting policies have been applied consistently to all periods presented, unless otherwise indicated.

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

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

				Proportion of ownership interest held directly or indirectly	
Name of subsidiary	**Principal activities**	**Country of incorporation**	**Place of operation**	**As at March 30, 2024**	**As at December 31, 2023**
Purolator Holdings Ltd.	Transportation and courier services	Canada	Canada and United States	**91%**	91%
SCI Group Inc.	Logistics and transportation services	Canada	Canada	**–**	99%
Innovapost Inc.	IS/IT services	Canada	Canada	**99%**	98%

Information on disposal groups held for sale is included in Note 4, while financial results by segment are included in Note 16.

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, 2023. There are no significant changes to these judgments or sources of estimation uncertainty in the 13 weeks ending March 30, 2024.

(a) **Going concern** - These consolidated financial statements have been prepared on a going-concern basis in accordance with IFRSs, which assume that the Corporation will continue 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.

We submitted our 2024-28 Corporate Plan (Plan) to the Minister responsible for the Corporation. The Plan presents the significant challenges the Corporation is facing with recurring financial losses and deteriorating liquidity position. The Corporation has been operating without an approved corporate plan since 2020.

Since 2018, the Canada Post segment has experienced cumulative losses before tax of over $3.0 billion. Cumulative losses from operations, which exclude the results of the SCI divestiture, amount to nearly $3.5 billion over the same time horizon. These results are impacting the Corporation's net liquidity position. Cash and cash equivalents are depleting and without action by the Government of Canada, the Corporation's single shareholder, the Canada Post segment may further deplete remaining cash when the Series 2 bond repayment is due in July 2025. Recurring financial losses threaten the Corporation's ability to fulfill the objects set by the Government of Canada, which is to have regard to the need to conduct operations on a self-sustaining financial basis while providing a standard of service that will meet the needs of the people of Canada.

While faced with financial challenges and reduced cash, the Corporation believes it has sufficient liquidity and authorized borrowing capacity to support its operations. Refer to Note 9 for additional information about our capital management, borrowing facilities and liquidity risk. Management has concluded that there are no material uncertainties that cast 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 was unable to obtain the necessary legislative support that would help provide financial stability.

3. Application of New and Revised International Financial Reporting Standards

(a) New standards, amendments and interpretations effective January 1, 2024

The following applicable amendments issued by the International Accounting Standards Board (IASB) that required mandatory adoption by the Group of Companies on or after January 1, 2024, resulted in no changes in the Corporation's interim financial statements:

Standard	Subject matter and significance
IAS 1 "Presentation of Financial Statements – Non-current Liabilities with Covenants"	Amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect the classification of a liability as current or non-current. Additional disclosures are required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within 12 months after the reporting period.
IFRS 16 "Leases – Lease Liability in a Sale and Leaseback"	Amendments specify how a seller-lessee subsequently measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements allow a seller-lessee to recognize a gain or loss relating to the partial or full termination of a lease.
IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures – Supplier finance arrangements"	Amendments introduce new disclosure requirements for entities to provide qualitative and quantitative information about supplier finance arrangements. The new disclosures will include the terms and conditions of the arrangements, the carrying amounts of the financial liabilities and the range of payment due dates at the beginning and end of the reporting period, and the type and effect of non-cash changes in the carrying amounts of the arrangement financial liabilities.

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

In April 2024, the IASB issued the following standard, which is effective for annual periods beginning on or after January 1, 2027, with early application permitted. The Group is assessing the impact of this standard.

Standard	Subject matter and significance
IFRS 18 "Presentation and Disclosure in Financial Statements"	The IASB issued IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18), which replaces IAS 1, Presentation of Financial Statements (IAS 1). Along with several sections being brought forward from IAS 1, IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified roles of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards.

4. Assets and Liabilities of Disposal Groups Held for Sale

SCI Group Inc. – In early 2024, following approval by their Board of Directors, Canada Post and Purolator announced their plan to divest 100% of the shares of SCI Group Inc., a subsidiary, to a Canadian leader in third-party logistics. On March 1, 2024, the divestiture was completed, and control was transferred to the acquirer. Results for SCI Group Inc. are included in the consolidated financial statements until this date. As a result of the disposition, the Group derecognized $335 million of total assets and $266 million of total liabilities and non-controlling interests from the consolidated statement of financial position. The sale proceeds were $356 million. A gain on sale (before tax) of $287 million was recognized within investment and other income (Note 13). SCI continues to provide warehousing and other logistics services to Canada Post after the closing date under an agreement that includes commitments as at March 30, 2024, by Canada Post of $40 million, in effect until 2028.

Innovapost Inc. – In early 2024, following approval by their Board of Directors, Canada Post and Purolator announced their plan to divest 100% of the shares of Innovapost Inc., the Group's information technology (IT) shared services provider and a subsidiary, to a world-class IT strategic partner. Technical employees from Innovapost Inc. will continue employment with the strategic partner, who will provide the Group with IT services. Strategic IT elements and talent from Innovapost have been offered employment with Canada Post or Purolator. The divestiture will eliminate the related party (non-arm's length) relationship between Innovapost Inc. and the Group. Control of Innovapost Inc. transferred to the strategic partner April 15, 2024, when the divestiture was completed (Note 17).

Disposal groups held for sale – Upon the divestiture agreement execution of Innovapost Inc. and SCI Group Inc. in Q4 2023, the Group determined that it was unlikely that significant changes to the plans to sell the disposal groups would be made or that the plans would be withdrawn. As of the respective agreement execution dates, the Group classified Innovapost Inc. and SCI Group Inc. as disposal groups held for sale. Given the divestiture of SCI was completed March 1, 2024, the disposal groups held for sale as at March 30, 2024, includes assets and liabilities of Innovapost only. Financial results of SCI Group Inc., up to March 1, 2024, and Innovapost Inc., for Q1 2024, are included in Note 16.

5. Capital Assets

(a) Property, plant and equipment

(in millions)

	Land	Buildings	Leasehold improvements	Plant equipment	Vehicles	Sales counters, office furniture and equipment	Other equipment	Assets under development	Total
Cost									
December 31, 2023	483	2,696	396	1,442	1,021	199	1,377	158	7,772
Additions	–	3	2	4	41	–	15	30	95
Retirements	–	–	(2)	(11)	(2)	(9)	–	–	(24)
Transfers	–	–	4	1	–	–	–	(5)	–
March 30, 2024	**483**	**2,699**	**400**	**1,436**	**1,060**	**190**	**1,392**	**183**	**7,843**
Accumulated depreciation									
December 31, 2023	–	1,413	269	820	530	147	658	–	3,837
Depreciation	–	16	5	22	19	5	16	–	83
Retirements	–	–	(2)	(11)	(2)	(9)	–	–	(24)
March 30, 2024	**–**	**1,429**	**272**	**831**	**547**	**143**	**674**	**–**	**3,896**
Carrying amounts									
December 31, 2023	483	1,283	127	622	491	52	719	158	3,935
March 30, 2024	**483**	**1,270**	**128**	**605**	**513**	**47**	**718**	**183**	**3,947**

(b) Intangible assets

(in millions)

	Software	Software under development	Customer contracts and brand	Total
Cost				
December 31, 2023	974	131	16	1,121
Additions	1	22	–	23
Transfers	24	(24)	–	–
Retirements	(6)	–	–	(6)
March 30, 2024	**993**	**129**	**16**	**1,138**
Accumulated amortization				
December 31, 2023	869	–	–	869
Amortization	15	–	–	15
Retirements	(6)	–	–	(6)
March 30, 2024	**878**	**–**	**–**	**878**
Carrying amounts				
December 31, 2023	105	131	16	252
March 30, 2024	**115**	**129**	**16**	**260**

(c) Right-of-use assets

(in millions)

	Land	Buildings – gross	Buildings – net	Vehicles	Plant equipment	Total
Carrying amounts						
December 31, 2023	118	294	861	10	2	1,285
Additions	–	13	14	–	–	27
Depreciation	(1)	(7)	(18)	(1)	–	(27)
Terminations	–	(3)	(2)	–	–	(5)
Impairment	–	–	(4)	–	–	(4)
March 30, 2024	**117**	**297**	**851**	**9**	**2**	**1,276**

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

(a) Net defined benefit asset/liability

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

(in millions)

	As at March 30, 2024	As at December 31, 2023
Pension benefit assets	**4,207**	3,471
Pension benefit liabilities	–	–
Other post-employment and other long-term benefit liabilities	3,108	3,174
Total pension, other post-employment and other long-term benefit liabilities	3,108	3,174
Current other long-term benefit liabilities	**56**	56
Non-current pension, other post-employment and other long-term benefit liabilities	**3,052**	3,118

(b) Defined benefit and defined contribution costs

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

(in millions)

	Q1 2024			Q1 2023		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	119	22	141	93	20	113
Interest cost	325	36	361	334	37	371
Interest income on plan assets	(365)	–	(365)	(400)	–	(400)
Other administration costs	5	–	5	4	–	4
Defined benefit expense	84	58	142	31	57	88
Defined contribution expense	13	–	13	11	–	11
Total expense	97	58	155	42	57	99
Return on segregated securities	–	(4)	(4)	–	(4)	(4)
Component included in employee benefits expense	**97**	**54**	**151**	42	53	95
Remeasurement (gains) losses:						
Return on plan assets, excluding interest income on plan assets	(16)	–	(16)	(737)	–	(737)
Actuarial (gains) losses	(804)	(78)	(882)	807	71	878
Component included in other comprehensive income[1,2]	**(820)**	**(78)**	**(898)**	70	71	141

1. Amounts presented in this table exclude income tax expense of $224 million for Q1 2024 (Q1 2023 – tax recovery of $35 million).
2. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at Q1 2024, was 4.86% compared to 4.64% at Q4 2023, and 5.04% and 5.06%, respectively, at Q1, 2023, compared to 5.27% and 5.28%, respectively, at Q4 2022.

(c) Total cash payments and funding relief

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

(in millions)

	Q1 2024	Q1 2023
Benefits paid directly to beneficiaries for other benefit plans	46	43
Employer regular contributions to pension benefit plans	–	86
Employer special contributions to pension benefit plans	–	5
Cash payments for defined benefit plans	46	134
Contributions to defined contribution plans	13	11
Total cash payments	**59**	145

The estimates for the Group of Companies' total contributions to the defined benefit pension plans in 2024 did not change significantly from those disclosed in the Corporation's audited consolidated financial statements for the year ended December 31, 2023.

7. Income Taxes

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

The sources of the temporary differences giving rise to net deferred tax assets (liabilities), affecting net loss and other comprehensive income (loss), were unchanged from December 31, 2023.

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

	As at March 30, 2024	As at December 31, 2023
Deferred tax assets	–	–
Deferred tax liabilities	349	169
Net deferred tax liabilities	**(349)**	(169)

While the Corporation is in a net deferred tax liability position, recognition of deferred tax assets is based on management's assessment of all available evidence, such as the reversal of existing taxable temporary differences, which suggests that realizing deferred tax assets is probable. For Q1 2024, management concluded that there is insufficient evidence to support recognition of certain deferred tax assets due to insufficient taxable temporary differences expected to reverse in the same period as the expected reversal of the deductible temporary difference. A history of recurring financial losses was also considered. This assessment adjusted the total reduction of the deferred tax asset (netted with deferred tax liabilities) to $216 million (December 31, 2023 – $231 million), which represents management's best estimate of future results and the probability of future recoverability of the deferred tax assets. This does not result in an immediate cash outflow nor does it affect the Group of Companies' immediate liquidity position. The Corporation has not recognized a deferred tax asset relating to deductible temporary differences of $864 million (December 31, 2023 – $924 million).

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

	Q1 2024	Q1 2023
Current tax expense	45	12
Deferred tax recovery relating to origination and reversal of temporary differences	(24)	(25)
Deferred tax expense relating to the reversal of the deferred tax asset write-down	(15)	–
Tax expense (recovery)	**6**	(13)

The tax expense (recovery) differed from the amount that would be computed by applying the Corporation's federal statutory income tax rate of 25% (2023 – 25%) to loss before tax. The reasons for the differences were as follows (in millions):

	Q1 2024	Q1 2023
Profit (loss) before tax	106	(58)
Federal tax at Corporation's statutory rate	27	(14)
Subsidiaries' provincial tax less federal tax abatement	5	1
Divestiture of SCI	(44)	–
Deferred tax expense relating to the reversal of the deferred tax asset write-down	(15)	–
Other	33	–
Tax expense (recovery)	**6**	(13)

8. Lease Liabilities

(a) Lease liabilities

(in millions)

	As at March 30, 2024	As at December 31, 2023
Maturity analysis – contractual undiscounted cash flows[1,2]		
Less than one year	**126**	138
One to five years	**530**	522
More than five years	**1,490**	1,486
Total undiscounted lease liabilities	**2,146**	2,146
Lease liabilities in the consolidated statement of financial position	**1,479**	1,484
Current lease liabilities	**92**	94
Non-current lease liabilities	**1,387**	1,390

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 $26 million for premises used in postal operations (December 31, 2023 – $20 million).
2. Leases that have not yet commenced, but which have been committed to at March 30, 2024, have future cash outflows of $204 million that are included in the above maturity analysis, but they are excluded from the measurement of lease liabilities (December 31, 2023 – $199 million).

(b) Changes in liabilities arising from financing activities

(in millions)

	December 31, 2023	Payments[1]	Interest	Net lease additions	**March 30, 2024**
Lease liabilities	1,484	(36)	10	21	**1,479**

1. Excludes payments for lease liabilities directly related to disposal groups held for sale (Note 4).

9. Capital Management, Borrowing Facilities and Liquidity Risk

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

(a) Capital management

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

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

Total outstanding loans and borrowings were $998 million at March 30, 2024, and December 31, 2023. The equity of Canada was in a surplus position of $5,257 million at March 30, 2024 (December 31, 2023 – $4,496 million). The increase in the equity of Canada was attributable to remeasurement gains of defined benefit plans, which are recognized in other comprehensive income and are included immediately in retained earnings, and the net profit in Q1 2024, due to the gain on sale of the SCI divestiture.

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

- Provide sufficient liquidity to support and repay its financial obligations and support its operating and strategic plans.
- Maintain financial capacity and access to credit facilities to support future development of the business.

These objectives and their related strategies are reviewed and approved each year by the Board of Directors through the annual Corporate Plan, which is then forwarded for Treasury Board approval. The Corporation's 2024-28 Corporate Plan was submitted to the Minister responsible for Canada Post. This Corporate Plan presented the significant challenges the Corporation is facing with recurring financial losses and deteriorating liquidity position. Refer to Note 2 (a) for the going concern assessment.

(b) Borrowing facilities

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

The Corporation's borrowing limit, other than from the Crown, is authorized pursuant to *Appropriation Act No. 4, 2009-10*. The *Canada Post Corporation Act* provides a maximum limit for borrowing from the Government of Canada's Consolidated Revenue Fund and for the establishment of a share capital structure, giving the Corporation the ability to raise funds through the issuance of shares to the Government of Canada and to the Corporation's employees. No such shares have been issued. The Corporation is not subject to any externally imposed capital requirements.

Pursuant to the *Canada Post Corporation Act*, the Corporation qualifies for borrowings of a maximum of $500 million from the Government of Canada's Consolidated Revenue Fund, with the approval of the Governor in Council and the Minister of Finance. Pursuant to *Appropriation Act No. 4, 2009-10*, the Corporation is authorized to borrow other than from the Crown an aggregate outstanding amount not exceeding $2.5 billion, in accordance with the terms and conditions approved by the Minister of Finance. Lease liabilities are not considered toward this limit. As part of the total authorized borrowing limit, a maximum of $100 million was available for cash management purposes in the form of short-term borrowings at March 30, 2024.

The following table represents the Corporation's contractual obligations to make future debt repayments.

(in millions)

	As at March 30, 2024		**As at December 31, 2023**	
	Fair value[3]	**Carrying value**	Fair value[3]	Carrying value
Series 2 bonds maturing July 2025, interest at 4.08%, payable semi-annually on January 16 and July 16[1,2]	497	500	499	499
Series 1 bonds maturing July 2040, interest at 4.36%, payable semi-annually on January 16 and July 16[1,2]	505	498	527	499
Total loans and borrowings (all non-current)	**1,002**	**998**	1,026	998

1. The Corporation has a right of redemption prior to maturity at a premium to fair value.
2. Bonds constitute direct, unconditional and unsecured obligations of the Corporation and direct, unconditional obligations of the Government of Canada.
3. 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.

(c) Liquidity risk

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

As at March 30, 2024, the Canada Post segment had $1,440 million of unrestricted liquid investments on hand (December 31, 2023 – $1,168 million), for a net liquidity position of $442 million (December 31, 2023 – $170 million), after outstanding loans and borrowings of $998 million (December 31, 2023 – $998 million). Despite an improvement in the cash position through Q1 2024 of $272 million due to proceeds from the divestiture of SCI, the Corporation's cash resources have depleted significantly since 2018 due to operating losses and significant costs associated with expanding capacity and maintaining the network. $500 million of debt maturing in July 2025 will create significant cash flow pressure.

The Corporation believes it has sufficient liquidity and authorized borrowing capacity to support its operations for at least, but not limited to, the next 12 months from the reporting date, supporting the Corporation's ability to continue as a going concern.

10. Commitments

In the normal course of business, the Group enters into contractual arrangements for the supply of goods and services over periods sometimes extending beyond one year. These contractual arrangements typically contain termination rights which allow the Group to terminate contracts without penalty at its discretion. Disbursements largely depend on future volume-related requirements and consumption. The most significant arrangements relate to contracted transportation and IT services, operating, facility and property management costs, and contracts for the purchase of vehicles and plant equipment.

At March 30, 2024, contractual arrangements with third-party suppliers that contain a commitment or fee for the ability to terminate for convenience approximated $202 million (December 31, 2023 – $125 million) for contracts in effect until 2045. These commitments exclude agreements for IT services previously performed by Innovapost, that are now provided by a third-party supplier since April 15, 2024. Refer to Note 17 for more information.

11. Disaggregation of Revenue

(a) Geographic area revenue

Revenue reported for geographical areas outside of Canada is, for the Corporation, based on the location of the foreign postal administration hiring the service, and based on the location of the customer hiring the service for the other segments and the business unit. Individual foreign countries that are sources of material revenue are reported separately. The Group of Companies has no significant assets located outside of Canada. All intersegment revenue is domestic; therefore, revenue for geographic areas is reported net of intersegment revenue.

(in millions)

	Q1 2024	Q1 2023
Canada	2,306	2,393
United States	61	65
Rest of the world	37	43
Total revenue	**2,404**	2,501

(b) Products and services revenue

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

(in millions)

	Q1 2024			Q1 2023		
	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	1,480	(25)	1,455	1,595	(40)	1,555
Transaction Mail	495	–	495	506	–	506
Direct Marketing	246	–	246	223	–	223
Other revenue	138	(84)	54	139	(87)	52
	2,359	(109)	2,250	2,463	(127)	2,336
Unattributed revenue						
Stamp postage	63	–	63	65	–	65
Meter postage	91	–	91	100	–	100
	154	–	154	165	–	165
Total	**2,513**	**(109)**	**2,404**	2,628	(127)	2,501

(c) Sales channel revenue

Sales channel revenue is reported for domestic revenue from commercial customers and for domestic retail from sales to consumers. International revenue includes revenue from the United States and the rest of the world as defined in Note 11 (a).

(in millions)

	Q1 2024			Q1 2023		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic						
Commercial	1,769	(25)	1,744	1,829	(40)	1,789
Retail	561	–	561	604	–	604
	2,330	(25)	2,305	2,433	(40)	2,393
International	98	–	98	106	–	106
Other	85	(84)	1	89	(87)	2
Total	**2,513**	**(109)**	**2,404**	2,628	(127)	2,501

12. Other Operating Costs

(in millions)

	Q1 2024	Q1 2023
Non-labour collection, processing and delivery	525	540
Property, facilities and maintenance	99	98
Selling, administrative and IT	146	155
Non-capital investment expense	56	78
Other operating costs	**826**	871

13. Investing and Financing Income (Expense)

(in millions)

	Q1 2024	Q1 2023
Interest income	20	25
Gain on sale of disposal groups held for sale	287	–
Other Income	3	1
Investment and other income	**310**	26
Interest expense	(22)	(22)
Other expense	(4)	(3)
Finance costs and other expense	**(26)**	(25)
Investing and financing income (expense), net	**284**	1

14. Other Comprehensive Income

(in millions)

	Items that may subsequently be reclassified to net profit (loss)			Item never reclassified to net profit (loss)	
	Change in unrealized fair value of financial assets	Cumulative foreign currency adjustment	Accumulated other comprehensive income (loss)	Remeasurements of defined benefit plans	Other comprehensive income (loss)
Accumulated balance as at December 31, 2023	–	4	4		
Gains (losses) arising	(12)	–	(12)	898	886
Income taxes	5	–	5	(224)	(219)
Net	**(7)**	**–**	**(7)**	**674**	**667**
Allocation to non-controlling interest	(1)	–	(1)		
Accumulated balance as at March 30, 2024	**(8)**	**4**	**(4)**		

15. Related Party Transactions

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

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

(in millions)

	Q1 2024	Q1 2023
Related party revenue	**90**	88
Compensation payments for programs		
Government mail and mailing of materials for persons who are blind	**6**	6
Payments from related parties for premises leased from the Corporation	**2**	2
Related party expenditures	**3**	3

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

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

Category	As at March 30, 2024	As at December 31, 2023
Due to/from related parties		
Included in trade and other receivables	**26**	19
Included in trade and other payables	**13**	18
Deferred revenue from related parties	**1**	1

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

In the normal course of business, the Group of Companies may interact with companies whose financial and operating policies are solely or jointly governed by key management personnel (KMP) of the Group of Companies. The affected KMP are required to recuse themselves from all discussions and decisions relating to transactions between the companies. The only significant transactions for the 13 weeks ended March 30, 2024, were between Purolator and a company controlled by one of the Group of Companies' KMP, who is a director and also a minority shareholder of Purolator. This company provided air services to Purolator in the amount of $3 million (April 1, 2023 – $4 million). These transactions had been made at prices and terms comparable to those given to other suppliers of Purolator.

(c) Transactions with the Corporation's pension plans

During the 13 weeks ended March 30, 2024, the Corporation provided administration services to the Canada Post Corporation Registered Pension Plan in the amount of $5 million (April 1, 2023 – $4 million). As at March 30, 2024, $10 million (December 31, 2023 – $11 million) relating to transactions with the Registered Pension Plan is outstanding and included in trade and other receivables. Cash payments, including contributions to the defined benefit plans and defined contribution plans for the Group of Companies, are disclosed in Note 6 (c).

16. Segmented Information

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

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

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

1. Results for SCI were consolidated through March 1, 2024, the date of divestiture when control was transferred to the acquirer.
2. Intercompany dividends are eliminated on consolidation within the "Other" segment. The gain on the divestiture of SCI was not allocated to individual segments as the subsidiary was owned by a holding company; this is included in the "Other" segment.

As at April 1, 2023, and for Q1 2023
(in millions)

	Canada Post	Purolator	SCI	Other	Total
Revenue from external customers	1,781	648	72	–	2,501
Intersegment revenue	22	10	8	(40)	–
Revenue from operations	1,803	658	80	(40)	2,501
Labour and employee benefits	1,204	298	36	30	1,568
Other operating costs	627	284	31	(71)	871
Depreciation and amortization	84	26	10	1	121
Cost of operations	1,915	608	77	(40)	2,560
Profit (loss) from operations	(112)	50	3	–	(59)
Investment and other income	22	3	1	–	26
Finance costs and other expense	(17)	(7)	(1)	–	(25)
Profit (loss) before tax	(107)	46	3	–	(58)
Tax expense (recovery)	(27)	13	1	–	(13)
Net profit (loss)	(80)	33	2	–	(45)
Total assets	11,944	2,150	308	(318)	14,084
Total liabilities	6,736	918	166	(27)	7,793

17. Events After the Reporting Period

Innovapost Inc. – On April 15, 2024, the divestiture of Innovapost Inc. was completed, and control was transferred to the acquirer. Financial impacts, including the estimated sale proceeds of $63 million and gain on sale, will be reported in the interim condensed consolidated financial statements for the 26 weeks ended June 29, 2024. The purchase price determination is to be finalized after a due diligence period.

The agreement for the acquirer to provide IT services to Canada Post and Purolator following the divestiture represents a contractual arrangement with a third-party supplier with commitments upon termination by the Group of $129 million, in effect until 2030.

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