

Chairman's Message

IN A CHALLENGING BUSINESS ENVIRONMENT, THE SUCCESS OF EACH OF OUR LINES OF BUSINESS AND THE CORPORATION WILL RELY ON A CONTINUING FOCUS TO IMPLEMENT POSTAL TRANSFORMATION.

On behalf of the Board and Shareholder, I am pleased with the results of the Corporation during 2007. The integrity and determination of our organization and its employees were key in meeting the health and safety needs of our people, while facing the market volatility experienced in some sectors in 2007. That integrity and determination is also reflected in the financial results for the 12-month fiscal period ending December 31, 2007. The Corporation ended the period with net income of \$54 million. Income before taxes was \$160 million, a good performance against a plan of \$126 million. This extends the Corporation's record of profitability to 13 consecutive years, a sustained period of success in achieving or exceeding financial targets. The Corporation paid a dividend of \$47 million to its Shareholder, the Government of Canada; total dividends paid over the last five fiscal periods amount to \$267 million. The return on equity, however, reached only 3.8 per cent reflecting the difficult market conditions.

To remain successful, the Board recognizes that the company must be transformed to improve delivery services across all media and to continue to deliver real value to all its customers – businesses and consumers alike. To meet customer needs in the future – and build a strong and profitable Canada Post – both the Board and management agree that we must be prepared to make significant investments in renewing the network and equipment, as well as in our employees. During 2007, the Board approved management's strategy to make these investments and continue on its journey toward the Modern Post.

As a result, in early 2008, the company announced that a state-of-the-art, environmentally friendly mail-processing plant will be built in Winnipeg. This plant, which represents an investment of \$50 million, is expected to be up and running in 2010. A model for the Modern Post and future plants across the country, the building will be equipped with new technology and ergonomically sound, new-generation mail-processing equipment. The plant will give Canada Post's customers the best possible service and its employees a new and efficient working environment with more safety features. Management and the Board will continue to work closely together to ensure that these important investments are made prudently and that the ensuing benefits to employees, customers and Canadians are realized.

TO MEET CUSTOMER NEEDS IN THE FUTURE – AND BUILD A STRONG AND PROFITABLE CANADA POST – BOTH THE BOARD AND MANAGEMENT AGREE THAT WE MUST BE PREPARED TO MAKE SIGNIFICANT INVESTMENTS IN RENEWING THE NETWORK AND EQUIPMENT, AS WELL AS IN OUR EMPLOYEES.



As the second-largest Crown corporation in Canada, with a workforce of more than 60,000 and a presence in every city and town across the country, Canada Post's dealings can have far-reaching effects on communities, the environment and the economy. As such, the Board recognizes that the company must take a serious approach to its corporate social responsibility and, as a result, is pleased to play a key oversight role in these vital activities.

It's clear that 2008 will be equally as challenging as 2007, if not more so. The threat of recession could exacerbate the declining Lettermail volumes experienced in 2007. It is clear that continued cost control is needed if the company is to overcome the inevitable revenue declines a recession would bring. We must continue the evolution into a dynamic, forward-thinking organization if we are to prevail over the new and ongoing challenges that 2008 will bring.

As Canada Post's new Chairman of the Board, I'm aware that I joined the Corporation at a challenging time. On behalf of the Board of Directors, however, I would like to say that I am convinced that we have the committed management team and dedicated employees needed to continue to operate successfully. Together, you have built the solid foundation needed. The Board is committed to working with you to transform Canada Post into a Modern Post that's prepared and able to meet the needs of Canada and all Canadians – today and tomorrow.

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