2024

Canada Post Corporation

SECOND QUARTER
FINANCIAL REPORT

For the period ended June 29, 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 (second quarter or Q2) and 26-week period (first two quarters or YTD [YTD]) ended June 29, 2024, for Canada Post Corporation (Corporation or Canada Post) and its subsidiaries – Purolator Holdings Ltd. (Purolator), SCI Group Inc (SCI) up to March 1, 2024, and Innovapost Inc. (Innovapost) up to April 15 2024. 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 for the YTD period: Canada Post, Purolator and SCI. Consolidation entries, intersegment balance eliminations and the support functions provided by the information technology business unit, under a shared services agreement between Canada Post, Purolator and Innovapost (in effect until April 15, 2024), are presented separately. The consolidation of results for SCI were discontinued as of March 1, 2024, and for Innovapost as of April 15, 2024, following the completion of their respective divestitures. Details 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 June 29, 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	**–**	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 Q2 and YTD of 2024 compared to Q2 and YTD 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.

	Q2 2024		YTD 2024	
Company	**Business days**	**Paid days**	**Business days**	**Paid days**
Canada Post Group of Companies and Canada Post	+1	–	–	–
Purolator	+1	–	–	–

This discussion should be read in conjunction with the unaudited condensed consolidated financial statements (interim financial statements) for Q2 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 August 22, 2024.

Forward-looking statements

This MD&A contains forward-looking statements including future-looking financial information or outlooks that reflect management's expectations regarding the Group's objectives, plans, strategies, future growth, results of operations, performance and business prospects and opportunities. These statements include, among other things, the Corporation's ability to obtain additional funding and continue as a going concern; regulatory approvals; future operational, performance and financial results; working capital and capital requirements; and estimates and assumptions made in accordance with IFRS requirements.

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 the availability and timing of additional financing to support the Corporation's capital and operating requirements as needed, 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 August 22, 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 Q2 2024 financial results.

The Group is one of Canada's largest employers with over 81,300 people (full-time and part-time employees, including temporary, casual and term employees). Canada Post, the largest segment, is a federal Crown corporation that reports 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 nationwide. Under the *Canada Post Corporation Act*, Canada Post has a responsibility to provide a standard of postal service that meets the needs of Canadians, while having regard for the need to conduct operations on a financially self-sustaining basis.

Canada Post is part of the global postal industry, which includes foreign postal administrations (posts) that have traditionally financed their universal service obligation through a legislated exclusive privilege, or monopoly, over a portion of the postal market. Over the past two decades, Canadians and Canadian businesses have experienced a transition from a period of peak mail volumes to an era dominated by digital commerce. As Canadians began receiving less mail and more parcels, we adapted to these new mailing habits, with the most significant changes occurring in the last five years.

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 2.2 billion letters (what we delivered in 2023). It operates on a user-pay system, meaning that when Canadians' mailing and shipping needs change, Canada Post must respond, or revenue suffers. Significant changes to our operating model are necessary to modernize and sustain our national postal service for all Canadians. Canada Post is committed to leading this change, recognizing the crucial role it continues to play in connecting Canadians in urban, rural and remote communities.

Financial and business highlights – Q2 2024

Our deteriorating liquidity position and its impact on going concern

Canada Post's financial and business challenges – including recurring losses, increased competition in the parcel delivery sector, ongoing erosion of Transaction Mail, an outdated delivery model, and a high fixed-cost structure – threaten its ability to meet its obligations under the *Canada Post Corporation Act* and the *Canadian Postal Service Charter*. The regulatory framework governing our business operations has not kept pace with the rapid changes in our business environment, increasing the substantial pressures on our business. Significant changes are necessary to address our mounting challenges. Without changes and updated operating parameters, we anticipate larger and increasingly unsustainable losses in the coming years.

We have prepared these interim condensed consolidated financial statements on a going-concern basis in compliance with IAS 34 "interim Financial Reporting" of the IFRS Accounting Standards, which assumes that the Corporation will continue operations for the foreseeable future, allowing it to realize its assets and discharge its liabilities and commitments in the normal course of business. Key considerations in our assessment of going-concern risk include the Corporation's capital management, access to borrowing facilities and management of liquidity risks. Significant judgments were involved in these assessments. We are actively working with our single shareholder, the Government of Canada, to develop solutions that address and mitigate liquidity pressures.

Corporate Plan

Canada Post has been operating without an approved Corporate Plan since 2020, which included now-outdated assumptions and projections. Since then, our financial situation and operating environment have significantly worsened:

- Our market share in the parcels sector has substantially decreased due to intense competition and expansion of low-cost labour models in parcel delivery.
- Lettermail™ volumes have continued to erode.
- Our operating costs have increased at a rate exceeding our revenue growth.
- Our cash position has deteriorated substantially.

These factors are materially affecting Canada Post's financial performance.

We have submitted our 2024-28 Corporate Plan to the Government of Canada, detailing the significant challenges we face. The Plan emphasized the need to work with our shareholder to achieve financial self-sustainability. While the Plan has not yet been approved, we are engaging in important discussions with the Minister of Public Services and Procurement, the Government of Canada, our bargaining agents and the Canadians we proudly serve, to work on solutions and a future roadmap.

Segment results

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

	Q2 2024	Q2 2023	$ change	% change	YTD 2024	YTD 2023	$ change	% change
Canada Post	(269)	(259)	(10)	(4.0)%	(490)	(371)	(119)	(32.0)%
Purolator	75	89	(14)	(15.7)%	106	139	(33)	(24.0)%
SCI	–	2	(2)	(100.0)%	1	5	(4)	(71.5)%
Consolidation entries and eliminations	–	–	–	(193.3)%	11	–	11	+
Canada Post Group of Companies	**(194)**	**(168)**	**(26)**	**(15.4)%**	**(372)**	**(227)**	**(145)**	**(63.6)%**

+ Large percentage change.

In Q2 2024, the Group's loss from operations was mainly due to the higher cost of operations in the Canada Post and Purolator segments.

For YTD 2024, the Group's loss from operations was mainly due to revenue declines in all segments and cost increases in the Canada Post and Purolator segments. Results of the SCI and Innovapost divestitures are not included in the loss from operations as they were recorded in 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)

	Q2 2024	Q2 2023	$ change	% change	YTD 2024	YTD 2023	$ change	% change
Canada Post	46	(254)	300	118.1%	(30)	(361)	331	91.7%
Purolator	81	87	(6)	(6.9)%	120	133	(13)	(10.1)%
SCI	–	–	–	–	–	3	(3)	(100.0)%
Consolidation entries and eliminations	(262)	–	(262)	+	(119)	–	(119)	+
Canada Post Group of Companies	**(135)**	**(167)**	**32**	**19.3%**	**(29)**	**(225)**	**196**	**87.3%**

+ Large percentage change.

The Group's loss before tax improved by $32 million (+19.3%) in Q2 2024 compared to Q2 2023 due to the non-recurring gain on sale of Innovapost. For YTD 2024, the loss before tax improved by $196 million (+87.3%) compared to the same period in 2023, mainly due to the non-recurring gains on sale of SCI and Innovapost.

Divestiture of SCI and Innovapost – In January 2024, Canada Post and Purolator announced their plan to divest 100% of the shares of SCI, a leading Canadian third-party logistics provider, and Innovapost, the Corporation's shared-services provider in information technology. The divestiture of SCI closed March 1, 2024; sale proceeds, including final adjustments, were $363 million and a gain on sale (before tax) of $294 million was recognized for the first six months of 2024. The divestiture of Innovapost closed April 15, 2024; estimated proceeds of $63 million were received and the $54 million estimated gain on sale (before tax) was recognized in Q2 2024. Any services provided to the Corporation beyond the respective closing dates are at an arm's-length basis, as the parties are no longer related. The divestitures are part of the Corporation'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 Corporation for growth in Canada's ecommerce market while focusing on its core responsibility of delivering for Canadians.

Canada Post segment

A Stronger Canada – Delivered

Over the past several years, we have made significant progress on our transformation plan, A Stronger Canada – Delivered. Our advancements, presented in Section 4 Capabilities, include progress across the plan's three pillars: Providing a service all Canadians can count on, Social and environmental leadership, and Doing right by our people.

In late 2023, we conducted a comprehensive review of our transformation investments. While we remain committed to our transformation, short-term financial challenges have required us to align investments with our near-term priorities: focusing on competing in the ecommerce market, providing excellent service to Canadians and ensuring the safety of our people. This refocusing of investments has resulted in the pause or cancellation of initiatives, including investments in our processing network, customer experience projects and the deferral of additional capital purchases.

What we're working on: As a result of management's announcement to review our transformation investments, we will continue to prioritize investments into 2025 and are working on stricter cost-reduction measures.

Revenue by line of business

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	Q2 2024	**Q2 2023**	**$ change**	**% change**	**Q2 2024**	**Q2 2023**	**Change**	**% change**
Parcels	763	791	(28)	(5.0)%	66	70	(4)	(7.2)%
Transaction Mail	579	566	13	0.6%	529	543	(14)	(3.9)%
Direct Marketing	256	237	19	6.2%	1,205	1,030	175	15.2%
Consumer products and services	55	51	4	5.9%	–	–	–	–
Total	**1,653**	**1,645**	**8**	**(1.1)%**	**1,800**	**1,643**	**157**	**7.9%**

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	YTD 2024	**YTD 2023**	**$ change**	**% change**	**YTD 2024**	**YTD 2023**	**Change**	**% change**
Parcels	1,565	1,652	(87)	(5.3)%	134	140	(6)	(4.2)%
Transaction Mail	1,224	1,231	(7)	(0.6)%	1,146	1,176	(30)	(2.5)%
Direct Marketing	502	460	42	9.1%	2,263	1,908	355	18.6%
Consumer products and services	109	105	4	3.8%	–	–	–	–
Total	**3,400**	**3,448**	**(48)**	**(1.4)%**	**3,543**	**3,224**	**319**	**9.9%**

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

Parcels revenue and volume declined in Q2 and YTD 2024 compared to the same periods in 2023. This decrease can be attributed to a decline in fuel surcharges (which are tied to market rates), competitive pressures, and changes in customer and channel mix. Inbound parcel volumes and revenue were negatively impacted by the growing shift toward competitive commercial consolidators instead of the conventional inbound postal network.

What we're working on: We are competing in a dynamic and crowded market where our competitors are responding better to Canadians' changing needs. For example, they are offering competitive delivery services, such as same day and next-day parcel delivery, delivering up to seven days a week, and evening deliveries. These offerings are the new industry norm. We are working on adapting and enhancing our delivery services to remain competitive in this market. Parcels growth through the remainder of 2024 and beyond will be impacted by our ability to add similar flexibility to our delivery model. We are in labour negotiations with the Canadian Union of Postal Workers (CUPW), which represents nearly 45,000 Canada Post full-time and part-time employees both in the Urban Postal Operations and Rural and Suburban Mail Carriers bargaining units. Macro-economic factors such as consumer spending patterns, and growth in retail ecommerce and real gross domestic product (GDP) will influence purchasing behaviours. To expand market share, we are enhancing parcel returns solutions, service performance and continuing to respond to business and consumer expectations for environmental sustainability.

Mail volume erosion continued; regulated rates increased in Q2 2024

Transaction Mail revenue increased in Q2 2024 but decreased in YTD 2024, while volumes were down in both periods compared to the same periods in 2023. Regulated rate increases, which took effect on May 6, 2024, for stamps, Lettermail items, International Letter-post items, and special services and fees, helped to partially mitigate the impact on revenue from the decline in volumes. For the first six months of 2024, consumers and mailers continued to migrate to digital communications, leading to further erosion of mail volumes.

What we're working on: We are working with our shareholder to align on solutions that alleviate liquidity pressures. The current business approach does not provide enough flexibility to price stamps and mail products at rates that keep pace with the consumer price index (CPI) and cover the cost of delivering the mail. While it is helpful that regulated mail rates increased in Q2 2024, they do not cover the cost of providing the service and our fixed network costs. Lettermail rates have a substantial impact on revenue and our ability to sustain mail delivery in the future.

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

Direct Marketing revenue and volumes increased in Q2 and YTD 2024 compared to the same periods in 2023. Results were positively impacted by new business and higher sales for the Canada Post Neighbourhood Mail™ service. Revenue and volumes continued to decline for all other Direct Marketing products due to businesses choosing digital marketing options as well as economic uncertainty. Volumes remained below pre-pandemic levels.

What we're working on: Businesses want to connect with their consumers. We are working with retailers and industry partners to meet these needs, while respecting their privacy and preferences. We continue to develop and implement strategies that reduce plastic waste and improve environmental sustainability of Direct Marketing products.

Consumer products and services

Consumer products and services revenue increased in Q2 and YTD 2024 compared to 2023. This rise was due to higher sales in coins and collectibles, as well as postal boxes.

What we're working on: We continue to explore innovative programs and features to expand banking access for more Canadians through new or existing financial services in our lineup. For example, in partnership with the Business Development Bank of Canada, we continue to pilot a loan program for small and midsized businesses (SMBs) in Alberta, which was launched in 2023. As part of this market test, we are aiming to identify the best way to reach financially underserved SMBs and support their growth through loans.

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

(in millions of dollars)

	Q2 2024	Q2 2023	$ change	% change	YTD 2024	YTD 2023	$ change	% change
Labour	966	983	(17)	(1.8)%	1,935	1,949	(14)	(0.7)%
Employee benefits	292	241	51	21.0%	587	479	108	22.5%
Other operating costs	571	592	(21)	(3.3)%	1,183	1,219	(36)	(2.9)%
Depreciation and amortization	93	88	5	4.9%	185	172	13	7.5%
Total cost of operations	**1,922**	**1,904**	**18**	**0.9%**	**3,890**	**3,819**	**71**	**1.9%**

The cost of operations increased in Q2 and YTD 2024 compared to the same periods in 2023, mainly due to higher employee benefits costs driven by a lower discount rate. These increases were partly offset by lower labour costs driven by better aligning labour scheduling with volume fluctuations which were partly offset by wage increases. Non-capital investment costs also decreased, as we refocused our 2024 investment priorities.

What we are working on: Our business is very labour-intensive, with labour and employee benefits for the first six months making up approximately 65% of the total cost of operations. With the shift in our business from mail to parcels, we expect higher operating costs associated with collecting, processing and delivering parcels. We are actively analyzing our costs and looking for savings across all functions. Parcels require more technology, equipment, scans and customer service support. To compete in the dynamic ecommerce delivery market, we need more flexibility in our labour model.

Remeasurement gains and higher solvency surplus due to discount rate increases

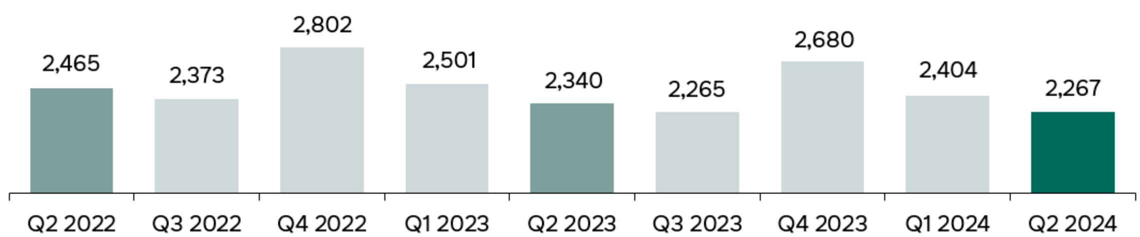
Remeasurement gains of $340 million and $968 million, net of tax, were recorded in other comprehensive income for Q2 2024 and YTD 2024, respectively, for the Canada Post segment defined benefit plans. The actuarially determined expense recorded in the statement of comprehensive income and regular payments were not affected by these remeasurements. The gains were primarily the result of an increase in discount rates at the end of Q2 2024 from Q1 2024 and 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 $3 billion from $2.2 billion at December 31, 2023. 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.

Canada Post Group of Companies – 2024

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

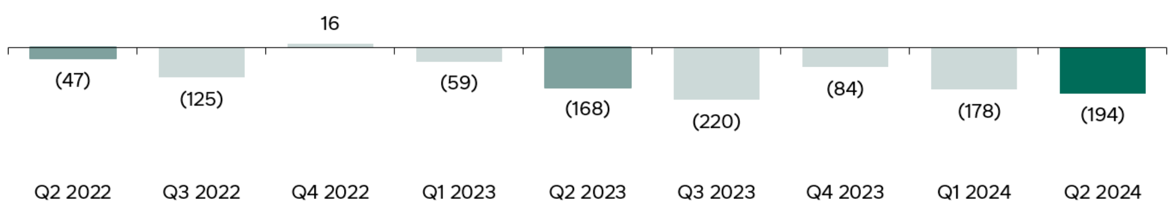
Quarterly consolidated revenue from operations

(in millions of dollars)



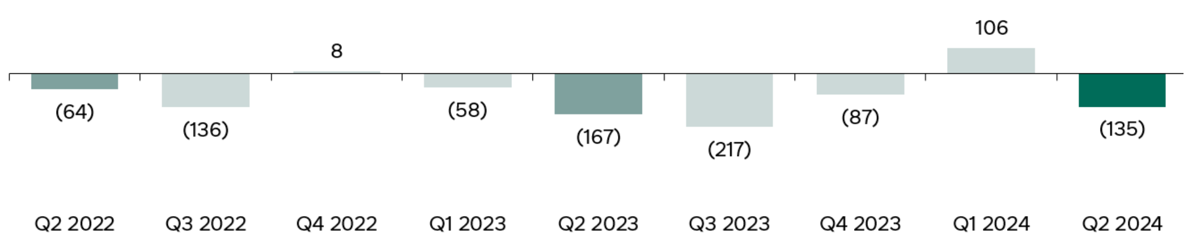
Quarterly consolidated profit (loss) from operations

(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 second quarter and YTD of 2024, compared to the same periods in the prior year.

(in millions of dollars)

Consolidated statement of comprehensive income

A more detailed report of this statement appears in Section 5 Discussion of Operations.

	Q2 2024	Q2 2023	$ change	% change	YTD 2024	YTD 2023	$ change	% change	Explanation of significant variances
Revenue from operations	2,267	2,340	(73)	(4.6)%	4,671	4,841	(170)	(3.5)%	**Q2:** Declines due to disposal of SCI, offset by slight increases at Canada Post and Purolator. **YTD:** Decline in all segments.
Cost of operations	2,461	2,508	(47)	(1.8)%	5,043	5,068	(25)	(0.5)%	Lower non-capital investment expenses in the Canada Post segment offset by higher employee benefits.
Loss from operations	(194)	(168)	(26)	(15.4)%	(372)	(227)	(145)	(63.6)%	Loss in the Canada Post segment, partially offset by profit in the Purolator segment.
Investing and financing income (expense), net	59	1	58	+	343	2	341	+	Gain on sale of SCI and Innovapost.
Loss before tax	(135)	(167)	32	19.3%	(29)	(225)	196	87.3%	
Tax recovery	(122)	(40)	(82)	(207.0)%	(116)	(53)	(63)	(120.7)%	Reversal of valuation allowance and impact of the divestitures of subsidiaries.
Net profit (loss)	(13)	(127)	114	89.9%	87	(172)	259	150.5%	
Comprehensive income (loss)	344	(494)	838	169.6%	1,111	(635)	1,746	275.0%	Remeasurement gains on pension and other post-employment plans from discount rate increases.

+ Large percentage change.

Consolidated statement of cash flows

A more detailed report of this statement appears in Section 6 Liquidity and Capital Resources.

	Q2 2024	Q2 2023	$ change	% change	YTD 2024	YTD 2023	$ change	% change	Explanation of significant variances
Cash (used in) provided by operating activities	(52)	3	(49)	+	(62)	(31)	(31)	(91.6)%	Higher cost of operations partially offset by lower pension payments.
Cash provided by investing activities	32	89	(57)	(64.3)%	61	76	(15)	(19.4)%	Decrease in proceeds (net of acquisitions) of securities, offset by proceeds from the sale of SCI and Innovapost.
Cash used in financing activities	(30)	(32)	2	4.9%	(65)	(64)	(1)	(3.3)%	**Q2:** Lower payments of lease liabilities. **YTD:** Dividends paid offset by lower lease payments.

\+ Large percentage change.

2. Core Businesses and Strategy

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

Canada Post segment

The Government of Canada expects the Corporation to have regard for the need to operate on a financially self-sustaining basis while meeting the needs of Canadians. We submitted our 2024-28 Corporate Plan (Plan) to the Government of Canada, which outlined our cumulative financial losses, the erosion of liquidity, increased competition, and the need to transform and modernize. Rapid changes in the delivery and postal services landscapes have outpaced the inflexibility of the current regulatory framework. Fulfilling our dual responsibility to serve all Canadians and operate on a financially self-sustaining basis requires critical and timely changes to our operating structure to ensure its continued viability. We recognize the urgent need for modernization and operational flexibility to address the changing needs of Canadians in an evolving postal service landscape. The current business model is no longer sustainable.

We remain committed to providing better service to Canadians and Canadian businesses. We've improved service and capacity, stepped up for our people, and taken action on the environment and social purpose. Our financial situation has become an urgent priority. We are actively engaging with our shareholder on short- and long-term ways to address our financial situation, modernize the postal system, and return the company to financial self-sustainability in a highly competitive marketplace.

We are directing our investments to align with our immediate priorities. Certain investments have been deferred to a later date or cancelled.

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	YTD 2024 result	Status
Total injury frequency per 100 employees year-over-year (reduction)		(10%)	7%	C
Fleet with telematics installed (to date)		13,500	10,850	A
Employee diversity[1]	Indigenous Peoples	3.2%	3.5%	A
	People with disabilities	7.9%	9.1%	A
Greenhouse gas emissions (GHGs)	Scopes 1 and 2 for fleet and buildings[2] (in kilotonnes of carbon dioxide equivalent emissions)	112.7	60.8[3]	A
Digital accessibility	Percentage of digital accessibility across all active digital products	92.0%	93.3%	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	10	A
	Number of engagement discussions	120	63	A
Removal of illicit products from the mail stream in Indigenous communities	Number of pieces inspected and removed	3,660	2,584	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 Q2 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.

We remain committed to providing a reliable service for all Canadians, demonstrating social and environmental leadership and doing right by our people. Following the prioritization exercise conducted in late 2023, certain transformation investments and projects have been paused or cancelled through 2024 due to financial challenges.

4.1 Doing right by our people

We are responsible for ensuring the safety of our employees, customers, and the communities we serve, as well as aligning our workforce and culture with the expectations of Canadians for the Corporation.

Canada Post segment

Talent management, learning and development

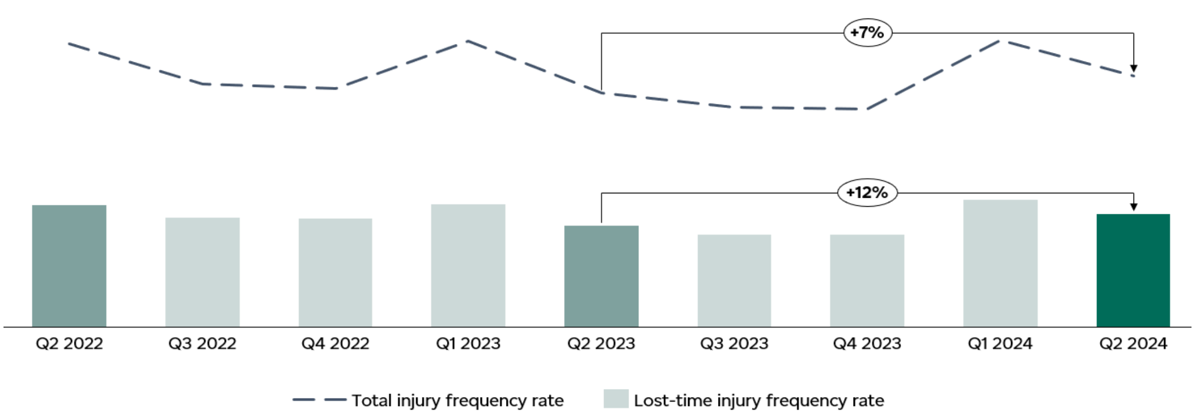
Recognizing that employee development is critical to attract, retain and engage employees, we successfully delivered a session to our leadership team on how to foster a high-performance culture and balance empathy with productivity. Participants developed practical skills in designing human-centered solutions and creating inclusive leadership plans, aligning these efforts with the Corporation's transformation plan and sustainable business values. However, given the need to limit discretionary spending, we have decided to pause all further program delivery for 2024.

Health, safety and wellness

Canada Post places significant focus on health, safety and wellness of our employees, customers, and communities we serve. Over the last few years, safety results have improved due to the exceptional work by frontline employees, leaders, and health and safety joint committees. It is crucial that our safety leaders across the country continue to address safety performance issues and ensure a safe and healthy working environment. In Q2 2024, we put a significant focus on reducing potential life safety incidents; these are incidents that can potentially cause severe harm to our employees. All leaders were assigned the responsibility of actively engaging with their teams to understand the root causes of life safety incidents. They were tasked with conducting life safety audits, implementing corrective measures and hazard controls, and holding additional team sessions focused on health and safety. This effort aims to ensure alignment with the key activities outlined in Canada Post's 10-year Health and Safety Strategy, while making necessary adjustments along the way.

In the second quarter of 2024, the total injury frequency rate and the lost-time injury frequency rate increased, over the same period in 2023. Our safety metrics are more than just numbers – they're about all of us making it home safe at the end of each day. They're about saving lives and preventing serious injury.

Injury frequency (% change)



Road safety

- Over 9,400 corporate vehicle assets and over 650 depot locations are now included in the telematics of seatbelt and speeding reporting. This measure aligns us with best-in-class market practices and is a tool to help promote safe driving behaviours.
- We provided training courses in Q2 focused on reversing a vehicle safely, safety talks and driver improvement. Over 730 employees have participated in these sessions to date in 2024.

Equity, diversity and inclusion

Equity, diversity and inclusion is a key part of Canada Post's commitment to social leadership under its new purpose, A Stronger Canada – Delivered. Attracting, developing and retaining people who reflect the diversity of Canada are essential to our success because this diversity matters to the customers and communities we serve.

In Q2, we celebrated our employees and customers who identify as 2SLGBTQIA+ by offering our Pride postmark throughout June. The head office was lit up in rainbow colours for the entire month, and we participated in several Pride parades in various cities across the country.

Labour and employee relations

In Q2 2024, we continued to collaborate with all our bargaining agents on a number of topics and initiatives through various committees, consultations and other mechanisms. For example:

- Engaged with all bargaining agents toward the creation of a comprehensive federal pay equity plan.
- Held ongoing discussions with the Canadian Union of Postal Workers (CUPW) and re-engaged with the Canadian Postmasters and Assistants Association (CPAA) on financial services.
- Continued our partnership with the Association of Postal Officials of Canada (APOC) on specific areas of concerns, such as workplace violence and harassment.

In addition, business update meetings with executives of the Public Service Alliance of Canada / Union of Postal Communications Employees (PSAC/UPCE) and APOC as well as Canada Post senior management took place in May and June, respectively, to discuss the current Canada Post landscape and topics of mutual interest.

Status of negotiations

In Q2 2024, we received a notice to bargain from PSAC/UPCE. This notice marked the official commencement of the negotiations process for a new collective agreement. Our current collective agreement with PSAC/UPCE expires on August 31, 2024.

Collective bargaining continues with the CPAA with a goal to reach negotiated agreements, with no impact to Canadians. We are still early in the negotiations process and there remains much ground to cover. Discussions are continuing in all rounds of bargaining.

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

The collective agreements for CUPW-UPO and CUPW-RSMC expired January 31, 2024, and December 31, 2023, respectively. Following eight months of negotiations, CUPW filed Notices of Dispute with the federal Minister of Labour on August 2, 2024, asking for conciliators to help the parties reach new collective agreements. Throughout the process of conciliation, the collective agreements continue to apply for CUPW-represented employees as per the *Canada Labour Code* and negotiations continue. The Corporation remains fully committed to the bargaining process.

4.2 Our network and infrastructure

Canada Post segment

The Canada Post segment operates an extensive operating network that requires significant coordination across collection, processing, transportation, and delivery activities. We're investing in our operations and technology throughout our network to accommodate projected ecommerce growth over the next decade and better serve Canadians now and in the future.

Service and capacity

In the second quarter of 2024, we concentrated on projects aimed at meeting the evolving needs of Canadians, with a particular focus on supporting ecommerce growth.

New and improved facilities

Province	Municipality	Facility Type	Change
Alberta	Granum	Retail post office	Relocation
Alberta	Granum	Retail post office	New facility

Asset replenishments

Canada Post received 278 C-250 right-hand-drive vehicles in the second quarter of 2024, which will be deployed and used to replace end-of-life vehicles and compact vans.

Technology

To advance operational efficiency, improve service and tracking, enable our network and capacity, and provide exceptional experiences to Canadians, we progressed with the Experience Transformation (XT) program where system testing and readiness activities continue in preparation for the SAP S/4HANA technical upgrade and transformation, which will now be deployed in 2025.

4.3 Our environmental, social and governance priorities

Canada Post segment

Canada Post embraces its responsibility, as a prominent employer in Canada, to promote diversity, inclusion and environmental sustainability.

Environmental sustainability

Canada Post is committed to reducing the environmental impact of its operations by reducing greenhouse gas emissions (GHG), reducing waste, promoting circular economics and moving toward sustainable transport operations. To protect the environment and help deliver a sustainable future, we've made progress in Q2:

- Released our 2023 Sustainability Report, which provides an annual update on our important work to green our operations and demonstrate social leadership for Canadians.
- Launched an employee training course on environmental, social and governance (ESG) principles. This course provides employees with foundational knowledge about our Sustainability Policy introduced in Q1 2024.
- Finalized a life-cycle analysis study of our packaging to better understand its environmental impacts and inform our sustainable packaging strategy.
- Began a contract with our new waste vendor to increase recycling availability at locations across the country and further focus on zero waste in our operations.
- Ranked 26th on the Best 50 Corporate Citizens list, an improvement of 11 spots from our 2023 ranking, with top-quartile scores in carbon productivity, diversity on the executive team and the Board of Directors, sustainable investment, and air pollution, among other key indicators.

Governance

Canadians trust Canada Post to handle their personal information every day, and preserving that trust is our top priority. Although we maintain that the Canada Post Smartmail Marketing™ (SMM) program has always operated within the requirements of the *Privacy Act*, a concern was raised by the Office of the Privacy Commissioner of Canada (OPC) in 2023 about our use of address data within the SMM program. In response, we conducted an internal review of the program and made some changes to it as a result. In Q2 2024, the OPC tabled its annual report to Parliament in which it formally confirmed that the changes we made were sufficient to resolve the complaint and the OPC's related concerns. We will continue to ensure our privacy practices evolve to incorporate national and international best practices and guidance from regulators.

Accessibility

Canada Post's Accessibility Strategy involves taking a proactive approach to integrating accessibility improvements throughout the Corporation for customers and employees. Here are some key achievements in Q2 reflecting progress on this strategy:

- Launched our online training on accessibility awareness. The training supports our Accessibility Policy and Strategy, in accordance with the *Accessible Canada Act*.
- Met with the Canadian Human Rights Commission (CHRC) to review our 2023 Accessibility Progress Report. The Accessibility team developed an action plan in consultation with the CHRC that outlines steps to align our report with legislative requirements.

4.4 Products and offerings to serve Canadians

Canada Post segment

Canada Post serves Canadians through multiple channels. We reach consumers through our extensive delivery network and retail locations. Our commercial domestic business, which generated the most revenue, includes product and service for large national enterprises, mid-market commercial customers and small local businesses. The international channel includes inbound and outbound services offered by Canada Post in collaboration with other foreign postal administrations, governed by the Universal Postal Union and bilateral agreements with trading partners.

Serving Canadians in their community: Retail reach

Canada Post plays a vital role in serving Canadians by maintaining an extensive retail reach that provides essential services to consumers and businesses of all sizes. With a focus on service and accessibility, from urban hubs to remote and rural areas, we provide support for communities through our widespread network of post offices and service points. By offering a range of services including mail delivery, parcel shipping and pickup, and product returns, we ensure that Canadians have convenient access to necessary resources. Our commitment to community engagement, such as expanding services through community hubs, further emphasize our dedication to meeting the evolving customer needs and fostering connections within all Canadian communities.

Financial services

We are exploring innovative programs and features to expand banking access for more Canadians. Launched in 2023 in partnership with the Business Development Bank of Canada, a loan program for small and medium-sized businesses in Alberta is one we have continued to pilot. By the end of 2024, we also plan to introduce additional financial services to help underserved Canadians access funds and make financial resources accessible to all.

5. Discussion of Operations

A detailed discussion of our financial performance in Q2 2024.

Unless otherwise indicated, results in this section are presented for Q2 2024 and YTD 2024 and compared to the same periods in 2023.

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)

	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Revenue from operations	2,267	2,404	2,680	2,265	2,340	2,501	2,802	2,373	2,465
Cost of operations	2,461	2,582	2,764	2,485	2,508	2,560	2,786	2,498	2,512
Profit (loss) from operations	**(194)**	**(178)**	**(84)**	**(220)**	**(168)**	**(59)**	**16**	**(125)**	**(47)**
Investing and financing income (expense), net	59	284	(3)	3	1	1	(8)	(11)	(17)
Profit (loss) before tax	**(135)**	**106**	**(87)**	**(217)**	**(167)**	**(58)**	**8**	**(136)**	**(64)**
Tax expense (recovery)	(122)	6	215	(54)	(40)	(13)	9	(35)	(15)
Net profit (loss)	**(13)**	**100**	**(302)**	**(163)**	**(127)**	**(45)**	**(1)**	**(101)**	**(49)**

Consolidated results for Q2 and YTD

(in millions of dollars)

	Q2 2024	Q2 2023	$ change	% change	YTD 2024	YTD 2023	$ change	% change
Revenue from operations	2,267	2,340	(73)	(4.6)%	4,671	4,841	(170)	(3.5)%
Cost of operations	2,461	2,508	(47)	(1.8)%	5,043	5,068	(25)	(0.5)%
Loss from operations	**(194)**	**(168)**	**(26)**	**(15.4)%**	**(372)**	**(227)**	**(145)**	**(63.6)%**
Investing and financing income (expense), net	59	1	58	+	343	2	341	+
Loss before tax	**(135)**	**(167)**	**32**	**19.3%**	**(29)**	**(225)**	**196**	**87.3%**
Tax recovery	(122)	(40)	(82)	(207.0)%	(116)	(53)	(63)	(120.7)%
Net profit (loss)	**(13)**	**(127)**	**114**	**89.8%**	**87**	**(172)**	**259**	**150.5%**
Other comprehensive income (loss)	357	(367)	724	197.3%	1,024	(463)	1,487	321.3%
Comprehensive income (loss)	**344**	**(494)**	**838**	**169.6%**	**1,111**	**(635)**	**1,746**	**275.0%**

+ Large percentage change.

In Q2 2024, the Group reported a significant loss from operations, worsening over 2023, largely due to cost increases in the Canada Post and Purolator segments. For the first six months of 2024, the Group's loss from operations was mainly due to revenue declines in all segments and cost increases in the Canada Post and Purolator segments.

The gain on sale of SCI in Q1 2024 and Innovapost in Q2 2024 are not included in the loss from operations as they were recorded in investment and other income in the interim condensed consolidated statement of comprehensive income. The gain on sales led to improvements in the Group's Q2 and YTD 2024 loss before tax compared to the loss before tax in 2023. A detailed discussion by segment is provided in sections 5.3 and 5.4.

Revenue from operations

Revenue from operations decreased in Q2 2024 and YTD 2024 compared to the same periods in 2023, mainly due to the disposal of SCI. In Q2 2024, revenue declines from the SCI divestiture were partially offset by higher revenue at the Canada Post and Purolator segments. For YTD 2024, revenue from operations was lower in all segments.

Cost of operations

The cost of operations decreased for Q2 2024 and YTD 2024 compared to 2023, due to the divestiture of SCI in Q1 2024 and lower non-capital investment expenses offset by higher employee benefit costs.

Investing and financing income (expense), net

Net investing and financing income increased significantly for Q2 2024 and YTD 2024, compared to the same periods in 2023, due to the divestiture of SCI in Q1 2024 and Innovapost in Q2 2024.

Other comprehensive income (loss)

The consolidated other comprehensive income in Q2 2024 and YTD 2024 was mainly due to the remeasurement gains on pension and other post-employment plans as a result of an increase in the discount rate.

5.2 Operating results by segment

Segmented results – Profit (loss) before tax

(in millions of dollars)

	Q2 2024	Q2 2023	$ change	% change	YTD 2024	YTD 2023	$ change	% change
Canada Post	46	(254)	300	118.1%	(30)	(361)	331	91.7%
Purolator	81	87	(6)	(6.9)%	120	133	(13)	(10.1)%
SCI	–	–	–	–	–	3	(3)	(100.0)%
Consolidation entries and eliminations	(262)	–	(262)	+	(119)	–	(119)	+
Canada Post Group of Companies	**(135)**	**(167)**	**32**	**19.3%**	**(29)**	**(225)**	**196**	**87.3%**

+ Large percentage change.

The Group's loss before tax improved by $196 million (+87.3%) for the YTD 2024 compared YTD 2023. The non-recurring consolidated gain on sale (before tax) of SCI of $294 million in Q1 2024, and of Innovapost of $54 million in Q2 2024, largely contributed to these results. The Canada Post and Purolator segment results include dividends due to the SCI and Innovapost divestitures. YTD 2024 results in the Canada Post segment were also impacted by dividend income from Purolator (paid in Q1 2024, compared to in Q4 2023). These dividends were eliminated on consolidation. Profit (loss) from operations, a business performance view that excludes these non-recurring impacts, demonstrated worsening results, especially in the Canada Post segment.

5.3 Canada Post segment

Losses from operations worsened in Q2 and YTD 2024 by $10 million (-4.0%) and $119 million (-32.0%), respectively, over Q2 and YTD 2023.

The segment's income before tax of $46 million in Q2 2024 was $300 million (+118.1%) better than Q2 2023 mainly due to the dividend income as a result of the SCI and Innovapost divestitures.

The loss before tax of $30 million YTD 2024 was $331 million (+91.7%) better than YTD 2023, due to dividend income as a result of the SCI and Innovapost divestitures, and the timing of dividend income received from Purolator (paid in Q1 2024, compared to Q4 2023).

Summary of results for Q2 and YTD

(in millions of dollars)

	Q2 2024	Q2 2023	$ change	% change	YTD 2024	YTD 2023	$ change	% change
Revenue from operations	1,653	1,645	8	(1.1)%	3,400	3,448	(48)	(1.4)%
Cost of operations	1,922	1,904	18	0.9%	3,890	3,819	71	1.9%
Loss from operations	**(269)**	**(259)**	**(10)**	**(4.0)%**	**(490)**	**(371)**	**(119)**	**(32.0)%**
Investing and financing income (expense), net	315	5	310	+	460	10	450	+
Profit (loss) before tax	**46**	**(254)**	**300**	**118.1%**	**(30)**	**(361)**	**331**	**91.7%**

+ Large percentage change.

Revenue from operations

In Q2 2024, revenue increased by $8 million (-1.1%) compared to Q2 2023. Total revenue for YTD 2024 declined by $48 million (-1.4%) compared to 2023. Total volumes in Q2 and YTD 2024 rose over 2023 by 157 million pieces (+7.9%) and 319 million pieces (+9.9%), respectively, 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. Increased competition from new entrants in the ecommerce parcel delivery sector, combined with economic uncertainty and the migration to digital services are reducing consumer spending and contributing to these negative results.

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	Q2 2024	Q2 2023	$ change	% change	Q2 2024	Q2 2023	Change	% change
Domestic Parcels	627	639	(12)	(3.3)%	55	56	(1)	(4.7)%
Outbound Parcels	70	66	4	4.9%	3	3	–	13.3%
Inbound Parcels	57	77	(20)	(27.2)%	8	11	(3)	(25.6)%
Other	9	9	–	(4.6)%	–	–	–	–
Total Parcels	**763**	**791**	**(28)**	**(5.0)%**	**66**	**70**	**(4)**	**(7.2)%**
Domestic Lettermail	553	540	13	0.8%	512	524	(12)	(3.8)%
Outbound Letter-post	15	15	–	2.1%	6	7	(1)	1.9%
Inbound Letter-post	11	11	–	(11.0)%	11	12	(1)	(10.5)%
Total Transaction Mail	**579**	**566**	**13**	**0.6%**	**529**	**543**	**(14)**	**(3.9)%**
Personalized Mail™	88	95	(7)	(8.1)%	149	161	(12)	(9.3)%
Neighbourhood Mail™	130	101	29	25.5%	1,012	821	191	21.5%
Total Smartmail Marketing™	218	196	22	9.3%	1,161	982	179	16.4%
Publications Mail™	30	33	(3)	(9.3)%	41	45	(4)	(10.5)%
Business Reply Mail™ and other mail	4	4	–	(6.1)%	3	3	–	(13.4)%
Other	4	4	–	(3.7)%	–	–	–	–
Total Direct Marketing	**256**	**237**	**19**	**6.2%**	**1,205**	**1,030**	**175**	**15.2%**
Consumer products and services	**55**	**51**	**4**	**5.9%**	**–**	**–**	**–**	**–**
Total	**1,653**	**1,645**	**8**	**(1.1)%**	**1,800**	**1,643**	**157**	**7.9%**

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	YTD 2024	**YTD 2023**	**$ change**	**% change**	**YTD 2024**	**YTD 2023**	**Change**	**% change**
Domestic Parcels	1,274	1,335	(61)	(4.5)%	111	113	(2)	(2.3)%
Outbound Parcels	143	143	–	0.4%	6	6	–	12.7%
Inbound Parcels	128	158	(30)	(18.9)%	17	21	(4)	(19.2)%
Other	20	16	4	15.1%	–	–	–	–
Total Parcels	**1,565**	**1,652**	**(87)**	**(5.3)%**	**134**	**140**	**(6)**	**(4.2)%**
Domestic Lettermail	1,164	1,171	(7)	(0.6)%	1,107	1,135	(28)	(2.5)%
Outbound Letter-post	33	34	(1)	(1.2)%	15	16	(1)	(0.3)%
Inbound Letter-post	27	26	1	0.4%	24	25	(1)	(4.8)%
Total Transaction Mail	**1,224**	**1,231**	**(7)**	**(0.6)%**	**1,146**	**1,176**	**(30)**	**(2.5)%**
Personalized Mail™	192	201	(9)	(4.3)%	319	336	(17)	(5.2)%
Neighbourhood Mail	237	181	56	30.5%	1,861	1,481	380	25.7%
Total Smartmail Marketing™	429	382	47	12.3%	2,180	1,817	363	19.9%
Publications Mail	58	62	(4)	(6.4)%	78	85	(7)	(8.0)%
Business Reply Mail and other mail	8	8	–	(5.7)%	5	6	(1)	(11.9)%
Other	7	8	(1)	(3.8)%	–	–	–	–
Total Direct Marketing	**502**	**460**	**42**	**9.1%**	**2,263**	**1,908**	**355**	**18.6%**
Consumer products and services	**109**	**105**	**4**	**3.8%**	**–**	**–**	**–**	**–**
Total	**3,400**	**3,448**	**(48)**	**(1.4)%**	**3,543**	**3,224**	**319**	**9.9%**

Revenue and volumes by line of business

Parcels

Parcels revenue in Q2 and YTD 2024 declined by $28 million (-5.0%) and $87 million and (-5.3%), respectively, and volumes declined (-7.2% and -4.2%, respectively), compared to the same periods in 2023. Details by product category were as follows:

- **Domestic Parcels** revenue decreased by $12 million (-3.3%) in Q2 2024 and $61 million (-4.5%) YTD 2024, over the same period in 2023, primarily due to a decrease in fuel surcharges, which are tied to market fluctuations and changes in customer and channel mix. Fierce post-pandemic competition is driving Canada Post's loss of market share to other well-established global companies and low-cost entrants, contributing to revenue and volume declines. Critical investments in service and capacity, such as the opening of the Albert Jackson Process Centre in 2023 have led to our best on-time parcel service performance on record. Nevertheless, we continue to struggle with matching the agility, flexibility and scale of our competitors.

- **Outbound Parcels** revenue (postage revenue collected from domestic customers for parcels destined to foreign postal administrations [posts]) increased by $4 million (+4.9%) for Q2 2024 and remained flat for YTD 2024, compared to the same periods in 2023. Outbound Parcels revenue per piece varies based on the destination country and the sales channel (consumers at retail or commercial customers). In 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 $20 million (-27.2%) and $30 million (-18.9%) in Q2 and YTD 2024, respectively, compared to 2023. As countries continue to shift away from the postal network toward competitive commercial domestic channels and low-cost competitors, inbound volumes have continued to decrease.
- Revenue from **Other Parcels**, primarily consisting of fees from the Customs Postal Import Program, increased for the first six months of 2024 compared to 2023, 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 in Q2 2024 increased by $13 million (+0.6%) and decreased YTD 2024 by $7 million (-0.6%), compared to the same periods in 2023, with volume declines of -3.9% and -2.5%. Details by product category were as follows:

- **Domestic Lettermail** revenue in Q2 2024 increased by $13 million (+0.8%), compared to Q2 2023 mainly due to the price increase for regulated stamps. For the YTD 2024, revenue decreased by $7 million (-0.6%), as the digital age continues to reduce our traditional Lettermail™ services. This decline was offset in part by the price increase for regulated stamps.
- **Inbound and Outbound Letter-post** volumes were relatively flat. Outbound Letter-post revenue is generated from domestic customers for mail sent to other countries, while Inbound Letter-post revenue is collected by foreign postal services and shared with Canada Post for delivering mail within Canada.

Direct Marketing

Direct Marketing revenue increased by $19 million (+6.2%) on 175 million more pieces (+15.2%), in Q2 2024 compared to Q2 2023 and $42 million (+9.1%) on 355 million more pieces (+18.6%) for the YTD 2024. Details by product category were as follows:

- **Personalized Mail™** revenue declined by $7 million (-8.1%) and $9 million (-4.3%) for Q2 and YTD 2024, respectively, while volumes continued to be negatively impacted by digital platforms that successfully reach consumers through new technologies such as artificial intelligence (AI). However, the value proposition of offering our customers with a more meaningful and impactful mode of communication remains strong.
- **Neighbourhood Mail™** revenue increased by $29 million (+25.5%) in Q2 2024 and $56 million (+30.5%) for the first six months of 2024, compared to the same periods in 2023. New customer relationships are generating strong local engagement, and the

expanded distribution of existing campaigns to additional points of contact is also contributing to growth. The successful launch of a new environmentally sustainable mail format in 2023 continues to positively impact revenue and volume.

- **Publications Mail** revenue and volumes were negatively impacted by declines in paper subscriptions and campaigns, as digital publications are increasingly becoming the preferred method of delivery.
- **Business Reply Mail™ and other mail products** also remained flat for Q2 2024 and YTD 2024, compared to the same periods in 2023.

Consumer products and services

Consumer products and services revenue increased by $4 million (+5.9%) in Q2 2024 and $4 million (+3.8%) for the YTD 2024, compared to the same periods in 2023, mainly due to an increase in consumer products and services such as coins and collectible and postal boxes.

Cost of operations

In Q2 2024, the Canada Post segment's cost of operations increased by $18 million (+0.9%) compared to Q2 2023, and $71 million (+1.9%) for the first six months of 2024 compared to YTD 2023. These increases are primarily due to higher employee benefits resulting from a lower discount rate and wage increases necessary to remain competitive and attract a strong workforce. Improvements in aligning labour scheduling with volume fluctuations helped mitigate some of these costs. Additionally, rising fuel prices and general inflation contributed to the overall increase in operating costs. However, these increases were partially offset by lower non-capital investments, as the business has refocused 2024 investment priorities.

(in millions of dollars)

	Q2 2024	Q2 2023	$ change	% change	YTD 2024	YTD 2023	$ change	% change
Labour	966	984	(18)	(1.8)%	1,935	1,950	(15)	(0.7)%
Employee benefits	292	240	52	21.0%	587	478	109	22.5%
Total labour and employee benefits	**1,258**	**1,224**	**34**	**2.7%**	**2,522**	**2,428**	**94**	**3.9%**
Non-labour collection, processing and delivery	325	313	12	3.9%	677	659	18	2.7%
Property, facilities and maintenance	62	63	(1)	(0.9)%	137	136	1	0.9%
Selling, administrative and IT	126	138	(12)	(7.5)%	255	268	(13)	(4.2)%
Non-capital investment expense	58	78	(20)	(26.8)%	114	156	(42)	(27.5)%
Total other operating costs	**571**	**592**	**(21)**	**(3.3)%**	**1,183**	**1,219**	**(36)**	**(2.9)%**
Depreciation and amortization	93	88	5	4.9%	185	172	13	7.5%
Total cost of operations	**1,922**	**1,904**	**18**	**0.9%**	**3,890**	**3,819**	**71**	**1.9%**

Labour and employee benefits

While labour wage increases drove higher labour costs, improvements in aligning labour scheduling with volume fluctuations and cost of living adjustments in 2023 more than offset these increases. Employee benefits increased by $52 million (+21.0%) and $109 million (+22.5%) compared to Q2 2023 and YTD 2023, respectively, 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 Q2 and YTD 2024 were as follows:

- Non-labour collection, processing and delivery costs increased by $12 million (+3.9%) and $18 million (+2.7%) in Q2 and YTD, respectively, mainly due to higher transportation costs and international settlements, partly offset by lower dealer, customs and other fees.
- Selling, administrative and IT expenses decreased by $12 million (-7.5%) and $13 million (-4.2%) in Q2 and YTD, respectively, mainly due costs reductions in several areas partly offset by higher IT costs.
- Non-capital investment expenses decreased by $20 million (-26.8%) and $42 million (-27.5%) in Q2 and YTD, respectively, as we adjusted the focus of our investment projects in 2024, prioritizing investments essential for maintaining competitiveness, delivering excellent service to Canadians and ensuring the safety of our employees.
- The depreciation and amortization expense increased by $5 million (+4.9%) and $13 million (+7.5%) compared to Q2 and YTD 2023, respectively, due to significant capital asset investments in 2023.

Investing and financing income (expense), net

For the first six months of 2024, investing and financing income increased by $450 million compared to the same period in 2023, mainly due to dividend income as a result of the SCI and Innovapost divestitures and timing of dividends from Purolator (paid in Q1 2024, compared to Q4 2023).

5.4 Purolator segment

The Purolator segment's profit before tax decreased by $6 million (-6.9%) in Q2 2024 and $13 million (-10.1%) for the YTD 2024, compared to Q2 and YTD 2023.

Summary of results

(in millions of dollars)

	Q2 2024	Q2 2023	$ change	% change	YTD 2024	YTD 2023	$ change	% change
Revenue from operations	663	649	14	0.6%	1,286	1,307	(21)	(1.6)%
Labour	238	227	11	4.9%	472	462	10	2.1%
Employee benefits	58	53	5	8.0%	131	116	15	12.8%
Other operating costs	259	254	5	1.7%	513	538	(25)	(4.7)%
Depreciation and amortization	33	26	7	33.0%	64	52	12	24.2%
Cost of operations	588	560	28	5.0%	1,180	1,168	12	1.0%
Profit from operations	**75**	**89**	**(14)**	**(15.7)%**	**106**	**139**	**(33)**	**(24.0)%**
Investing and financing income (expense), net	6	(2)	8	414.0%	14	(6)	20	328.8%
Profit before tax	**81**	**87**	**(6)**	**(6.9)%**	**120**	**133**	**(13)**	**(10.1)%**

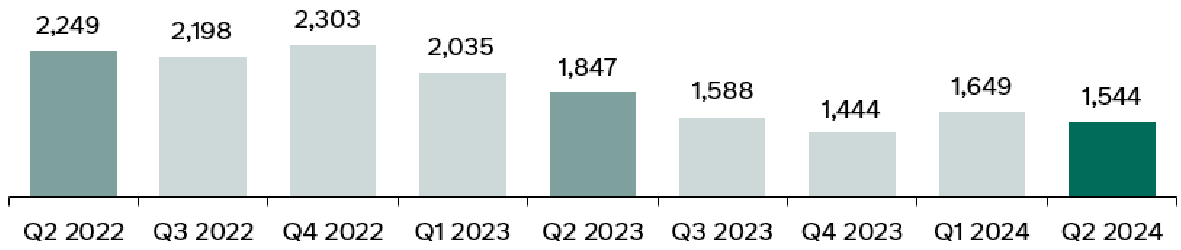
Revenue from operations increased in Q2 2024 compared to Q2 2023, however, still behind the prior year on a year-to-date basis due to a softening in ecommerce volumes. Volume in the express market decreased compared to the same period in the prior year, mainly from general economic uncertainty and high inflation.

Total labour costs increased due to inflation, while employee benefits increased due to higher active benefit usage, benefit rates and a decrease in discount rates. Depreciation increased due to additional capital investments. Other operating costs decreased due to the decline in volume and cost-saving initiatives in operations. Investing and financing income increased due to dividend income from the divestitures of SCI and Innovapost.

6. Liquidity and Capital Resources

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

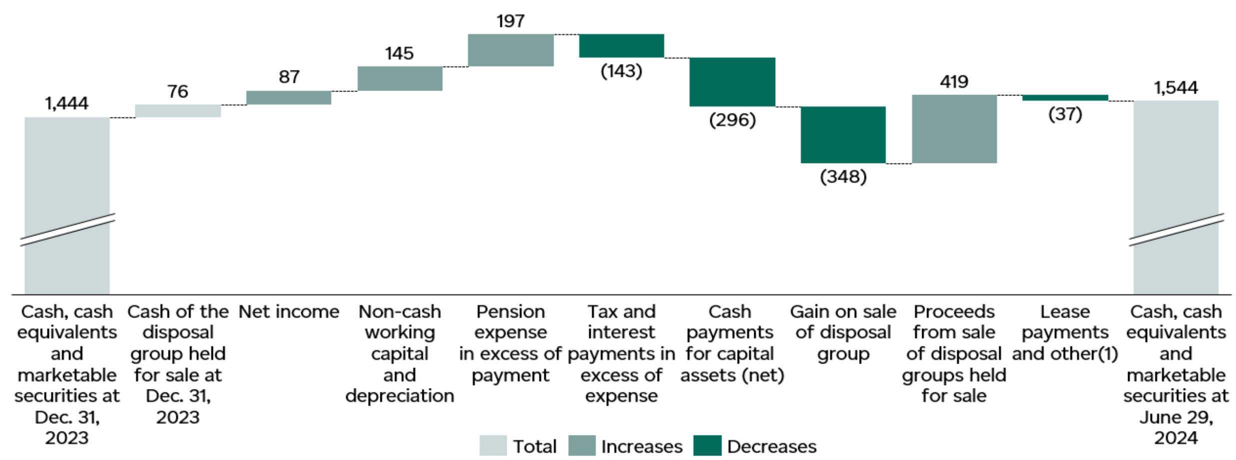
6.1 Cash, cash equivalents and marketable securities



The Group held cash, cash equivalents and marketable securities of $1,544 million as at June 29, 2024, compared to $1,444 million as at December 31, 2023. The increase of $100 million (+6.9%) is due to cash inflows related to the divestiture of SCI and Innovapost, 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 Q2 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 in Q1 2024 and Innovapost in Q2 2024, contributed largely to the increase in marketable securities of $90 million (+26.6%) and cash and cash equivalents of $10 million (+1.8%) compared to balances at Q4 2023.

Consolidated statement of cash flows

(in millions of dollars)

	Q2 2024	Q2 2023	$ change	% change	YTD 2024	YTD 2023	$ change	% change	Explanation of significant variances
Cash (used in) provided by operating activities	(52)	3	(49)	+	(62)	(31)	(31)	(91.6)%	Higher cost of operations partially offset by lower pension payments.
Cash provided by investing activities	32	89	(57)	(64.3)%	61	76	(15)	(19.4)%	Decrease in proceeds (net of acquisitions) of securities, offset by proceeds from the sale of SCI and Innovapost.
Cash used in financing activities	(30)	(32)	2	4.9%	(65)	(64)	(1)	(3.3)%	**Q2**: Lower payments of lease liabilities. **YTD**: Dividends paid offset by lower lease payments.

+ Large percentage change.

Capital expenditures

(in millions of dollars)*

	Q2 2024	Q2 2023	$ change	% change	YTD 2024	YTD 2023	$ change	% change
Canada Post	76	92	(16)	(16.7)%	138	181	(43)	(23.2)%
Purolator	63	43	20	45.3%	113	95	18	20.4%
SCI	–	6	(6)	(100.0)%	–	7	(7)	(100.0)%
Canada Post Group of Companies	**139**	**141**	**(2)**	**(0.6)%**	**251**	**283**	**(32)**	**(10.4)%**

* 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)

	Q2 2024	Q2 2023	$ change	% change	YTD 2024	YTD 2023	$ change	% change
Capital expenditures	76	92	(16)	(16.7)%	138	181	(43)	(23.2)%
Non-capital investment expense	58	78	(20)	(26.8)%	114	156	(42)	(27.5)%
Total investment	**134**	**170**	**(36)**	**(21.3)%**	**252**	**337**	**(85)**	**(25.2)%**

In Q2 2024 and YTD 2024, compared to Q2 2023 and YTD 2023, Canada Post segment investments decreased by $36 million (-21.3%) and $85 million (-25.2%), respectively, with declines in capital and non-capital investments. We remain committed to our three pillars of the transformation plan over the longer term, although we have adjusted our investment focus for 2024 considering our financial situation. We are prioritizing projects that are essential for maintaining competitiveness, providing excellent service to Canadians and ensuring the safety of our employees. In Q2 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

In June 2024, Canada Post filed the actuarial valuation of the Canada Post Corporation Registered Pension Plan (RPP) as at December 31, 2023, with the federal pension regulator, the Office of the Superintendent of Financial Institutions. The valuation disclosed the following (in billions of dollars, ratio in percentage):

(in billions of dollars)

	$ 2023	% 2023
Going-concern surplus using the smoothed value of RPP assets	7.6	131%[1]
Solvency surplus using market value of plan assets	2.2	108%[1]
Solvency surplus to be funded using the three-year average solvency ratio basis	0.6	102%[2]

1. As these ratios exceed 125% and 105%, respectively, Canada Post is not permitted to make employer current service contributions for 2024. This position will be reassessed when the December 31, 2024, valuation is completed in 2025.
2. As the funded position of the RPP exceeds legislative thresholds, special solvency payments are not required for 2024.

At the end of Q2, the solvency surplus (using market value of plan assets) of the Canada Post Corporation Registered Pension Plan (RPP) was estimated at $3 billion, an improvement of $800 million compared to year-end 2023, primarily due to a discount rate increase.

Remeasurements

On an accounting basis, a remeasurement gain of $287 million and $834 million for the RPP, net of tax, for Q2 and YTD, respectively, was recorded in other comprehensive income, primarily due to a discount rate increase.

Contributions

No current service contributions were permitted in Q2 2024 (Q2 2023 – $nil) or for the first six months of 2024 (YTD 2023 – $69 million).

6.3 Liquidity and capital resources

Liquidity

The Canada Post segment had $1,365 million of unrestricted liquid investments on hand as at June 29, 2024, for a net liquidity position of $367 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 $197 million is mainly due to dividends received as a result of the sale of SCI and Innovapost, partially offset by continued operating losses and higher costs associated with expanding capacity and sustaining the network. If non-recurring sale proceeds and dividends from the sale of SCI and Innovapost had been excluded, the net liquidity position would have declined by $251 million, a trend that is projected for the remainder of 2024.

In July 2025, the Series 2 bonds of $500 million will mature and create significant cash flow pressure. We are actively working with our shareholder on solutions to alleviate liquidity pressures. Additional information on the going-concern discussion appears in Section 9.2.

Purolator (the Corporation's remaining subsidiary) had a total of $178 million of unrestricted cash on hand and undrawn credit facilities of $105 million as at June 29, 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, for which the Corporation has used $998 million. 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 has immediate access to $100 million from existing lines of credit through December 31, 2024, for cash management purposes in the form of short-term borrowings. This amount is insufficient to cover forecasted cash shortfalls and may not provide the Corporation adequate and timely access to capital markets. Additional information on the going-concern discussion appears in Section 9.2.

The Corporation funded itself primarily through the use of cash on hand, funds generated from operations and the sale of SCI and Innovapost.

7. Changes in Financial Position

A discussion of significant changes in our assets and liabilities between June 29, 2024, and December 31, 2023.

(in millions of dollars)

	June 29, 2024	Dec. 31, 2023	$ change	% change	Explanation of significant variances
Cash and cash equivalents	1,119	1,109	10	0.9%	Refer to Section 6 Liquidity and Capital Resources.
Marketable securities	405	335	70	20.6%	Increase in purchases of marketable securities.
Trade, other receivables and contract assets	930	963	(33)	(3.3)%	Lower receivables in the Canada Post segment, offset by higher receivables in the Purolator segment.
Income tax receivable	14	6	8	150.5%	Higher tax receivables in the Purolator segment
Other assets	145	123	22	18.3%	Higher prepaids in the Canada Post segment.
Assets of disposal groups held for sale	–	424	(424)	(100.0)%	Divestiture of SCI and Innovapost.
Total current assets	**2,613**	**2,960**	**(347)**	**(11.7)%**	
Marketable securities	20	–	20	–	Purchases of bonds during the year.
Property, plant and equipment	3,980	3,935	45	1.1%	Acquisitions in excess of depreciation.
Intangible assets	267	252	15	6.2%	Increase in software acquisition.
Right-of-use assets	1,329	1,285	44	3.4%	New leases and lease renewals exceeding depreciation in the Canada Post segment.
Segregated securities	359	398	(39)	(9.7)%	Reduction in segregated securities for dental, term life and death benefit plans in the Canada Post segment.
Pension benefit assets	4,543	3,471	1,072	30.9%	Remeasurement gains in the Canada Post Registered Pension Plan (RPP).
Goodwill	162	161	1	0.4%	
Other assets	58	55	3	3.0%	
Total non-current assets	**10,718**	**9,557**	**1,161**	**12.1%**	
Total assets	**13,331**	**12,517**	**814**	**6.5%**	

(in millions of dollars)

LIABILITIES	June 29, 2024	Dec. 31, 2023	$ change	% change	Explanation of significant variances
Trade and other payables	794	880	(86)	(9.7)%	Timing and lower consolidated operating expenses.
Salaries and benefits payable	611	656	(45)	(6.8)%	Lower accrued salaries and benefits in the Canada Post segment.
Provisions	65	63	2	4.5%	
Income tax payable	29	–	29	–	Gain on the divestiture of SCI.
Deferred revenue	169	172	(3)	(1.7)%	
Lease liabilities	96	94	2	1.8%	
Other long-term benefit liabilities	56	56	–	–	
Liabilities directly associated to disposal groups held for sale	–	299	(299)	(100.0)%	Divestiture of SCI and Innovapost.
Total current liabilities	**1,820**	**2,220**	**(400)**	**(17.9)%**	
Lease liabilities	1,442	1,390	52	3.8%	Net lease additions higher than payments.
Loans and borrowings	998	998	–	0.0%	
Pension, other post-employment and other long-term benefit liabilities	3,007	3,118	(111)	(3.6)%	Remeasurement gains resulting from an increase in discount rates on other post-employment plans.
Deferred tax liabilities	341	169	172	101.6%	Remeasurement gains on pension and other post-employment plans from discount rate increases.
Other liabilities	46	48	(2)	(1.5)%	
Total non-current liabilities	**5,834**	**5,723**	**111**	**2.0%**	
Total liabilities	**7,654**	**7,943**	**(289)**	**(3.6)%**	
EQUITY					
Contributed capital	1,155	1,155	–	–	
Accumulated other comprehensive income (loss)	(8)	4	(12)	(360.1)%	Unrealized losses on segregated securities for dental, term life, and death benefit plans in the Canada Post segment
Retained earnings	4,448	3,337	1,111	33.3%	Remeasurement gains resulting from an increase in discount rates and the gain on the sale of SCI and Innovapost.
Equity of Canada	**5,595**	**4,496**	**1,099**	**24.5%**	
Non-controlling interests	82	78	4	2.7%	
Total equity	**5,677**	**4,574**	**1,103**	**24.1%**	
Total liabilities and equity	**13,331**	**12,517**	**814**	**6.5%**	

8. Risks and Risk Management

We regularly update 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. Except as noted below, there were no new developments in our emerging or principal risks in Q2 2024.

Financial self-sustainability and the need for flexibility. An overarching risk to the Corporation 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 for the need to conduct operations on 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. Important discussions are occurring with the Minister responsible for Canada Post, the Government of Canada, stakeholders, our bargaining agents and the Canadians we proudly serve. To remain viable, the postal service needs to modernize. The company needs flexibility in how it operates, delivers the mail, prices its products and makes decisions. Canada Post and the shareholder are working to align on changes to address the company's need to be financially self-sustainable. Additional information on the going-concern discussion appears in Section 9.2.

Labour agreements

Canada Post is engaged in negotiations with employees represented by CUPW in two separate collective agreements (Urban Postal Operations and Rural and Suburban Mail Carriers). CUPW is Canada Post's largest union, representing nearly 45,000 employees. The Corporation is committed to negotiating agreements that are fair to employees, while providing competitive pricing and service to Canadians. The risk of a labour disruption remains until such agreements are reached.

Management considers risks and opportunities at all levels of decision-making and has implemented a rigorous approach to enterprise risk management. 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.

9. Critical Accounting Policies and Estimates and Internal Controls

A review of critical accounting estimates and changes in accounting policies in Q2 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 second 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.

Except as noted below, the Group's critical accounting estimates remain substantially unchanged from the prior year.

Going concern

Management believes the going-concern basis of presentation continues to be appropriate, which assumes that the Corporation will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations as they become due.

Canada Post has been operating without an approved Corporate Plan since 2020. We have filed a 2024-28 Corporate Plan (Plan) to the Government of Canada that presents the significant challenges we are facing. The Plan includes the 2024 borrowing and leases plan, and 2024 operating and capital budgets to refresh the Corporation's authorities. Working in partnership with the shareholder, the Corporation continues to have discussions about the Plan and putting Canada Post back on the path to long-term financial sustainability. As of the date of this report, the Plan has not yet been approved.

For YTD 2024, the Canada Post segment reported an operating loss of $490 million and a net liquidity position of $367 million. Since 2018, the Canada Post segment has experienced cumulative losses before taxes of over $3.0 billion. Over the same period, the cumulative losses from operations, which excludes the results of the SCI and Innovapost divestitures in 2024, amounts to over $3.7 billion. These results are depleting Canada Post's cash and cash equivalents and are negatively impacting the Corporation's net liquidity position. Recurring financial losses threaten the Corporation's ability to fulfill the objects set by the shareholder, which are to have regard for the need to conduct operations on a financially self-sustaining basis while providing a standard of postal service that meets the needs of Canadians.

Throughout Q2, the Corporation continued to work closely with its shareholder to align on solutions for improving its deteriorating liquidity position and ensuring its long-term sustainability. As such, management has determined that no significant uncertainties currently cast doubt on the Corporation's ability to operate as a going concern for at least 12 months from the reporting date. The interim financial statements do not reflect any adjustments to the carrying values.

9.3 Internal controls

During the second quarter of 2024, the Corporation's subsidiary, Purolator, oversaw the deployment and technical upgrade of the enterprise resource planning (ERP) system, resulting in a material change in internal controls over financial reporting for the period of implementation. Management conducted pre-implementation testing and post-implementation reviews to ensure that the transition was properly designed and executed to prevent material financial statement errors. Based on such testing, continuous monitoring and implementation of transitionary controls, management concluded that the transition did not cause material misstatements in our Q2 2024 financial statements.

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

Management's Responsibility for Interim Financial Reporting

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

Management is also responsible for ensuring that all other information in this quarterly financial report is consistent, where appropriate, with the interim financial statements.

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

President and Chief Executive Officer

Chief Financial Officer

August 22, 2024

Interim Condensed Consolidated Statement of Financial Position

(Unaudited – in millions of Canadian dollars)

ASSETS	As at June 29, 2024	As at December 31, 2023
Current assets		
Cash and cash equivalents	**1,119**	1,109
Marketable securities	**405**	335
Trade, other receivables and contract assets	**930**	963
Income tax receivable	**14**	6
Other assets	**145**	123
Assets of disposal groups held for sale (Note 4)	**–**	424
Total current assets	**2,613**	2,960
Non-current assets		
Marketable securities	**20**	–
Property, plant and equipment (Note 5)	**3,980**	3,935
Intangible assets (Note 5)	**267**	252
Right-of-use assets (Note 5)	**1,329**	1,285
Segregated securities	**359**	398
Pension benefit assets (Note 6)	**4,543**	3,471
Goodwill	**162**	161
Other assets	**58**	55
Total non-current assets	**10,718**	9,557
Total assets	**13,331**	12,517

LIABILITIES AND EQUITY	As at June 29, 2024	As at December 31, 2023
Current liabilities		
Trade and other payables	**794**	880
Salaries and benefits payable	**611**	656
Provisions	**65**	63
Income tax payable	**29**	–
Deferred revenue	**169**	172
Lease liabilities (Note 8)	**96**	94
Other long-term benefit liabilities (Note 6)	**56**	56
Liabilities directly associated with disposal groups held for sale (Note 4)	**–**	299
Total current liabilities	**1,820**	2,220
Non-current liabilities		
Lease liabilities (Note 8)	**1,442**	1,390
Loans and borrowings	**998**	998
Pension, other post-employment and other long-term benefit liabilities (Note 6)	**3,007**	3,118
Deferred tax liabilities (Note 7)	**341**	169
Other liabilities	**46**	48
Total non-current liabilities	**5,834**	5,723
Total liabilities	**7,654**	7,943

LIABILITIES AND EQUITY	**As at June 29, 2024**	As at December 31, 2023
Equity		
Contributed capital	**1,155**	1,155
Accumulated other comprehensive income (loss) (Note 14)	**(8)**	4
Retained earnings	**4,448**	3,337
Equity of Canada	**5,595**	4,496
Non-controlling interests	**82**	78
Total equity	**5,677**	4,574
Total liabilities and equity	**13,331**	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		For the 26 weeks ended	
	June 29, 2024	July 1, 2023	**June 29, 2024**	July 1, 2023
Revenue from operations (Note 11)	**2,267**	2,340	**4,671**	4,841
Cost of operations				
Labour	**1,211**	1,271	**2,465**	2,530
Employee benefits	**349**	302	**726**	611
	1,560	1,573	**3,191**	3,141
Other operating costs (Note 12)	**776**	808	**1,602**	1,679
Depreciation and amortization (Note 5)	**125**	127	**250**	248
Total cost of operations	**2,461**	2,508	**5,043**	5,068
Loss from operations	**(194)**	(168)	**(372)**	(227)
Investing and financing income (expense)				
Investment and other income (Note 13)	**82**	25	**392**	51
Finance costs and other expense (Note 13)	**(23)**	(24)	**(49)**	(49)
Investing and financing income (expense), net	**59**	1	**343**	2
Loss before tax	**(135)**	(167)	**(29)**	(225)
Tax recovery (Note 7)	**(122)**	(40)	**(116)**	(53)
Net profit (loss)	**(13)**	(127)	**87**	(172)
Other comprehensive income (loss) (Note 14)				
Items that may subsequently be reclassified to net profit (loss)				
Change in unrealized fair value of financial assets	**(4)**	(3)	**(11)**	7
Unrealized losses on currency translation differences	**–**	(1)	**–**	(1)
Item never reclassified to net profit (loss)				
Remeasurements of defined benefit plans	**361**	(363)	**1,035**	(469)
Other comprehensive income (loss)	**357**	(367)	**1,024**	(463)
Comprehensive income (loss)	**344**	(494)	**1,111**	(635)
Net profit (loss) attributable to				
Government of Canada	**(18)**	(131)	**80**	(179)
Non-controlling interests	**5**	4	**7**	7
	(13)	(127)	**87**	(172)
Comprehensive income (loss) attributable to				
Government of Canada	**338**	(499)	**1,099**	(643)
Non-controlling interests	**6**	5	**12**	8
Comprehensive income (loss)	**344**	(494)	**1,111**	(635)

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 June 29, 2024	Contributed capital	Accumulated other comprehensive income (loss)	Retained earnings	Equity of Canada	Non-controlling interests	Total equity
Balance at March 30, 2024	**1,155**	**(4)**	**4,106**	**5,257**	**76**	**5,333**
Net profit (loss)	**–**	**–**	**(18)**	**(18)**	**5**	**(13)**
Other comprehensive income (Note 14)	**–**	**(4)**	**360**	**356**	**1**	**357**
Comprehensive income	**–**	**(4)**	**342**	**338**	**6**	**344**
Balance at June 29, 2024	**1,155**	**(8)**	**4,448**	**5,595**	**82**	**5,677**

For the 13 weeks ended July 1, 2023	Contributed capital	Accumulated other comprehensive income	Retained earnings	Equity of Canada	Non-controlling interests	Total equity
Balance at April 1, 2023	1,155	–	5,060	6,215	76	6,291
Net profit (loss)	–	–	(131)	(131)	4	(127)
Other comprehensive income (loss) (Note 14)	–	(4)	(364)	(368)	1	(367)
Comprehensive income (loss)	–	(4)	(495)	(499)	5	(494)
Balance at July 1, 2023	1,155	(4)	4,565	5,716	81	5,797

For the 26 weeks ended June 29, 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	**–**	**–**	**80**	**80**	**7**	**87**
Other comprehensive income (loss) (Note 14)	**–**	**(12)**	**1,031**	**1,019**	**5**	**1,024**
Comprehensive income (loss)	**–**	**(12)**	**1,111**	**1,099**	**12**	**1,111**
Transactions with shareholders - Dividend	**–**	**–**	**–**	**–**	**(8)**	**(8)**
Balance at June 29, 2024	**1,155**	**(8)**	**4,448**	**5,595**	**82**	**5,677**

For the 26 weeks ended July 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)	–	–	(179)	(179)	7	(172)
Other comprehensive income (loss) (Note 14)	–	6	(470)	(464)	1	(463)
Comprehensive income (loss)	–	6	(649)	(643)	8	(635)
Balance at July 1, 2023	1,155	(4)	4,565	5,716	81	5,797

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

Interim Condensed Consolidated Statement of Cash Flows

(Unaudited – in millions of Canadian dollars)

	For the 13 weeks ended		For the 26 weeks ended	
	June 29, 2024	**July 1, 2023**	**June 29, 2024**	**July 1, 2023**
Operating activities				
Net (loss) profit	**(13)**	(127)	**87**	(172)
Adjustments to reconcile net profit to cash provided by (used in) operating activities:				
Depreciation and amortization (Note 5)	**125**	127	**250**	248
Pension, other post-employment and other long-term benefit expense (Note 6)	**152**	98	**307**	197
Pension, other post-employment and other long-term benefit payments (Note 6)	**(51)**	(60)	**(110)**	(205)
Gain on sale of disposal groups held for sale (Note 13)	**(61)**	–	**(348)**	–
Impairment loss	**–**	–	**4**	–
Tax recovery and other items affecting net income tax receivable (Note 7)	**(122)**	(40)	**(116)**	(53)
Net interest expense (income) (Note 13)	**1**	(1)	**3**	(4)
Change in non-cash operating working capital:				
(Increase) decrease in trade and other receivables	**(45)**	59	**25**	130
Increase (decrease) in trade and other payables	**18**	(81)	**(38)**	(127)
(Decrease) increase in salaries and benefits payable and related provisions	**(5)**	76	**(45)**	6
Increase in provisions	**1**	–	**2**	3
Net increase in other non-cash operating working capital	**(51)**	(32)	**(47)**	(14)
Other expense (income) not affecting cash, net	**1**	(6)	**(6)**	(8)
Cash (used in) provided by operating activities before interest and tax	**(50)**	13	**(32)**	1
Interest received	**28**	30	**49**	52
Interest paid	**(12)**	(12)	**(44)**	(44)
Tax paid	**(18)**	(28)	**(35)**	(40)
Cash (used in) provided by operating activities	**(52)**	3	**(62)**	(31)
Investing activities				
Acquisition of securities	**(79)**	(116)	**(401)**	(305)
Proceeds from sale of securities	**140**	356	**320**	742
Cash payments for capital assets	**(112)**	(152)	**(298)**	(362)
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)	**63**	–	**419**	–
Other investing activities, net	**20**	1	**19**	1
Cash provided by investing activities	**32**	89	**61**	76
Financing activities				
Payments of lease liabilities	**(30)**	(32)	**(58)**	(64)
Dividend paid to non-controlling interests	**–**	–	**(8)**	–
Other financing activities, net	**–**	–	**1**	–
Cash used in financing activities	**(30)**	(32)	**(65)**	(64)
Net (decrease) increase in cash and cash equivalents	**(50)**	60	**(66)**	(19)
Cash and cash equivalents, beginning of period[1]	**1,171**	1,141	**1,185**	1,220
Effect of exchange rate changes on cash and cash equivalents	**(2)**	(1)	**–**	(1)
Cash and cash equivalents, end of period	**1,119**	1,200	**1,119**	1,200

1. Cash and cash equivalents of $1,109 million presented in the consolidated statement of financial position as at December 31, 2023, 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 26 weeks ended June 29, 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 for the need to conduct its operations on a self-sustaining financial basis, while providing a standard of service that meets the needs of Canadians and 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 August 22, 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 (second quarter or Q2) and 26-week period (first two quarters or year to date [YTD]) ended June 29, 2024 (comparative period ended July 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 June 29, 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	-	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 YTD period of 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 and Innovapost divestitures, amount to over $3.7 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.

Through Q2, the Corporation continued to work closely with the shareholder to align on solutions that alleviate our deteriorating liquidity position. Despite financial challenges and reduced cash, the Corporation believes that solutions proposed will provide the Corporation sufficient liquidity to support its operations. As such, 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. Refer to Note 9 for additional information about our capital management, borrowing facilities and liquidity risk.

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

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

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

In addition to those disclosed in Note 5 (b) of the Corporation's annual consolidated financial statements for the year ended December 31, 2023, and in Note 3 (b) of the 2024 First Quarter Financial Report, in May 2024, the IASB issued the following standard and amendment. The Group is assessing the impact of this standard and amendment.

Standard	Subject matter and significance
IFRS 7 "Financial Instruments: Disclosures" and IFRS 9 "Financial Instruments – Amendments to the Classification and Measurement of Financial Instruments"	Amendments provide clarifications on the derecognition of a financial liability settled through electronic transfer and on the classification of financial assets with environmental, social and governance linked features, as well as assets with non-recourse features and contractually linked instruments. Moreover, additional disclosures are introduced for financial instruments with contingent features and equity instruments classified at fair value through other comprehensive income. The amendments are effective for reporting periods beginning on or after January 1, 2026.
IFRS 19 "Subsidiary without Public Accountability: Disclosures"	The IASB issued IFRS 19 "Subsidiaries without Public Accountability: Disclosures," which allows a subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. IFRS 19 is optional for subsidiaries that are eligible and specifies the disclosure requirements for subsidiaries that elect to apply it. The new standard is effective for reporting periods beginning on or after January 1, 2027, with earlier application permitted.

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, including final adjustments, were $363 million. A gain on sale (before tax) of $294 million was recognized within investment and other income in the YTD period (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 June 29, 2024, by Canada Post of $38 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. As a result of the disposition, the Group derecognized $53 million of total assets and $44 million of total liabilities and non-controlling interests from the consolidated statement of financial position. The estimated sale proceeds were $63 million. An estimated gain on sale (before tax) of $54 million was recognized within investment and other income in Q2 2024 (Note 13). The acquirer continues to provide IT services to Canada Post and Purolator after the closing date under an agreement that includes commitments as at June 29, 2024, by Canada Post of $127 million, in effect until 2030.

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 until the closing dates of their divestitures. Financial results of SCI Group Inc., up to March 1, 2024, and Innovapost Inc., up to April 15, 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	1	8	10	10	84	2	36	67	218
Retirements	–	–	(4)	(11)	(2)	(9)	–	–	(26)
Transfers[1]	–	2	12	8	34	1	–	(31)	26
June 29, 2024	**484**	**2,706**	**414**	**1,449**	**1,137**	**193**	**1,413**	**194**	**7,990**
Accumulated depreciation									
December 31, 2023	–	1,413	269	820	530	147	658	–	3,837
Depreciation	–	32	9	44	41	6	31	–	163
Retirements	–	–	(2)	(11)	(2)	(9)	–	–	(24)
Transfers[1]	–	–	–	3	31	–	–	–	34
June 29, 2024	**–**	**1,445**	**276**	**856**	**600**	**144**	**689**	**–**	**4,010**
Carrying amounts									
December 31, 2023	483	1,283	127	622	491	52	719	158	3,935
June 29, 2024	**484**	**1,261**	**138**	**593**	**537**	**49**	**724**	**194**	**3,980**

1. Includes transfers of assets with a carrying amount of $2 million ($36 million in costs and $34 million in accumulated amortization) from right-of-use assets and a transfer to intangible assets ($10 million in costs) in the Purolator segment.

(b) Intangible assets

(in millions)

	Software	Software under development	Customer contracts and brand	Total
Cost				
December 31, 2023	974	131	16	1,121
Additions	16	21	–	37
Transfers[1]	92	(82)	–	10
Retirements	(7)	–	–	(7)
June 29, 2024	**1,075**	**70**	**16**	**1,161**
Accumulated amortization				
December 31, 2023	869	–	–	869
Amortization	30	–	2	32
Retirements	(7)	–	–	(7)
June 29, 2024	**892**	**–**	**2**	**894**
Carrying amounts				
December 31, 2023	105	131	16	252
June 29, 2024	**183**	**70**	**14**	**267**

1. Includes transfers from property, plant and equipment of $10 million in costs in the Purolator segment.

(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	51	24	39	–	–	114
Depreciation	(2)	(13)	(38)	(1)	(1)	(55)
Terminations	–	(6)	(3)	–	–	(9)
Impairment	–	–	(4)	–	–	(4)
Transfers[1]	–	–	–	(2)	–	(2)
June 29, 2024	**167**	**299**	**855**	**7**	**1**	**1,329**

1. Includes transfers of assets with a carrying amount of $2 million from right-of-use assets to property, plant and equipment in the Purolator segment.

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 June 29, 2024	As at December 31, 2023
Pension benefit assets	**4,543**	3,471
Pension benefit liabilities	–	–
Other post-employment and other long-term benefit liabilities	3,063	3,174
Total pension, other post-employment and other long-term benefit liabilities	3,063	3,174
Current other long-term benefit liabilities	**56**	56
Non-current pension, other post-employment and other long-term benefit liabilities	**3,007**	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)

	Q2 2024			Q2 2023		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	121	20	141	94	19	113
Interest cost	326	34	360	335	36	371
Interest income on plan assets	(364)	–	(364)	(400)	–	(400)
Other administration costs	4	–	4	4	–	4
Defined benefit expense	87	54	141	33	55	88
Defined contribution expense	11	–	11	10	–	10
Total expense	98	54	152	43	55	98
Return on segregated securities	–	(3)	(3)	–	(4)	(4)
Component included in employee benefits expense	**98**	**51**	**149**	43	51	94
Remeasurement (gains) losses:						
Return on plan assets, excluding interest income on plan assets	65	–	65	146	–	146
Actuarial (gains) losses	(488)	(59)	(547)	308	30	338
Component included in other comprehensive income[1,2]	**(423)**	**(59)**	**(482)**	454	30	484

1. Amounts presented in this table exclude income tax expense of $121 million for Q2 2024 (Q2 2023 – tax recovery of $121 million).
2. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at Q2 2024 were 5.03% and 5.04%, compared to 4.86% at Q1 2024 (4.98% and 4.97%, respectively, at Q2 2023, compared to 5.04% and 5.06%, respectively, at Q1 2023).

(in millions)

	YTD 2024			YTD 2023		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	240	42	282	187	39	226
Interest cost	651	70	721	669	73	742
Interest income on plan assets	(729)	–	(729)	(800)	–	(800)
Other administration costs	9	–	9	8	–	8
Defined benefit expense	171	112	283	64	112	176
Defined contribution expense	24	–	24	21	–	21
Total expense	195	112	307	85	112	197
Return on segregated securities	–	(7)	(7)	–	(8)	(8)
Component included in employee benefits expense	**195**	**105**	**300**	85	104	189
Remeasurement (gains) losses:						
Return on plan assets, excluding interest income on plan assets	49	–	49	(591)	–	(591)
Actuarial (gains) losses	(1,292)	(137)	(1,429)	1,115	101	1,216
Component included in other comprehensive income[1,2]	**(1,243)**	**(137)**	**(1,380)**	524	101	625

1. Amounts presented in this table exclude income tax expense of $345 million for YTD 2024 (YTD 2023 – tax recovery of $156 million).
2. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at Q2 2024 were 5.03% and 5.04%, compared to 4.64% at Q4 2023 (4.98% and 4.97%, respectively, at Q2 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)

	Q2 2024	Q2 2023	**YTD 2024**	YTD 2023
Benefits paid directly to beneficiaries for other benefit plans	40	43	86	86
Employer regular contributions to pension benefit plans	–	6	–	92
Employer special contributions to pension benefit plans	–	1	–	6
Cash payments for defined benefit plans	40	50	86	184
Contributions to defined contribution plans	11	10	24	21
Total cash payments	**51**	60	**110**	205

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 June 29, 2024	As at December 31, 2023
Deferred tax assets	–	–
Deferred tax liabilities	341	169
Net deferred tax liabilities	**(341)**	(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 Q2 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 $178 million (2023 – $231 million), which represents management's best estimate of future results and the probability of future recoverability of the deferred tax assets. This reduction of deferred tax asset does not result in an immediate cash outflow or affect the Group of Companies' immediate liquidity position. The Corporation has not recognized a deferred tax asset relating to deductible temporary differences of $712 million (2023 – $924 million).

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

	Q2 2024	Q2 2023	**YTD 2024**	YTD 2023
Current tax expense	8	24	53	36
Deferred tax recovery relating to origination and reversal of temporary differences	(92)	(64)	(116)	(89)
Deferred tax recovery relating to the reversal of the deferred tax asset write-down	(38)	–	(53)	–
Tax recovery	**(122)**	(40)	**(116)**	(53)

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):

	Q2 2024	**Q2 2023**	YTD 2024	**YTD 2023**
Profit (loss) before tax	(135)	(167)	(29)	(225)
Federal tax at Corporation's statutory rate	(34)	(42)	(7)	(56)
Subsidiaries' provincial tax less federal tax abatement	1	1	6	2
Divestiture of subsidiaries	(2)	–	(45)	–
Deferred tax recovery relating to the reversal of the deferred tax asset write-down	(38)	–	(53)	–
Other	(49)	1	(17)	1
Tax recovery	**(122)**	(40)	**(116)**	(53)

8. Lease Liabilities

(a) Lease liabilities

(in millions)

	As at June 29, 2024	As at December 31, 2023
Maturity analysis – contractual undiscounted cash flows[1,2]		
Less than one year	**115**	138
One to five years	**542**	522
More than five years	**1,517**	1,486
Total undiscounted lease liabilities	**2,174**	2,146
Lease liabilities in the consolidated statement of financial position	**1,538**	1,484
Current lease liabilities	**96**	94
Non-current lease liabilities	**1,442**	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 $25 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 (including conditional commitments) at June 29, 2024, have future cash outflows of $418 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	Interest	Net lease additions	**June 29, 2024**
Lease liabilities	1,484	(63)	22	95	**1,538**

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 June 29, 2024, and December 31, 2023. The equity of Canada was in a surplus position of $5,595 million at June 29, 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 gain on sale of SCI in Q1 2024 and Innovapost in Q2 2024.

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

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

These objectives and their related strategies are reviewed and approved each year by the Board of Directors through the annual Corporate Plan, which is then forwarded for Treasury Board approval. The 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 June 29, 2024.

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

(in millions)

	As at June 29, 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]	499	500	499	499
Series 1 bonds maturing July 2040, interest at 4.36%, payable semi-annually on January 16 and July 16[1,2]	496	498	527	499
Total loans and borrowings (all non-current)	**995**	**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 June 29, 2024, the Canada Post segment had $1,365 million of unrestricted liquid investments on hand (December 31, 2023 – $1,168 million), for a net liquidity position of $367 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 in 2024 of $197 million due to proceeds from the divestitures of SCI and Innovapost, 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. A debt of $500 million maturing in July 2025, less than 12 months from the date of approval of these interim condensed consolidated financial statements, will create significant cash flow pressure.

The Corporation is actively working with the shareholder to align on solutions that alleviate our deteriorating liquidity position. Refer to Note 2 (a) for the going concern discussion.

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 that 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 June 29, 2024, contractual arrangements with third-party suppliers that contain a commitment or fee for the ability to terminate for convenience approximated $328 million (December 31, 2023 – $125 million) for contracts in effect until 2045.

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)

	Q2 2024	Q2 2023	**YTD 2024**	YTD 2023
Canada	2,187	2,241	4,493	4,634
United States	49	59	110	124
Rest of the world	31	40	68	83
Total revenue	**2,267**	2,340	**4,671**	4,841

(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)

	Q2 2024			Q2 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	1,431	(15)	1,416	1,518	(37)	1,481
Transaction Mail	424	–	424	430	(1)	429
Direct Marketing	255	–	255	237	–	237
Other revenue	69	(51)	18	141	(94)	47
	2,179	(66)	2,113	2,326	(132)	2,194
Unattributed revenue						
Stamp postage	65	–	65	57	–	57
Meter postage	89	–	89	89	–	89
	154	–	154	146	–	146
Total	**2,333**	**(66)**	**2,267**	2,472	(132)	2,340

(in millions)

	YTD 2024			YTD 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	2,911	(40)	2,871	3,113	(77)	3,036
Transaction Mail	919	–	919	936	(1)	935
Direct Marketing	502	–	502	460	–	460
Other revenue	206	(135)	71	280	(181)	99
	4,538	(175)	4,363	4,789	(259)	4,530
Unattributed revenue						
Stamp postage	128	–	128	122	–	122
Meter postage	180	–	180	189	–	189
	308	–	308	311	–	311
Total	**4,846**	**(175)**	**4,671**	5,100	(259)	4,841

(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). Foreign exchange gains (losses) are presented as “Other”.

(in millions)

	Q2 2024			Q2 2023		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic						
Commercial	1,635	(16)	1,619	1,720	(38)	1,682
Retail	570	–	570	563	–	563
	2,205	(16)	2,189	2,283	(38)	2,245
International	80	–	80	100	–	100
Other	48	(50)	(2)	89	(94)	(5)
Total	**2,333**	**(66)**	**2,267**	2,472	(132)	2,340

(in millions)

	YTD 2024			YTD 2023		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic						
Commercial	3,404	(41)	3,363	3,549	(78)	3,471
Retail	1,131	–	1,131	1,167	–	1,167
	4,535	(41)	4,494	4,716	(78)	4,638
International	178	–	178	206	–	206
Other	133	(134)	(1)	178	(181)	(3)
Total	**4,846**	**(175)**	**4,671**	5,100	(259)	4,841

12. Other Operating Costs

(in millions)

	Q2 2024	Q2 2023	**YTD 2024**	YTD 2023
Non-labour collection, processing and delivery	505	486	1,030	1,026
Property, facilities and maintenance	77	84	176	182
Selling, administrative and IT	136	160	282	315
Non-capital investment expense	58	78	114	156
Other operating costs	**776**	808	**1,602**	1,679

13. Investing and Financing Income (Expense)

(in millions)

	Q2 2024	Q2 2023	**YTD 2024**	YTD 2023
Interest income	21	24	41	49
Gain on sale of disposal groups held for sale	61	–	348	–
Other Income	–	1	3	2
Investment and other income	**82**	25	**392**	51
Interest expense	(22)	(23)	(44)	(45)
Other expense	(1)	(1)	(5)	(4)
Finance costs and other expense	**(23)**	(24)	**(49)**	(49)
Investing and financing income (expense), net	**59**	1	**343**	2

14. Other Comprehensive Income (Loss)

(in millions)

	Items that may subsequently be reclassified to net profit (loss)			Item never reclassified to net profit (loss)	Other comprehensive income (loss)
	Change in unrealized fair value of financial assets	Cumulative foreign currency adjustment	Accumulated other comprehensive income (loss)	Remeasurements of defined benefit plans	
Accumulated balance as at December 31, 2023	–	4	4		
Gains (losses) arising	(12)	–	(12)	1,380	1,368
Income taxes	1	–	1	(345)	(344)
Net	**(11)**	**–**	**(11)**	**1,035**	**1,024**
Allocation to non-controlling interest	(1)	–	(1)		
Accumulated balance as at June 29, 2024	**(12)**	**4**	**(8)**		

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)

	Q2 2024	Q2 2023	**YTD 2024**	YTD 2023
Related party revenue	**86**	77	**176**	165
Compensation payments for programs				
Government mail and mailing of materials for persons who are blind	**–**	5	**6**	11
Payments from related parties for premises leased from the Corporation	**1**	–	**3**	2
Related party expenditures	**3**	2	**6**	5

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):

	As at June 29, 2024	As at December 31, 2023
Due to/from related parties		
Included in trade and other receivables	**24**	19
Included in trade and other payables	**11**	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 YTD 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 $4 million and $7 million for the Q2 and YTD 2024 periods, respectively (2023 – $4 million and $8 million, respectively). 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 Q2 and YTD 2024, the Corporation provided administration services to the Canada Post Corporation Registered Pension Plan in the amount of $5 million and $10 million, respectively (2023 – $3 million and $7 million, respectively). As at June 29, 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. The results of consolidation entries, intersegment balance eliminations and the support functions provided by the information technology business unit, under a shared services agreement between Canada Post, Purolator and Innovapost (in effect until April 15, 2024) are presented separately below under consolidation entries and eliminations. On a consolidated basis, no external customer's purchases account for more than 10% of total revenue.

As at June 29, 2024, and for Q2 2024

(in millions)

	Canada Post	Purolator	Consolidation entries and eliminations[1,2]	Total
Revenue from external customers	1,645	656	(34)	2,267
Intersegment revenue	8	7	(15)	–
Revenue from operations	1,653	663	(49)	2,267
Labour and employee benefits	1,258	296	6	1,560
Other operating costs	571	259	(54)	776
Depreciation and amortization	93	33	(1)	125
Cost of operations	1,922	588	(49)	2,461
Profit (loss) from operations	(269)	75	–	(194)
Investment and other income	333	11	(262)	82
Finance costs and other expense	(18)	(5)	–	(23)
Profit (loss) before tax	46	81	(262)	(135)
Tax expense (recovery)	(138)	16	–	(122)
Net profit (loss)	184	65	(262)	(13)
Total assets	11,243	2,309	(221)	13,331
Total liabilities	6,708	933	13	7,654

1. Results for Innovapost were consolidated through April 15, 2024, the date of divestiture when control was transferred to the acquirer.

2. Intercompany dividends are eliminated on consolidation.

As at July 1, 2023, and for Q2 2023
(in millions)

	Canada Post	Purolator	SCI	Consolidation entries and eliminations	Total
Revenue from external customers	1,624	640	76	–	2,340
Intersegment revenue	21	9	8	(38)	–
Revenue from operations	1,645	649	84	(38)	2,340
Labour and employee benefits	1,224	280	38	31	1,573
Other operating costs	592	254	31	(69)	808
Depreciation and amortization	88	26	13	–	127
Cost of operations	1,904	560	82	(38)	2,508
Profit (loss) from operations	(259)	89	2	–	(168)
Investment and other income	20	4	1	–	25
Finance costs and other expense	(15)	(6)	(3)	–	(24)
Profit (loss) before tax	(254)	87	–	–	(167)
Tax expense (recovery)	(63)	24	(1)	–	(40)
Net profit (loss)	(191)	63	1	–	(127)
Total assets	11,219	2,204	388	(312)	13,499
Total liabilities	6,582	896	245	(21)	7,702

As at June 29, 2024, and for YTD 2024

(in millions)

	Canada Post	Purolator	SCI[1]	Consolidation entries and eliminations[2,3]	Total
Revenue from external customers	3,382	1,270	53	(34)	4,671
Intersegment revenue	18	16	6	(40)	–
Revenue from operations	3,400	1,286	59	(74)	4,671
Labour and employee benefits	2,522	603	27	39	3,191
Other operating costs	1,183	513	22	(116)	1,602
Depreciation and amortization	185	64	9	(8)	250
Cost of operations	3,890	1,180	58	(85)	5,043
Profit (loss) from operations	(490)	106	1	11	(372)
Investment and other income	499	23	–	(130)	392
Finance costs and other expense	(39)	(9)	(1)	–	(49)
Profit (loss) before tax	(30)	120	–	(119)	(29)
Tax expense (recovery)	(172)	28	–	28	(116)
Net profit (loss)	142	92	–	(147)	87
Total assets	11,243	2,309	–	(221)	13,331
Total liabilities	6,708	933	–	13	7,654

1. Results for SCI were consolidated through March 1, 2024, the date of divestiture when control was transferred to the acquirer.
2. Results for Innovapost were consolidated through April 15, 2024, the date of divestiture when control was transferred to the acquirer.
3. Intercompany dividends are eliminated on consolidation.

As at July 1, 2023, and for YTD 2023

(in millions)

	Canada Post	Purolator	SCI	Consolidation entries and eliminations	Total
Revenue from external customers	3,405	1,288	148	–	4,841
Intersegment revenue	43	19	16	(78)	–
Revenue from operations	3,448	1,307	164	(78)	4,841
Labour and employee benefits	2,428	578	74	61	3,141
Other operating costs	1,219	538	62	(140)	1,679
Depreciation and amortization	172	52	23	1	248
Cost of operations	3,819	1,168	159	(78)	5,068
Profit (loss) from operations	(371)	139	5	–	(227)
Investment and other income	42	7	2	–	51
Finance costs and other expense	(32)	(13)	(4)	–	(49)
Profit (loss) before tax	(361)	133	3	–	(225)
Tax expense (recovery)	(90)	37	–	–	(53)
Net profit (loss)	(271)	96	3	–	(172)
Total assets	11,219	2,204	388	(312)	13,499
Total liabilities	6,582	896	245	(21)	7,702

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