

Chairman's Message



The global recession affected many businesses, and Canada Post was no exception. In 2009, our volumes and revenues decreased significantly. On behalf of the Board and the Shareholder, I am pleased to present The Canada Post Group's financial results for the year ending December 31, 2009.

In 2009, Canada Post recorded a consolidated net income of \$281 million. This marks the 15th consecutive profitable year. We achieved this profit for two reasons: the Canada Post segment benefited from a reduction in employee future benefits expense, the impact of which is not a true reflection of our performance. And also because our President, Moya Greene, and senior management recognized early in 2009 that it would be a very tough year, and took the very difficult and necessary steps to dramatically improve productivity and reduce planned costs.

In 2009, Canada Post did not pay a dividend to its Shareholder, the Government of Canada, in order to conserve cash for Postal Transformation. The Board believes that our low profitability and the need to invest in Postal Transformation preclude dividend payments for several years. We are grateful that our Shareholder agrees with this approach.

The Board continued to support management's Postal Transformation strategy, which is aimed at modernizing operations on an unprecedented scale. Our modernization plan has been modified to take into account the recession's negative financial consequences for Canada Post. The opening of a state-of-the-art, environmentally friendly mail-processing plant in Winnipeg later this year represents an important step in Postal Transformation.

In order to provide relevant and affordable services to Canadians, Canada Post must continue to improve productivity and embrace modern technology. Postal Transformation is a key component of this strategy. It will also provide a substantial portion of our employees with a better work environment.

Canada Post saw great progress in 2009 in important areas such as safety and employee engagement. I am proud to report that accidents decreased by 22 per cent, an incredible feat. Employee engagement continued to improve. The productivity improvement in 2009 would not have been as successful without this engagement.

In 2009, the Auditor General of Canada and KPMG performed their periodic special examination of Canada Post, as required by the *Financial Administration Act*. In the report, the auditors commended Canada Post for its many good systems and practices in several key areas, including corporate governance, customer relationships and human resources management. The auditors also pointed out the need for the company to secure funding for Postal Transformation. Significant progress was made on this matter in 2009 with the support of our Shareholder, whom I thank for acting on several fronts.

During 2009, the Government announced the *Canadian Postal Service Charter*, approved a five-year price increase and increased our borrowing limit from outside sources to \$2.5 billion. These actions by the Government put Canada Post in a much better position to continue to serve Canadians while remaining financially self-sufficient.

These measures also reflect our Shareholder's confidence in Canada Post's future and an understanding of the challenges that we face.

With regard to the governance of Canada Post, I am happy to report that the mandate of Moya Greene has been extended to May 2012. Daurene E. Lewis, a director since 2005, has stepped down. I thank Daurene for the valued and strategic advice she gave as a director and for her role as chair of the Corporate Social Responsibility, Environment and Health and Safety committee. The Hon. Stewart McInnes, Q.C., of Halifax has joined the Board.

On behalf of the Board, I would like to thank all of the people of Canada Post, whose hard work made for the success we achieved in 2009. This success gives me comfort that we are well positioned to face the future.

Finally, I would like to thank Canadians for continuing to make Canada Post a valued service provider.

A handwritten signature in black ink that reads "Marc Courtois". The signature is written in a cursive, flowing style.

Marc A. Courtois
Chairman of the Board of Directors