2019

CANADA POST CORPORATION

Second Quarter Financial Report

For the period ended June 29, 2019

CANADA POST POSTES CANADA

Contents

Management's Discussion and Analysis		**1**
Caution regarding forward-looking statements		1
1	Executive Summary	2
2	Core Businesses and Strategy	5
3	Key Performance Drivers	6
4	Capabilities	6
5	Discussion of Operations	7
6	Liquidity and Capital Resources	13
7	Changes in Financial Position	16
8	Risks and Risk Management	18
9	Critical Accounting Estimates and Accounting Policy Developments	18
	Endnotes	19
Interim Condensed Consolidated Financial Statements		**20**
Management's Responsibility for Interim Financial Reporting		20
Interim Condensed Consolidated Statement of Financial Position		21
Interim Condensed Consolidated Statement of Comprehensive Income		22
Interim Condensed Consolidated Statement of Changes in Equity		23
Interim Condensed Consolidated Statement of Cash Flows		24
Notes to Interim Condensed Consolidated Financial Statements		25
1	Incorporation, Business Activities and Directives	25
2	Basis of Presentation	25
3	Application of New and Revised International Financial Reporting Standards	26
4	Other Assets	29
5	Capital Assets	30
6	Pension, Other Post-employment and Other Long-term Benefit Plans	31
7	Finance Liabilities	33
8	Other Comprehensive Income (Loss)	33
9	Labour-related Matters	34
10	Contingent Liabilities	34
11	Fair Values and Risks Arising From Financial Instruments	34
12	Other Operating Costs	35
13	Investing and Financing Income (Expense)	36
14	Related Party Transactions	36
15	Segmented and Disaggregation of Revenue Information	37

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) provides a discussion of the consolidated financial results and operational changes for the 13-week period (second quarter or Q2) and 26-week period (first two quarters or year to date) ended June 29, 2019, for Canada Post Corporation (Corporation or Canada Post) and its subsidiaries – Purolator Holdings Ltd. (Purolator), SCI Group Inc. (SCI or Logistics) and Innovapost Inc. (Innovapost). These companies are collectively referred to as the Canada Post Group of Companies or the Group of Companies. Segments are based on the legal entities, Canada Post, Purolator, SCI and Innovapost.

Financial results reported in the MD&A were prepared using International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). As required by IFRS, we adopted IFRS 16 "Leases" effective January 1, 2019, and chose to follow the full retrospective approach. This represents a significant accounting policy change that required a restatement of previously published results for the comparative period. Amounts are presented in Canadian dollars rounded to the nearest million, while related percentages are based on numbers rounded to the nearest thousand. The information in this MD&A is current to August 22, 2019, unless otherwise noted.

This discussion should be read with the unaudited interim condensed consolidated financial statements (interim financial statements) for the second quarter of 2019, which were prepared in accordance with the Treasury Board of Canada *Standard on Quarterly Financial Reports for Crown Corporations* and International Accounting Standard 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, 2018.

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.

Business Reply Mail™, Canada Post Neighbourhood Mail™, Neighbourhood Mail™, Canada Post Personalized Mail™, Personalized Mail™, Canada Post Smartmail Marketing™, Smartmail Marketing™, Lettermail™ and Publications Mail™ are trademarks of Canada Post Corporation.

Caution regarding forward-looking statements

The interim financial statements and the MD&A contain forward-looking statements that reflect management's expectations regarding the Group of Companies' objectives, plans, strategies, future growth, results of operations, performance, and business prospects and opportunities. Forward-looking statements are typically identified by the words assumption, goal, guidance, objective, outlook, strategy, target and other similar expressions, or future or conditional verbs such as aim, anticipate, believe, could, expect, intend, may, plan, predict, seek, should, strive and will. These forward-looking statements are not facts, but only estimates regarding future results. These estimates are based on certain factors or assumptions regarding expected growth, results of operations, performance, business prospects and opportunities. While management considers these assumptions to be reasonable based on available information, they may prove to be incorrect. These estimates of future results are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from what the Group of Companies expects. These risks, uncertainties and other factors include, but are not limited to, those risks and uncertainties set forth in Section 8 Risks and Risk Management of this MD&A (risks).

To the extent the Group of Companies provides future-oriented financial information or a financial outlook, such as future growth and financial performance, the Group of Companies is providing this information for the purpose of describing its future expectations. Therefore, readers are cautioned that this information may not be appropriate for any other purpose. Furthermore, future-oriented financial information and financial outlooks, as with forward-looking information generally, are based on the assumptions and subject to the risks.

Readers are urged to consider these factors carefully when evaluating these forward-looking statements. In light of these assumptions and risks, the events predicted in these forward-looking statements may not occur. The Group of Companies cannot assure that projected results or events will be achieved. Accordingly, 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, 2019, 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 Canada Post Group of Companies and a summary of financial performance

The Group of Companies is one of Canada's largest employers providing jobs to over 67,000 people. Canada Post, the largest segment with revenue of $3.3 billion for the year to date (75.6% after excluding intersegment revenue), is a federal Crown corporation, reporting to Parliament through the Minister of Public Services and Procurement and Accessibility. Pursuant to the *Canada Post Corporation Act*, Canada Post has a mandate to provide a standard of postal service that meets the needs of Canadians in a secure and financially self-sustaining manner. Canada Post operates the largest retail network in Canada with over 6,100 retail post offices in the country.

1.1 Significant changes and business developments

Canada Post segment

There were no significant changes to our strategy during the second quarter of 2019. We remain focused on growing our Parcels line of business by supporting Canadians' changing postal needs and ensuring we meet our service commitments. However, the risk remains that revenue from this line of business will not offset declining revenue from our core Lettermail business. While there was continued growth in Parcels through 2019, it is modest in comparison to 2018, due to some customers using other carriers to meet their shipping needs.

Labour matters

Labour negotiations

Arbitration to replace expired collective agreements with the Canadian Union of Postal Workers – Urban Postal Operations (CUPW-UPO) and Rural and Suburban Mail Carriers (CUPW-RSMC) was ongoing in the second quarter of 2019. There is continued financial impact from our labour disruption and the related ongoing uncertainty.

Health and safety

Canada Post believes that all occupational injuries, illnesses and incidents are preventable and we aim for zero harm. We were able to reduce total injury frequency and lost-time injury frequency compared to the second quarter of 2018; however, we continue to strive to reduce this even further.

1.2 Financial highlights

Results for the second quarter and the year to date

	Second quarter ended				Year to date ended			
(in millions of dollars)	June 29, 2019	June 30, 2018[1]	Change	%	June 29, 2019	June 30, 2018[1]	Change	%
Profit (loss) before tax								
Canada Post Group of Companies	11	(191)	202	105.9	50	(97)	147	151.2
Canada Post segment	(50)	(243)	193	79.3	(27)	(175)	148	84.5
Purolator segment	52	46	6	15.5	64	66	(2)	(1.7)

In the second quarter of 2019, the Canada Post Group of Companies' profit before tax increased by $202 million compared to the same period in 2018. The main factor in the return to profitability was a significantly lower loss in the Canada Post segment, which included one-time costs for employee benefits resulting from the CUPW-RSMC pay equity ruling. Also contributing to better results was Purolator's increase in profit of $6 million over Q2 2018.

Year-to-date profit before tax for the Group of Companies increased by $147 million in 2019, compared to 2018. This is partly explained by one-time costs for the CUPW-RSMC pay equity ruling in 2018 in the Canada Post segment. However, the year-to-date results were also partially offset by the impact of the 2018 labour disruption, as some customers found alternate solutions to their needs, and a softer Canadian economy. In mid-June 2019, the International Monetary Fund cut its forecast for the Canadian economy by nearly half a percentage point to 1.5 percent GDP (gross domestic product) growth in 2019.

Canada Post segment

Canada Post segment revenue	Second quarter ended				Year-to–date ended			
(in millions of dollars)	June 29, 2019	June 30, 2018	Change	%[2]	June 29, 2019	June 30, 2018	Change	%[2]
Transaction Mail	677	693	(16)	(0.8)	1,422	1,469	(47)	(2.4)
Parcels	638	607	31	6.7	1,251	1,200	51	5.1
Direct Marketing	272	283	(11)	(2.2)	528	556	(28)	(4.3)
Other	57	62	(5)	(6.6)	115	118	(3)	(1.8)
Total	**1,644**	**1,645**	**(1)**	**(1.5)**	**3,316**	**3,343**	**(27)**	**–**

The Canada Post segment's revenue in the second quarter of 2019 decreased by $1 million compared to Q2 2018, primarily due to continued declines in Transaction Mail and Direct Marketing, partially offset by modest growth in Parcels. Year to date revenue decreased by $27 million compared to last year.

Transaction Mail revenue continued to decline in 2019. Compared to last year, revenue decreased by $16 million in the second quarter and $47 million for the year to date. The decline in year-to-date revenue was net of a regulated rate increase early in the first quarter for Domestic Lettermail items, International Letter-post items, and special services and fees.

Compared to 2018, Parcels revenue increased in the second quarter and the year to date of 2019 by 6.7%[2] and 5.1%,[2] respectively. This represents modest growth compared to general e-commerce trends. Parcel growth rates reported a year ago comparing 2018 to 2017 for the second quarter and the year to date were significantly higher. The Canadian e-commerce delivery market is highly competitive and some customers are now using a variety of carriers to manage their customers' shipping needs.

Direct Marketing revenue declined by $11 million and $28 million, respectively, in the second quarter and the year to date of 2019, compared to 2018.

The cost of operations in the Canada Post segment decreased by $186 million in the second quarter of 2019 compared to Q2 2018. Year to date decreases over the prior year were $161 million. The decreases were mostly due to higher one-time employee benefit costs in 2018 resulting from the CUPW-RSMC pay equity ruling partially offset by increased collection, processing and delivery costs attributed to Parcels growth in 2019.

In June, Canada Post processed payments of $223 million for retroactive wage adjustments to CUPW-RSMC employees under the pay equity ruling. Further payments for other compensation under the ruling are expected to be made later in 2019. These costs were recorded in prior years.

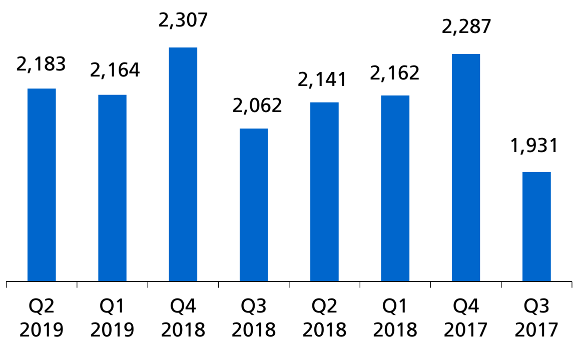
A review of short-term options to manage special solvency payments related to the substantial obligations of the Canada Post Corporation Registered Pension Plan is ongoing, as are consultations with affected parties. Payments will not be required in 2019, but they will be required beginning in 2020. During the second quarter of 2019, volatility resulting from a decrease in discount rates, offset by positive investment returns, caused the solvency deficit (using market value of plan assets) to increase to an estimated $6.6 billion. These same market factors created remeasurement losses for the Group of Companies' defined benefit plans of $966 million, net of tax, recorded in other comprehensive income, compared to remeasurement gains of $774 million in the second quarter of 2018. Since the inception of the pension plans, these discount rates are at a historical low.

Group of Companies

The following charts show the Group of Companies' results for the last eight quarters. The highest demand for services historically occurs during the holiday season in the fourth quarter and declines over the following quarters. However, the Group of Companies' significant fixed costs do not vary in the short term.

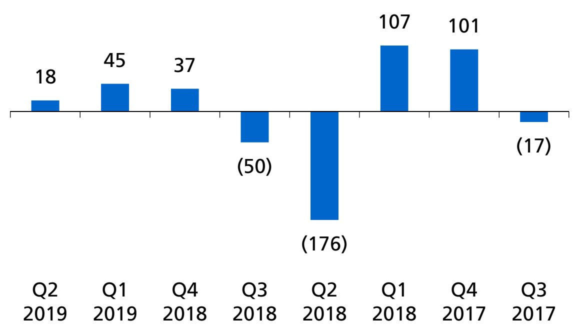
Quarterly consolidated revenue from operations[1]

(in millions of dollars)



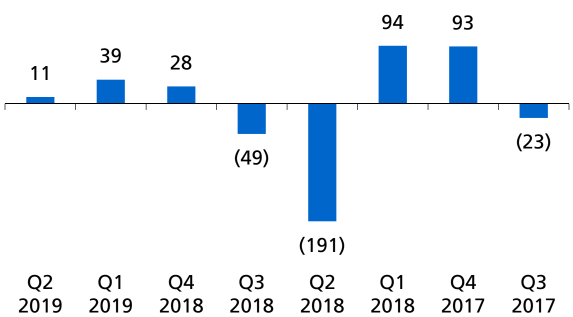
Quarterly consolidated profit (loss) from operations[1]

(in millions of dollars)



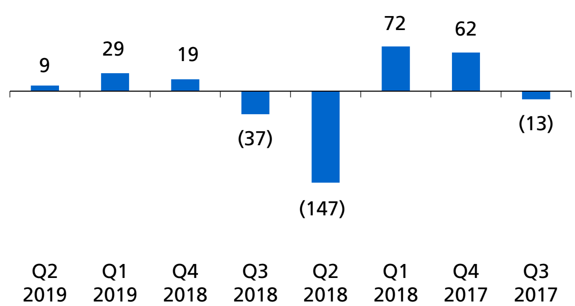
Quarterly consolidated profit (loss) before tax[1]

(in millions of dollars)



Quarterly consolidated net profit (loss)[1]

(in millions of dollars)



The following table presents the Corporation's consolidated performance for the second quarter and year to date 2019, compared to the same periods in the prior year.

(in millions of dollars)	Second quarter ended				Year to date ended				
	June 29, 2019	June 30, 2018[1]	Change	%	June 29, 2019	June 30, 2018[1]	Change	%	Explanation of change
Consolidated statement of comprehensive income									Highlights, as discussed in Section 5 Discussion of Operations.
Revenue from operations	2,183	2,141	42	3.5[2]	4,347	4,303	44	1.8[2]	Growth in the Purolator and Logistics segments, offset by declines in the Canada Post segment due to continued erosion from Transaction Mail and Direct Marketing less than growth in Parcels.
Cost of operations	2,165	2,317	(152)	(6.6)	4,284	4,372	(88)	(1.3)[2]	Mainly a result of higher benefits costs in the Canada Post segment in 2018 for the CUPW-RSMC pay equity ruling, partially offset by higher expenses in the Purolator and Logistics segments due to volume growth.
Profit (loss) from operations	18	(176)	194	110.5	63	(69)	132	192.2	Mainly due to results in the Canada Post segment.
Profit (loss) before tax	11	(191)	202	105.9	50	(97)	147	151.2	
Net profit (loss)	9	(147)	156	105.8	38	(75)	113	150.0	
Comprehensive income (loss)	(947)	627	(1,574)	251.6	(1,713)	690	(2,403)	(348.7)	Mainly due to remeasurement losses on pension and other post-employment plans resulting from a decrease in discount rates, partially offset by positive investment returns.
Consolidated statement of cash flows									Highlights, as discussed in Section 6 Liquidity and Capital Resources.
Cash (used in) provided by operating activities	(101)	140	(241)	(172.2)	16	434	(418)	(96.3)	Primarily driven by changes in non-cash working capital, partially offset by lower income taxes paid.
Cash used in investing activities	(102)	(122)	20	16.2	(155)	(507)	352	69.4	Mainly due to increased proceeds from sales of securities in the Canada Post segment, partially offset by higher acquisitions of capital assets in the Canada Post and Purolator segments.
Cash used in financing activities	(26)	(26)	–	1.8	(55)	(52)	(3)	(6.9)	Mainly due to higher repayments on lease liabilities in the Canada Post and Purolator segments.

2 Core Businesses and Strategy

A discussion of the business and strategy of our core businesses

The second quarter of 2019 was the first full quarter since the process to renew leadership at Canada Post was completed. As we move from a mail business to a parcel business, we are reviewing our strategy and risks, including those related to climate change adaptation. Canadians expect us to integrate environmental considerations into our decision-making framework and operations. Our mandate to serve all of Canada and our vast size and scope present a challenge to significantly reduce greenhouse gas emissions. We recognize that in order to contribute to Canada's low-carbon future, we'll have to continue our investment in new technologies and shift over the coming years to a delivery service that produces lower carbon emissions.

As part of our focus on customer service, we raised awareness of remittance services at Canada Post and reduced average fees below the World Bank target for G7 countries with the Q2 launch of our flat rate remittances program "One world. One low fee."

Canada Post's Accessibility Advisory Panel, composed of experts in disability and seniors' issues from across Canada, including individuals with lived experiences, held their second meeting in May 2019. The Panel's guidance has helped Canada Post develop and implement changes to its delivery accommodation program, which ensures that all Canadians have access to their mail.

3 Key Performance Drivers

A discussion of our key achievements in 2019

Performance scorecards monitoring progress against strategic priorities are reported monthly to senior management of the Canada Post segment. Performance results for 2019 will be reported as part of the 2019 Annual MD&A.

4 Capabilities

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

4.1 Our employees

An update of 2019 health and safety, and collective bargaining activities by segment is provided below.

Health and safety

Canada Post segment

In the second quarter of 2019, we introduced several new initiatives to ensure a safe and healthy workplace for our employees as part of our commitment to making improvements. A mental health training program was introduced to team leaders in 2019. We also launched a summer readiness program for new hires, and, as a result of our migration from foot-route to motorized-route delivery, we have undertaken a driver safety review to define and adjust our processes. Our metrics at the end of the second quarter of 2019, total injury frequency and lost-time injury frequency, improved by 7.7% and 9.0%, respectively, compared to the end of the second quarter of 2018.

Labour relations

Canada Post segment

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, 2018, and December 31, 2017, respectively. Arbitration continued throughout the second quarter, with further meetings scheduled throughout the balance of the year. CUPW completed the presentation of its case on July 4. Canada Post began presenting its case on August 20. The union will have the right to reply with more evidence once the Corporation has completed its case. The arbitrator's mandate will expire on December 31, 2019, however, under the 2018 back-to-work legislation (Bill C-89) for the resumption and continuation of postal services, the mediation-arbitration process can continue for any period that the Minister allows.

Canadian Postmasters and Assistants Association (CPAA)

The collective agreement with the CPAA expired December 31, 2018. This collective agreement provides for final offer selection. A notice to bargain has not yet been served. The CPAA represents rural post office postmasters and assistants.

Public Service Alliance of Canada / Union of Postal Communications Employees (PSAC/UPCE)

In May 2019, Canada Post was notified by the Canada Industrial Relations Board (CIRB) that PSAC filed an application seeking a determination that certain jobs should have been included within its bargaining unit. The Association of Postal Officials of Canada filed for and was granted intervenor status by the CIRB. The parties agreed to non-binding mediation. Meetings between the parties begin in September 2019. While mediation continues, the litigation will remain in abeyance.

Canada Labour Code – Amendments to Part III

On September 1, 2019, the *Canada Labour Code* is changing and Canada Post intends to fully comply. As a federal Crown corporation, Canada Post supports the government's commitment to ensuring that employees in the federal sector are protected by a robust set of labour standards that reflect the realities of a modern workforce.

Amendments under Bill C-63 and Bill C-86 come into effect September 1, 2019, with other amendments coming into force in 2020 or later. These amendments include items such as flexible working arrangements, personal and other leaves and rights to refuse overtime. We will report on progress in future reports as we apply these amendments to our operations.

Purolator segment

Bargaining continues with Unifor, which represents clerical employees in Quebec, for a renewal of the agreement that expired December 31, 2018.

4.2 Internal controls and procedures

Changes in internal control over financial reporting

During the second quarter of 2019, there were no changes in internal control over financial reporting that materially affected, or were reasonably likely to materially affect, the Group of Companies' internal control over financial reporting.

5 Discussion of Operations

A detailed discussion of our financial performance

5.1 Summary of quarterly results

Consolidated results by quarter

The Group of Companies' results for the last eight quarters are presented below, highlighting the seasonal nature of our business. Demand for services is highest during the holiday season in the fourth quarter. Volumes typically decline over the following quarters, reaching their lowest level in the third quarter. The Group of Companies' significant fixed costs do not vary in the short term. Further, additional business (trading) days result in increased revenue, while additional paid days result in increased cost of operations. In the second quarter of 2019, there was one less business day and no difference in the number of paid days compared to the second quarter in 2018. For the year-to-date period of 2019, there was one less business day and one less paid day compared to the same period in 2018. This represents a timing difference that will be eliminated by the end of 2019.

(in millions of dollars)	Q2 2019	Q1 2019	Q4 2018[1]	Q3 2018[1]	Q2 2018[1]	Q1 2018[1]	Q4 2017[1]	Q3 2017[1]
Revenue from operations	2,183	2,164	2,307	2,062	2,141	2,162	2,287	1,931
Cost of operations	2,165	2,119	2,270	2,112	2,317	2,055	2,186	1,948
Profit (loss) from operations	**18**	**45**	**37**	**(50)**	**(176)**	**107**	**101**	**(17)**
Investing and financing income (expense), net	(7)	(6)	(9)	1	(15)	(13)	(8)	(6)
Profit (loss) before tax	**11**	**39**	**28**	**(49)**	**(191)**	**94**	**93**	**(23)**
Tax expense (recovery)	2	10	9	(12)	(44)	22	31	(10)
Net profit (loss)	**9**	**29**	**19**	**(37)**	**(147)**	**72**	**62**	**(13)**

5.2 Consolidated results from operations

Consolidated results for the second quarter and the year to date

(in millions of dollars)	Second quarter ended June 29, 2019	June 30, 2018[1]	Change	%	Year to date ended June 29, 2019	June 30, 2018[1]	Change	%
Revenue from operations	2,183	2,141	42	3.5[2]	4,347	4,303	44	1.8[2]
Cost of operations	2,165	2,317	(152)	(6.6)	4,284	4,372	(88)	(1.3)[2]
Profit (loss) from operations	**18**	**(176)**	**194**	**110.5**	**63**	**(69)**	**132**	**192.2**
Investing and financing income (expense), net	(7)	(15)	8	54.3	(13)	(28)	15	54.1
Profit (loss) before tax	**11**	**(191)**	**202**	**105.9**	**50**	**(97)**	**147**	**151.2**
Tax expense (recovery)	2	(44)	46	106.2	12	(22)	34	155.3
Net profit (loss)	**9**	**(147)**	**156**	**105.8**	**38**	**(75)**	**113**	**150.0**
Other comprehensive income (loss)	(956)	774	(1,730)	223.8	(1,751)	765	(2,516)	(329.2)
Comprehensive income (loss)	**(947)**	**627**	**(1,574)**	**251.6**	**(1,713)**	**690**	**(2,403)**	**(348.7)**

The Canada Post Group of Companies' profit before tax increased by $202 million for the second quarter of 2019, compared to Q2 2018. For the year to date, the profit before tax increased by $147 million compared to last year. The increases were driven primarily by lower losses before tax in the Canada Post segment.

Consolidated revenue from operations

For the second quarter of 2019, revenue from operations increased by $42 million when compared to Q2 2018 due to growth in the Purolator and Logistics segments. Revenue for the Canada Post segment in the second quarter was flat. For the year to date, revenue increased by $44 million compared to 2018, as a result of growth in the Purolator and Logistics segments, offset by declines in the Canada Post segment.

Consolidated cost of operations

The cost of operations decreased by $152 million and $88 million in the second quarter of 2019 and the year to date, respectively, compared to the same periods in 2018. The decreases were attributable to one-time benefits costs in the prior year in the Canada Post segment for CUPW-RSMC employees as a result of the 2018 pay equity ruling, net of higher labour costs and operating expenses in 2019 resulting from volume growth in the Purolator and Logistics segments.

Consolidated tax expense

The consolidated tax expense increased by $46 million in the second quarter of 2019 compared with 2018. For the year to date, the tax expense increased by $34 million compared to the prior year. This was mainly due to an increase in the profit before tax for the Group of Companies.

Consolidated other comprehensive income (loss)

The consolidated other comprehensive losses for the second quarter and the year to date of 2019 amounted to $956 million and $1,751 million, respectively, mainly due to remeasurement losses on pension and other post-employment plans resulting from a decrease in discount rates, partially offset by positive investment returns.

5.3 Operating results by segment

Segmented results – Profit (loss) before tax

	Second quarter ended				Year to date ended			
(in millions of dollars)	June 29, 2019	June 30, 2018[1]	Change	%	June 29, 2019	June 30, 2018[1]	Change	%
Canada Post	(50)	(243)	193	79.3	(27)	(175)	148	84.5
Purolator	52	46	6	15.5	64	66	(2)	(1.7)
Logistics	7	5	2	18.0	9	10	(1)	(18.9)
Other	2	1	1	108.7	4	2	2	135.4
Canada Post Group of Companies	**11**	**(191)**	**202**	**105.9**	**50**	**(97)**	**147**	**151.2**

5.4 Canada Post segment

The Canada Post segment's loss before tax decreased by $193 million in the second quarter of 2019, compared to the second quarter of 2018. For the year to date, the loss before tax decreased by $148 million compared to last year. The higher losses in 2018 were mainly due to costs related to the CUPW-RSMC pay equity ruling.

Canada Post results for the second quarter and the year to date

	Second quarter ended				Year to date ended			
(in millions of dollars)	June 29, 2019	June 30, 2018[1]	Change	%	June 29, 2019	June 30, 2018[1]	Change	%
Revenue from operations	1,644	1,645	(1)	1.5[2]	3,316	3,343	(27)	–[2]
Cost of operations	1,691	1,877	(186)	(9.9)	3,337	3,498	(161)	(3.8)[2]
Profit (loss) from operations	**(47)**	**(232)**	**185**	**79.5**	**(21)**	**(155)**	**134**	**86.1**
Investing and financing income (expense), net	(3)	(11)	8	76.0	(6)	(20)	14	72.4
Profit (loss) before tax	**(50)**	**(243)**	**193**	**79.3**	**(27)**	**(175)**	**148**	**84.5**
Tax expense (recovery)	(13)	(57)	44	77.8	(7)	(43)	36	84.0
Net profit (loss)	**(37)**	**(186)**	**149**	**79.8**	**(20)**	**(132)**	**112**	**84.7**

Revenue from operations

Canada Post's revenue from operations in the second quarter of 2019 decreased by $1 million compared to Q2 2018. For the year to date, revenue decreased by $27 million compared to last year. The decreases were due primarily to ongoing mail erosion, partially offset by modest growth in the Parcels line of business.

Revenue and volumes by line of business for the second quarter

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	June 29, 2019	June 30, 2018[1]	**Change**	**%[2]**	**June 29, 2019**	June 30, 2018	**Change**	**%[2]**
Transaction Mail								
Domestic Lettermail	635	650	(15)	(0.7)	662	710	(48)	(5.3)
Outbound Letter-post	21	23	(2)	(4.3)	10	11	(1)	(7.3)
Inbound Letter-post	21	20	1	2.3	22	28	(6)	(17.2)
Total Transaction Mail	**677**	**693**	**(16)**	**(0.8)**	**694**	**749**	**(55)**	**(5.7)**
Parcels								
Domestic Parcels	478	446	32	8.8	51	46	5	10.5
Outbound Parcels	56	59	(3)	(3.1)	2	2	–	(2.2)
Inbound Parcels	98	95	3	5.9	21	20	1	6.4
Other	6	7	(1)	(26.5)	–	–	–	–
Total Parcels	**638**	**607**	**31**	**6.7**	**74**	**68**	**6**	**8.8**
Direct Marketing								
Personalized Mail™	115	117	(2)	(0.6)	212	220	(8)	(1.9)
Neighbourhood Mail™	110	116	(6)	(3.6)	947	1,008	(61)	(4.6)
Total Smartmail Marketing™	**225**	**233**	**(8)**	**(2.9)**	**1,159**	**1,228**	**(69)**	**(4.1)**
Publications Mail™	39	41	(2)	(2.8)	58	62	(4)	(4.4)
Business Reply Mail™ and Other Mail	5	5	–	(2.0)	4	4	–	(5.3)
Other	3	4	(1)	(3.2)	–	–	–	–
Total Direct Marketing	**272**	**283**	**(11)**	**(2.2)**	**1,221**	**1,294**	**(73)**	**(4.1)**
Other Revenue	57	62	(5)	(6.6)	–	–	–	–
Total	**1,644**	**1,645**	**(1)**	**1.5**	**1,989**	**2,111**	**(122)**	**(4.3)**

Revenue and volumes by line of business for the year to date

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	June 29, 2019	June 30, 2018[1]	**Change**	**%[2]**	**June 29, 2019**	June 30, 2018	**Change**	**%[2]**
Transaction Mail								
Domestic Lettermail	1,336	1,373	(37)	(1.9)	1,406	1,515	(109)	(6.5)
Outbound Letter-post	48	52	(4)	(6.7)	23	25	(2)	(9.3)
Inbound Letter-post	38	44	(6)	(13.5)	45	57	(12)	(19.2)
Total Transaction Mail	**1,422**	**1,469**	**(47)**	**(2.4)**	**1,474**	**1,597**	**(123)**	**(7.0)**
Parcels								
Domestic Parcels	944	872	72	9.1	102	91	11	12.4
Outbound Parcels	114	120	(6)	(4.1)	4	5	(1)	(3.2)
Inbound Parcels	182	193	(11)	(4.6)	39	42	(3)	(7.6)
Other	11	15	(4)	(29.9)	–	–	–	–
Total Parcels	**1,251**	**1,200**	**51**	**5.1**	**145**	**138**	**7**	**5.7**
Direct Marketing								
Personalized Mail™	238	248	(10)	(3.7)	434	456	(22)	(4.0)
Neighbourhood Mail™	200	212	(12)	(4.8)	1,722	1,833	(111)	(5.3)
Total Smartmail Marketing™	**438**	**460**	**(22)**	**(4.2)**	**2,156**	**2,289**	**(133)**	**(5.1)**
Publications Mail™	74	79	(5)	(5.2)	109	119	(10)	(6.9)
Business Reply Mail™ and Other Mail	10	10	–	(3.1)	8	8	–	(6.9)
Other	6	7	(1)	1.4	–	–	–	–
Total Direct Marketing	**528**	**556**	**(28)**	**(4.3)**	**2,273**	**2,416**	**(143)**	**(5.2)**
Other Revenue	115	118	(3)	(1.8)	–	–	–	–
Total	3,316	3,343	(27)	–	3,892	4,151	(259)	(5.5)

Transaction Mail

Revenue and volume declines resulting from the use of digital alternatives continued. The declines for the year to date of 2019 were partially offset by the impact of a regulated rate increase for Lettermail™ items, International Letter-post items and special services and fees in the first quarter.

Parcels

Parcels growth rates in the second quarter and the year to date of 2019 were significantly less than the increases in the prior year as a result of a softer economy, the continued impact from the 2018 labour disruption and competitive offerings such as late cut-off for orders and weekend delivery.

Direct Marketing

The declines in Direct Marketing revenue and volumes resulted from customers reducing marketing expenditures or redirecting them to digital, other mailers or media channels.

Other revenue

Other revenue decreased in the second quarter and the year to date compared to the same periods in the prior year mainly due to a decrease in consumer products and services, partially offset by a gain in foreign exchange.

Cost of operations

Cost of operations for the Canada Post segment amounted to $1,691 million in the second quarter of 2019 – a decrease of $186 million or 9.9% when compared to the same quarter last year. For the year to date, cost of operations decreased by $161 million, or 3.8%.[2] The decreases were mainly due to one-time benefits costs in the prior year for CUPW-RSMC employees as a result of the 2018 pay equity ruling, partly offset by increased costs due to Parcels growth.

	Second quarter ended				Year to date ended			
(in millions of dollars)	June 29, 2019	June 30, 2018[1]	Change	%	June 29, 2019	June 30, 2018[1]	Change	%[2]
Labour	853	869	(16)	(1.8)	1,669	1,664	5	1.1
Employee benefits	343	511	(168)	(32.9)	668	835	(167)	(19.4)
Total labour and employee benefits	**1,196**	**1,380**	**(184)**	**(13.3)**	**2,337**	**2,499**	**(162)**	**(5.7)**
Non-labour collection, processing and delivery	239	235	4	1.6	495	493	2	1.3
Property, facilities and maintenance	47	45	2	5.7	101	101	–	0.8
Selling, administrative and other	132	142	(10)	(6.7)	251	256	(5)	(1.1)
Total other operating costs	**418**	**422**	**(4)**	**(0.7)**	**847**	**850**	**(3)**	**(0.5)**
Depreciation and amortization	77	75	2	2.3	153	149	4	3.1
Total	**1,691**	**1,877**	**(186)**	**(9.9)**	**3,337**	**3,498**	**(161)**	**(3.8)**

Labour

Labour costs decreased by $16 million or 1.8% in the second quarter of 2019 when compared to the second quarter in the previous year, primarily due to some non-recurring retroactive adjustments in 2018 for CUPW-RSMC employees as a result of the pay equity ruling. For the year to date, labour costs increased by $5 million, or 1.1%,[2] driven by wage increases in 2019, largely offset by the retroactive adjustments in 2018 as a result of the CUPW-RSMC pay equity ruling and the positive impact of one less paid day during the year to date of 2019.

Employee benefits

Benefit costs decreased by almost $170 million in the second quarter and the year to date compared to the same periods in 2018, mainly as a result of one-time CUPW-RSMC pay equity costs related to prior years recorded in the second quarter of 2018.

Non-labour collection, processing and delivery

Contracted collection, processing and delivery costs increased by $4 million and $2 million compared to the second quarter and the year to date in 2018, respectively. The increases resulted from higher maintenance and repairs, transportation and automotive expenses.

Property, facilities and maintenance

The cost of facilities increased slightly by $2 million or 5.7% for the second quarter of 2019 when compared to the second quarter in 2018, mainly due to higher operating expenditures. However, on a year-to-date basis, the cost of facilities was relatively unchanged compared to the prior year.

Selling, administrative and other

Selling, administrative and other expenses decreased by $10 million or 6.7%, and $5 million, or 1.1%[2] for the second quarter and the year to date, respectively, when compared to the same periods in 2018, mainly due to non-recurring commodity taxes related to continuous inbound freight in the prior year partly offset by an increase in customer service and IT costs, as well as higher spending on program expenses.

Depreciation and amortization

Depreciation and amortization expenses increased by $2 million and $4 million, respectively, in the second quarter and the year to date compared to 2018, due to higher investment in capital assets.

5.5 Purolator segment

The Purolator segment's net profit increased by $5 million for the second quarter and decreased by $1 million for the year to date of 2019, compared to 2018.

Purolator results for the second quarter and the year to date

	Second quarter ended				**Year to date ended**			
(in millions of dollars)	June 29, 2019	June 30, 2018[1]	Change	%	June 29, 2019	June 30, 2018[1]	Change	%
Revenue from operations	485	452	33	9.1[2]	926	870	56	7.3[2]
Cost of operations	430	402	28	6.8	856	796	60	8.2[2]
Profit from operations	**55**	**50**	**5**	**12.5**	**70**	**74**	**(4)**	**(4.1)**
Investing and financing income (expense), net	(3)	(4)	1	19.1	(6)	(8)	2	23.6
Profit before tax	**52**	**46**	**6**	**15.5**	**64**	**66**	**(2)**	**(1.7)**
Tax expense	14	13	1	14.2	17	18	(1)	(1.7)
Net profit	**38**	**33**	**5**	**15.9**	**47**	**48**	**(1)**	**(1.6)**

Revenue from operations

Purolator's revenue from operations increased by $33 million in the second quarter of 2019, compared to Q2 2018. For the year to date, revenue increased by $56 million. These increases were mainly due to increased volumes from new and existing business, primarily in the business-to-consumer market.

Cost of operations

Total labour costs

Labour costs were $217 million in Q2 2019, an increase of $13 million or 6.5% compared to last year. For the year to date, labour costs were $438 million, an increase of $34 million, or 9.2%[2] over the same period in 2018. These increases were driven by annual salary increases and business growth.

Total non-labour costs

Non-labour costs were $213 million in the second quarter of 2019 – an increase of $15 million or 7.0% compared to Q2 2018. For the year to date, non-labour costs were $418 million, an increase of $26 million, or 7.2%.[2] The increases were driven primarily by business growth.

5.6 Logistics segment

The Logistics segment's net profit increased by $2 million for the second quarter and was flat for the year to date of 2019, compared to 2018.

Logistics results for the second quarter and the year to date

(in millions of dollars)	Second quarter ended June 29, 2019	June 30, 2018[1]	Change	%	Year to date ended June 29, 2019	June 30, 2018[1]	Change	%
Revenue from operations	85	74	11	15.3[2]	165	145	20	14.5[2]
Cost of operations	77	69	8	12.1	155	135	20	16.3[2]
Profit from operations	**8**	**5**	**3**	**29.7**	**10**	**10**	**–**	**(9.3)**
Investing and financing income (expense), net	(1)	–	(1)	(225.5)	(1)	–	(1)	(130.3)
Profit before tax	**7**	**5**	**2**	**18.0**	**9**	**10**	**(1)**	**(18.9)**
Tax expense	1	1	–	16.9	2	3	(1)	(19.5)
Net profit	**6**	**4**	**2**	**18.5**	**7**	**7**	**–**	**(18.6)**

Revenue from operations

SCI's revenue from operations increased by $11 million in the second quarter of 2019, compared to Q2 2018. For the year to date, revenue increased by $20 million. These increases were primarily the result of growth in volumes and new business.

Cost of operations

Total labour costs

Total labour costs were $41 million in the second quarter of 2019 – an increase of $3 million or 11.2% when compared to Q2 2018. For the year to date, labour costs were $83 million, an increase of $9 million, or 14.8%[2] compared to last year. These increases were primarily the result of growth in volumes and new business.

Total non-labour costs

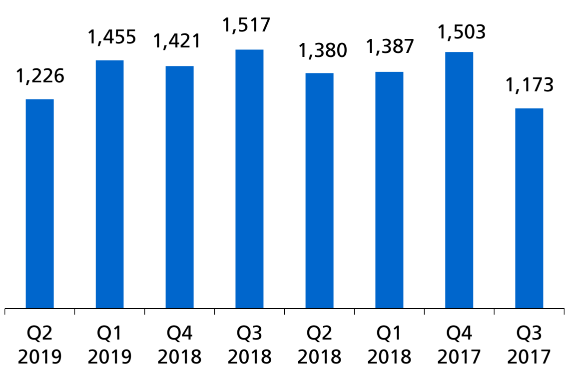
Total non-labour costs were $36 million in the second quarter of 2019 – an increase of $5 million or 13.2% when compared to Q2 2018. For the year to date, non-labour costs were $72 million, an increase of $11 million or 18.1%[2] compared to 2018. These increases were primarily the result of growth in volumes and new business.

6 Liquidity and Capital Resources

A discussion of our cash flow, liquidity and capital resources

6.1 Cash and cash equivalents

(in millions of dollars)



The Group of Companies held cash and cash equivalents of $1,226 million as at June 29, 2019 – a decrease of $195 million compared to December 31, 2018, mainly due to acquisitions of capital assets.

6.2 Operating activities

	Second quarter ended			Year to date ended		
(in millions of dollars)	June 29, 2019	June 30, 2018[1]	Change	June 29, 2019	June 30, 2018[1]	Change
Cash (used in) provided by operating activities	(101)	140	(241)	16	434	(418)

Cash provided by operations in the second quarter and the year to date of 2019 decreased by $241 million and $418 million, respectively, compared to the same periods in 2018. The negative change in 2019 cash flow was primarily due to CUPW-RSMC pay equity payments made in June 2019, as well as lower pension, other post-employment and other long-term benefit expense adjustments, partially offset by higher profits in 2019.

6.3 Investing activities

	Second quarter ended			Year to date ended		
(in millions of dollars)	June 29, 2019	June 30, 2018	Change	June 29, 2019	June 30, 2018	Change
Cash used in investing activities	(102)	(122)	20	(155)	(507)	352

Cash used in investing activities improved by $20 million and $352 million, respectively, in the second quarter and the year to date of 2019 compared to the same periods in 2018, mainly due to having net proceeds from the sale of securities in the Canada Post segment in 2019, compared to net acquisition of securities in 2018, partially offset by higher acquisitions of capital assets in the Canada Post and Purolator segments in 2019.

Capital expenditures

	Second quarter ended			Year to date ended		
(in millions of dollars)	June 29, 2019	June 30, 2018	Change	June 29, 2019	June 30, 2018	Change
Canada Post	106	57	49	162	89	73
Purolator	37	8	29	50	11	39
Logistics	8	11	(3)	15	13	2
Canada Post Group of Companies	**151**	**76**	**75**	**227**	**113**	**114**

Capital expenditures for the Group of Companies increased by $75 million and $114 million in the second quarter and the year to date of 2019, respectively, when compared to the same periods in 2018. The increases in 2019 were mainly due to increased spending on infrastructure capacity in the Canada Post and Purolator segments.

6.4 Financing activities

	Second quarter ended			Year to date ended		
(in millions of dollars)	June 29, 2019	June 30, 2018[1]	Change	June 29, 2019	June 30, 2018[1]	Change
Cash used in financing activities	(26)	(26)	–	(55)	(52)	(3)

Cash used in financing activities did not change in the second quarter of 2019 compared to the same period in 2018. Year to date, cash used in financing activities increased by $3 million compared to 2018, mainly due to slightly higher principal repayments on lease liabilities in all segments.

6.5 Canada Post Corporation Registered Pension Plan

In June 2019, Canada Post filed the actuarial valuation of the Canada Post Corporation Registered Pension Plan (RPP) as at December 31, 2018, with the federal pension regulator, the Office of the Superintendent of Financial Institutions. This actuarial valuation disclosed a going-concern surplus of $3.4 billion (using the smoothed value of RPP assets) and a solvency deficit to be funded of $5.7 billion (using the three-year average solvency ratio basis), or $5.1 billion (using market value of plan assets). At the end of the second quarter, the solvency deficit (using market value of plan assets) increased to an estimated $6.6 billion due to a decrease in the discount rate partially offset by positive investment returns. Canada Post will not have to make special solvency payments in 2019. However, payments will be required beginning in 2020. Short-term options for managing special solvency payments are being reviewed and consultations with affected parties are under way.

Current service contributions amounted to $55 million and $57 million, respectively, for the second quarters of 2019 and 2018. In May 2019, solvency payments of $11 million related to the CUPW-RSMC pay equity ruling were made.

Canada Post recorded remeasurement losses of $784 million for the RPP, net of tax, in other comprehensive income for the second quarter of 2019, and $1,319 million for the year to date of 2019, due to a decrease in discount rates, partially offset by positive investment returns.

6.6 Liquidity and capital resources

Liquidity

The Canada Post segment had $2,225 million of unrestricted liquid investments on hand as at June 29, 2019, and $100 million of lines of credit.

Canada Post does not expect to make solvency special payments in 2019. It believes it has sufficient liquidity and authorized borrowing capacity to support operations for at least the next 12 months.

The Corporation's subsidiaries had a total of $294 million of unrestricted cash on hand and undrawn credit facilities of $114 million as at June 29, 2019, ensuring sufficient liquidity to support their operations for at least the next 12 months.

Access to capital markets

Borrowings for the Canada Post segment as at June 29, 2019, amounted to $997 million. For more information on liquidity and access to capital markets, refer to Section 6.6 Liquidity and capital resources of the 2018 Annual MD&A.

7 Changes in Financial Position

A discussion of significant changes in our assets and liabilities between June 29, 2019, and December 31, 2018

(in millions of dollars)

ASSETS	June 29, 2019	Dec. 31, 2018[1]	Change	%	Explanation of change
Cash and cash equivalents	1,226	1,421	(195)	(13.8)	Refer to Section 6 Liquidity and Capital Resources.
Marketable securities	1,293	1,338	(45)	(3.3)	Due to maturity of corporate bonds.
Trade and other receivables	923	979	(56)	(5.8)	Mainly due to lower trade receivables in all segments, partially offset by higher international trade settlement receivables in the Canada Post segment.
Other assets	276	103	173	168.3	Mainly due to higher prepaid expenses in the Canada Post and Purolator segments, as well as higher income tax instalments in the Canada Post segment.
Total current assets	**3,718**	**3,841**	**(123)**	**(3.2)**	
Marketable securities	90	132	(42)	(31.7)	Due to maturity of corporate bonds.
Property, plant and equipment	2,754	2,687	67	2.5	Mainly due to acquisitions in excess of depreciation.
Intangible assets	114	106	8	7.7	Mainly due to amortization of software.
Right-of-use assets	1,022	982	40	4.0	Mainly due to acquisitions (new leases and lease renewals) exceeding depreciation in the Canada Post and Logistics segments.
Segregated securities	543	495	48	9.8	Mainly due to unrealized gains in the Canada Post segment recorded in other comprehensive income.
Pension benefit assets	50	95	(45)	(47.4)	Mainly due to remeasurement losses resulting from a decrease in discount rates partially offset by positive investment returns.
Deferred tax assets	2,213	1,680	533	31.7	Mainly due to the increase of temporary differences related to Canada Post's Registered Pension Plan and other post-employment benefits.
Goodwill	130	130	–	–	No change.
Other assets	70	63	7	12.2	Mainly due to a long-term receivable related to a change in the timing of when CUPW employees were paid.
Total non-current assets	**6,986**	**6,370**	**616**	**9.7**	
Total assets	**10,704**	**10,211**	**493**	**4.8**	

(in millions of dollars)

LIABILITIES	June 29, 2019	Dec. 31, 2018[1]	Change	%	Explanation of change
Trade and other payables	547	648	(101)	(15.5)	Mainly due to lower trade and other payables and accruals in the Canada Post and Purolator segments.
Salaries and benefits payable and related provisions	785	988	(203)	(20.6)	Mainly due to CUPW-RSMC pay equity payments made in June 2019, in the Canada Post segment.
Provisions	54	61	(7)	(8.8)	No material change.
Income tax payable	–	8	(8)	(100.0)	Primarily due to the payment of a tax liability for the Purolator segment.
Deferred revenue	133	153	(20)	(13.6)	Mainly related to lower deferred stamp revenue in the Canada Post segment.
Lease liabilities	108	109	(1)	(0.6)	No material change.
Other long-term benefit liabilities	67	68	(1)	(2.3)	No material change.
Total current liabilities	**1,694**	**2,035**	**(341)**	**(16.7)**	
Lease liabilities	1,095	1,054	41	3.9	Mainly due to acquisitions (new leases and lease renewals) in the Canada Post and Logistics segments net of lease payments.
Loans and borrowings	997	997	–	–	No change.
Pension, other post-employment and other long-term benefit liabilities	8,783	6,277	2,506	39.9	Mainly due to remeasurement losses resulting from a decrease in discount rates, partially offset by positive investment returns.
Other liabilities	22	22	–	7.6	No material change.
Total non-current liabilities	**10,897**	**8,350**	**2,547**	**30.5**	
Total liabilities	**12,591**	**10,385**	**2,206**	**21.3**	
EQUITY					
Contributed capital	1,155	1,155	–	–	No change.
Accumulated other comprehensive income	69	43	26	61.7	Mainly due to unrealized gains on segregated securities in the Canada Post segment.
Accumulated deficit	(3,144)	(1,408)	(1,736)	(123.6)	Mainly driven by remeasurement losses in the Canada Post segment.
Equity of Canada	**(1,920)**	**(210)**	**(1,710)**	**(820.6)**	
Non-controlling interests	33	36	(3)	(9.3)	
Total equity	**(1,887)**	**(174)**	**(1,713)**	**(993.2)**	
Total liabilities and equity	**10,704**	**10,211**	**493**	**4.8**	

8 Risks and Risk Management

A discussion of the key risks and uncertainties inherent in our business and our approach to managing these risks

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 some of the following claims. Should the ultimate resolution of these actions differ from management's assessments and assumptions, this could result in a material future adjustment to the Corporation's financial position and results of operations.

Labour agreements

Arbitration continued in the second quarter of 2019 with the Canadian Union of Postal Workers (CUPW) bargaining agent, representing employees covered by two separate collective agreements (Urban Postal Operations and Rural and Suburban Mail Carriers). CUPW is Canada Post's largest union, representing more than 40,000 employees. The Corporation's objective during any collective bargaining process is to build a framework for growth, while protecting its financial self-sustainability, in a manner that provides fair and reasonable working conditions to its employees and service to Canadians.

CPAA pay equity complaint

On May 12, 2019, the Canadian Postmasters and Assistants Association (CPAA) and Canada Post reached an agreement regarding the CPAA's complaint under the *Canadian Human Rights Act* alleging discrimination by the Corporation concerning work of equal value for the period 1992-97. The agreement was subsequently approved by the Canadian Human Rights Commission. A committee with representatives from Canada Post and the CPAA will work on implementing the settlement.

Health and safety obligation under the Canada Labour Code – Burlington points of call

The Federal Court of Appeal reinstated the original direction of a health and safety officer from Employment and Social Development Canada, which requires Canada Post to conduct annual health and safety inspections of all affected points of call in Burlington, Ontario. Although the order in question is limited to all points of call in Burlington, Ontario, the rationale is applicable to all points of call in Canada. The appeal of the decision of the Court of Appeal of Ontario was heard by the Supreme Court of Canada on December 10, 2018. The decision of the Supreme Court is expected sometime in 2019.

Class action lawsuit regarding drug plan benefits for Canada Post employees and retirees in Quebec

In June 2017, the Quebec Superior Court authorized a class action lawsuit to proceed against the Corporation. The allegation is that some employees and retirees in the province of Quebec may have made, between July 1, 2013, and the present, co-payments for prescription drugs under the Canada Post drug insurance plan that are in excess of the annual maximum set by Quebec's *Act respecting prescription drug insurance*. The plaintiff for the class is essentially asking that Canada Post abide by the "out of pocket" maximum provisions of the Act and is seeking, for all members of the class, reimbursement of the amounts paid since July 8, 2013, which exceeded the maximum provisions. Litigation is ongoing. Canada Post is to file its statement of defence before September 6, 2019. The trial date has yet to be set, but it is expected to be in 2020. The outcome of this class action is currently not determinable.

9 Critical Accounting Estimates and Accounting Policy Developments

A review of critical accounting estimates and changes in accounting policies in 2019 and future years

9.1 Critical accounting estimates and estimation uncertainties

The preparation of the Corporation's interim financial statements requires management to use existing knowledge to make complex or subjective judgments, estimates and assumptions which 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period when estimates are revised if revisions affect only that period, or in the period of revision and future periods if revisions affect both current and future periods.

The Group of Companies' critical accounting estimates remain substantially unchanged from the prior year. For additional information, refer to our discussion of critical accounting estimates in the 2018 Annual MD&A, Note 4 Critical Accounting Estimates and Judgments of the 2018 consolidated financial statements, and Note 4 of the Corporations' interim financial statements for the quarter ended March 30, 2019.

9.2 Accounting pronouncements

(a) New standards, amendments and interpretations

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that had mandatory effective dates of annual periods beginning on or after January 1, 2019. The following standard was adopted by the Group of Companies January 1, 2019.

IFRS 16 "Leases" (IFRS 16) • The Group of Companies applied IFRS 16, effective January 1, 2019, following the full retrospective approach and in accordance transitional provisions. Full retrospective application required the Group of Companies to adjust the opening balance of retained earnings as at January 1, 2018, and the other comparative amounts disclosed for each prior period presented as if IFRS 16 had always been applied. This represents a significant accounting policy change given the volume of lease agreements held within the Group of Companies.

The quantitative impact includes the following:

- Recognition, as at January 1, 2018, of right-of-use assets of $944 million and lease liabilities of $1,102 million for leases previously classified as operating leases under IAS 17 and other contracts assessed as containing a lease under IFRS 16 that were previously expensed to other operating costs.
- Vehicles and plant equipment of $38 million held under finance lease arrangements previously recognized as property, plant and equipment, which will be presented with right-of-use assets as at January 1, 2018. The lease liability on leases previously classified as financing leases under IAS 17 and previously presented within loans and borrowings of $41 million will be presented with lease liabilities.
- A restatement of the statement of comprehensive income for the year to date, including a decrease in other operating costs of $63 million since IFRS 16 replaces operating lease expenses with a depreciation charge of $49 million for the right-of-use asset and an interest expense of $16 million on the lease liability. This will result in a net decrease to profit before tax of $3 million.
- An increase in cash used in financing activities of $46 million for the year to date because payments for the principal component will be presented as a financing outflow; payments under operating leases under IAS 17 were presented as an operating outflow.

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

During the second quarter of 2019, there were no new standards, amendments and interpretations issued by the IASB or the IFRS Interpretations Committee that would have a possible effect on the Group of Companies in the future. The standards, amendments and interpretations not yet in effect are disclosed in Note 5 (b) of the Corporation's annual consolidated financial statements for the year ended December 31, 2018.

Endnotes

1. Amounts for 2018 were restated as a result of new or revised accounting standards. Amounts for 2017 were not restated and, therefore, they may not be comparable. For more details, see section 9.2 Accounting pronouncements in this MD&A and Note 3 Application of New and Revised International Financial Reporting Standards in the accompanying financial statements.
2. Adjusted for trading (business) or paid days, where applicable.

Management's Responsibility for Interim Financial Reporting

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements (interim financial statements) in accordance with the Treasury Board of Canada's "Standard on Quarterly Financial Reports for Crown Corporations" and International Accounting Standard 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.

D. Ettinger

President and CEO

W G. Cheeseman

Chief Financial Officer

August 22, 2019

Interim Condensed Consolidated Statement of Financial Position

As at (Unaudited – in millions of Canadian dollars)	**Notes**	**June 29, 2019**	December 31, 2018 (Restated – Note 3)	January 1, 2018 (Restated – Note 3)
Assets				
Current assets				
Cash and cash equivalents		**$ 1,226**	$ 1,421	$ 1,503
Marketable securities		**1,293**	1,338	821
Trade and other receivables		**923**	979	946
Other assets	**4**	**276**	103	125
Total current assets		**3,718**	3,841	3,395
Non-current assets				
Marketable securities		**90**	132	–
Property, plant and equipment	**5**	**2,754**	2,687	2,589
Intangible assets	**5**	**114**	106	119
Right-of-use assets	**5**	**1,022**	982	944
Segregated securities		**543**	495	526
Pension benefit assets	**6**	**50**	95	116
Deferred tax assets		**2,213**	1,680	1,605
Goodwill		**130**	130	130
Other assets	**4**	**70**	63	11
Total non-current assets		**6,986**	6,370	6,040
Total assets		**$ 10,704**	$ 10,211	$ 9,435
Liabilities and equity				
Current liabilities				
Trade and other payables		**$ 547**	$ 648	$ 579
Salaries and benefits payable and related provisions		**785**	988	600
Provisions		**54**	61	77
Income tax payable		**–**	8	38
Deferred revenue		**133**	153	135
Lease liabilities	**7**	**108**	109	106
Other long-term benefit liabilities	**6**	**67**	68	63
Total current liabilities		**1,694**	2,035	1,598
Non-current liabilities				
Lease liabilities	**7**	**1,095**	1,054	996
Loans and borrowings	**7**	**997**	997	997
Pension, other post-employment and other long-term benefit liabilities	**6**	**8,783**	6,277	6,297
Other liabilities		**22**	22	23
Total non-current liabilities		**10,897**	8,350	8,313
Total liabilities		**12,591**	10,385	9,911
Equity				
Contributed capital		**1,155**	1,155	1,155
Accumulated other comprehensive income	**8**	**69**	43	54
Accumulated deficit		**(3,144)**	(1,408)	(1,713)
Equity of Canada		**(1,920)**	(210)	(504)
Non-controlling interests		**33**	36	28
Total equity		**(1,887)**	(174)	(476)
Total liabilities and equity		**$ 10,704**	$ 10,211	$ 9,435
Contingent liabilities	**10**			

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the		13 weeks ended		26 weeks ended	
(Unaudited – in millions of Canadian dollars)	**Notes**	**June 29, 2019**	June 30, 2018 (Restated – Note 3)	**June 29, 2019**	June 30, 2018 (Restated – Note 3)
Revenue from operations	**15**	**$ 2,183**	$ 2,141	**$ 4,347**	$ 4,303
Cost of operations					
Labour		**1,088**	1,087	**2,138**	2,093
Employee benefits		**395**	562	**777**	941
		1,483	1,649	**2,915**	3,034
Other operating costs	**12**	**576**	566	**1,158**	1,131
Depreciation and amortization	**5**	**106**	102	**211**	207
Total cost of operations		**2,165**	2,317	**4,284**	4,372
Profit (loss) from operations		**18**	(176)	**63**	(69)
Investing and financing income (expense)					
Investment and other income	**13**	**17**	11	**34**	19
Finance costs and other expense	**13**	**(24)**	(26)	**(47)**	(47)
Investing and financing expense, net		**(7)**	(15)	**(13)**	(28)
Profit (loss) before tax		**11**	(191)	**50**	(97)
Tax expense (recovery)		**2**	(44)	**12**	(22)
Net profit (loss)		**$ 9**	$ (147)	**$ 38**	$ (75)
Other comprehensive income (loss)					
Items that may be reclassified subsequently to net profit (loss)					
Change in unrealized fair value of financial assets		**$ 10**	$ (1)	**$ 33**	$ (4)
Foreign currency translation adjustment		**–**	1	**–**	1
Reclassification adjustments for gains included in net profit (loss)		**–**	–	**(7)**	–
Items that will not be reclassified to net profit (loss)					
Remeasurements of defined benefit plans	**6**	**(966)**	774	**(1,777)**	768
Other comprehensive income (loss)	**8**	**(956)**	774	**(1,751)**	765
Comprehensive income (loss)		**$ (947)**	$ 627	**$ (1,713)**	$ 690
Net profit (loss) attributable to					
Government of Canada		**$ 6**	$ (149)	**$ 34**	$ (78)
Non-controlling interests		**3**	2	**4**	3
		$ 9	$ (147)	**$ 38**	$ (75)
Comprehensive income (loss) attributable to					
Government of Canada		**$ (946)**	$ 623	**$ (1,710)**	$ 684
Non-controlling interests		**(1)**	4	**(3)**	6
		$ (947)	$ 627	**$ (1,713)**	$ 690

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

Interim Condensed Consolidated Statement of Changes in Equity

For the 13 weeks ended June 29, 2019 (Unaudited – in millions of Canadian dollars)	Contributed capital	Accumulated other comprehensive income	Accumulated deficit	Equity of Canada	Non-controlling interests	Total equity
Balance at March 30, 2019	**$ 1,155**	**$ 59**	**$ (2,188)**	**$ (974)**	**$ 34**	**$ (940)**
Net profit	**–**	**–**	**6**	**6**	**3**	**9**
Other comprehensive income (loss)	**–**	**10**	**(962)**	**(952)**	**(4)**	**(956)**
Comprehensive income (loss)	**–**	**10**	**(956)**	**(946)**	**(1)**	**(947)**
Balance at June 29, 2019	**$ 1,155**	**$ 69**	**$ (3,144)**	**$ (1,920)**	**$ 33**	**$ (1,887)**

For the 13 weeks ended June 30, 2018 (Unaudited – in millions of Canadian dollars)	Contributed capital	Accumulated other comprehensive income	Accumulated deficit	Equity of Canada	Non-controlling interests	Total equity
Balance at March 31, 2018, as previously reported	$ 1,155	$ 51	$ (1,545)	$ (339)	$ 34	$ (305)
Effects of adopting new standards (Note 3)	–	–	(104)	(104)	(4)	(108)
Balance at March 31, 2018, as restated	1,155	51	(1,649)	(443)	30	(413)
Net profit (loss)	–	–	(149)	(149)	2	(147)
Other comprehensive income	–	–	772	772	2	774
Comprehensive income	–	–	623	623	4	627
Balance at June 30, 2018	$ 1,155	$ 51	$ (1,026)	$ 180	$ 34	$ 214

For the 26 weeks ended June 29, 2019 (Unaudited – in millions of Canadian dollars)	Contributed capital	Accumulated other comprehensive income	Accumulated deficit	Equity of Canada	Non-controlling interests	Total equity
Balance at December 31, 2018, as previously reported	**$ 1,155**	**$ 43**	**$ (1,300)**	**$ (102)**	**$ 40**	**$ (62)**
Effects of adopting new standards (Note 3)	**–**	**–**	**(108)**	**(108)**	**(4)**	**(112)**
Balance as at December 31, 2018, as restated	**1,155**	**43**	**(1,408)**	**(210)**	**36**	**(174)**
Net profit	**–**	**–**	**34**	**34**	**4**	**38**
Other comprehensive income (loss) (Note 8)	**–**	**26**	**(1,770)**	**(1,744)**	**(7)**	**(1,751)**
Comprehensive income (loss)	**–**	**26**	**(1,736)**	**(1,710)**	**(3)**	**(1,713)**
Balance at June 29, 2019	**$ 1,155**	**$ 69**	**$ (3,144)**	**$ (1,920)**	**$ 33**	**$ (1,887)**

For the 26 weeks ended June 30, 2018 (Unaudited – in millions of Canadian dollars)	Contributed capital	Accumulated other comprehensive income	Accumulated deficit	Equity of Canada	Non-controlling interests	Total equity
Balance at December 31, 2017, as previously reported	$ 1,155	$ 54	$ (1,611)	$ (402)	$ 32	$ (370)
Effects of adopting new standards (Note 3)	–	–	(102)	(102)	(4)	(106)
Balance at beginning of the year, as restated	1,155	54	(1,713)	(504)	28	(476)
Net profit (loss)	–	–	(78)	(78)	3	(75)
Other comprehensive income (loss) (Note 8)	–	(3)	765	762	3	765
Comprehensive income (loss)	–	(3)	687	684	6	690
Balance at June 30, 2018	$ 1,155	$ 51	$ (1,026)	$ 180	$ 34	$ 214

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

Interim Condensed Consolidated Statement of Cash Flows

For the		13 weeks ended		26 weeks ended	
(Unaudited – in millions of Canadian dollars)	Notes	**June 29, 2019**	June 30, 2018 (Restated – Note 3)	**June 29, 2019**	June 30, 2018 (Restated – Note 3)
Cash flows from operating activities					
Net profit (loss)		**$ 9**	$ (147)	**$ 38**	$ (75)
Adjustments to reconcile net profit to cash provided by operating activities:					
Depreciation and amortization	5	**106**	102	**211**	207
Pension, other post-employment and other long-term benefit expense	6	**230**	435	**458**	661
Pension, other post-employment and other long-term benefit payments	6	**(140)**	(128)	**(281)**	(266)
(Gain) loss on sale of capital assets and assets held for sale	13	**(1)**	1	**(1)**	2
Tax expense (recovery)		**2**	(44)	**12**	(22)
Net interest expense	13	**4**	9	**7**	18
Change in non-cash operating working capital:					
(Increase) decrease in trade and other receivables		**(41)**	(27)	**57**	8
(Decrease) increase in trade and other payables		**(2)**	12	**(99)**	(64)
(Decrease) increase in salaries and benefits payable and related provisions		**(223)**	(45)	**(205)**	95
(Decrease) increase in provisions		**(4)**	20	**(4)**	23
Net change in other non-cash operating working capital		**(15)**	(4)	**(64)**	(6)
Other income not affecting cash, net		**(5)**	(6)	**(16)**	(11)
Cash (used in) provided by operations before interest and tax		**(80)**	178	**113**	570
Interest received		**23**	17	**41**	27
Interest paid		**(10)**	(10)	**(41)**	(40)
Tax paid		**(34)**	(45)	**(97)**	(123)
Cash (used in) provided by operating activities		**(101)**	140	**16**	434
Cash flows from investing activities					
Acquisition of securities		**(428)**	(470)	**(1,016)**	(1,023)
Proceeds from sale of securities		**474**	423	**1,095**	673
Acquisition of capital assets		**(151)**	(76)	**(227)**	(113)
Proceeds from sale of capital assets		**2**	1	**2**	1
Increase (decrease) in long-term receivables		**1**	–	**(9)**	(45)
Cash used in investing activities		**(102)**	(122)	**(155)**	(507)
Cash flows from financing activities					
Repayments of lease liabilities, net of sublease proceeds		**(26)**	(25)	**(55)**	(52)
Other financing activities, net		**–**	(1)	**–**	–
Cash used in financing activities		**(26)**	(26)	**(55)**	(52)
Net decrease in cash and cash equivalents		**(229)**	(8)	**(194)**	(125)
Cash and cash equivalents, beginning of period		**1,455**	1,387	**1,421**	1,503
Effect of exchange rate changes on cash and cash equivalents		**–**	1	**(1)**	2
Cash and cash equivalents, end of period		**$ 1,226**	$ 1,380	**$ 1,226**	$ 1,380

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

Notes to Interim Condensed Consolidated Financial Statements

For the 13 and 26 weeks ended June 29, 2019
(Unaudited – in millions of Canadian dollars, unless otherwise indicated)

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 Her Majesty. The Corporation's head office is located at 2701 Riverside Drive, Ottawa, Ontario, Canada.

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

Under the *Canada Post Corporation Act*, the Corporation has the sole and exclusive privilege (with some exceptions) of collecting, transmitting and delivering letters to the addressee thereof within Canada. The Corporation is also subject to directives issued pursuant to section 89 of the *Financial Administration Act* as described in Note 1 to the Corporation's annual Consolidated Financial Statements for the year ended December 31, 2018. There is no change to the status of these directives.

2 Basis of Presentation

Statement of compliance • The Corporation has prepared its interim condensed consolidated financial statements (interim financial statements) in compliance with IAS 34 "Interim Financial Reporting." As permitted under this standard, these interim condensed consolidated financial statements do not include all of the disclosures required for annual consolidated financial statements, and should be read in conjunction with the Corporation's audited consolidated financial statements for its fiscal year ended December 31, 2018. These interim financial statements have been prepared based on International Financial Reporting Standards (IFRS) issued and effective as at the reporting date. They were approved and authorized for issue by the Board of Directors August 22, 2019.

Basis of presentation • These interim financial statements have been prepared on a historical cost basis, except as permitted by IFRS 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. 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.

Significant accounting policies • Significant accounting policies 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, 2018, except for the application of new standards, amendments and interpretations effective January 1, 2019, disclosed in Note 3 of the Corporation's interim financial statements for the quarter ended March 30, 2019. The accounting policies have been applied consistently to all periods presented.

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.

Basis of consolidation • These interim financial statements include the accounts of the Corporation and its subsidiaries, Purolator Holdings Ltd. (Purolator), SCI Group Inc. (SCI) and Innovapost Inc. (Innovapost). The Corporation, Purolator, SCI and Innovapost are collectively referred to as the Canada Post Group of Companies or the Group of Companies.

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 both 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, 2018, except for the application of new standards, amendments and interpretations effective January 1, 2019, disclosed in Note 4 of the Corporations' interim financial statements for the quarter ended March 30, 2019.

3 Application of New and Revised International Financial Reporting Standards

(a) New standards, amendments and interpretations

Certain pronouncements were issued by the International Accounting Standards Board (IASB) or the IFRS Interpretations Committee that had mandatory effective dates of annual periods beginning on or after January 1, 2019. The following standard was adopted by the Group of Companies January 1, 2019.

IFRS 16 "Leases" (IFRS 16) • The IASB issued IFRS 16, completing its project to improve the financial reporting of leases. The new standard to replace IAS 17 "Leases" (IAS 17) and IFRIC 4 "Determining Whether an Arrangement Contains a Lease" (IFRIC 4), sets out the principles for the recognition, measurement, presentation and disclosure of leases for parties of a contract. For lessees, IFRS 16 eliminates the classification of leases as either operating or finance leases that exist under IAS 17, and requires the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements under IAS 17, maintaining the classification of leases as operating or finance leases, and accounting for the leases according to their classification.

(a.1) General impact of application • The Group of Companies applied IFRS 16 using the full retrospective approach and in accordance with transitional provisions. Full retrospective application required the Group of Companies to adjust the opening balance of retained earnings as at January 1, 2018, and the other comparative amounts disclosed for each prior period presented as if IFRS 16 had always been applied.

(a.2) Definition of a lease • The Group of Companies performed a comprehensive review to determine which existing contracts could contain a lease. This review included those contracts previously identified as a lease in accordance with IAS 17 and IFRIC 4, as well as contracts previously identified as not containing a lease. The Group of Companies then applied IFRS 16 to all contracts identified as containing a lease. Criteria used in the determination of whether identified contracts contain or do not contain a lease, included whether an identified asset exists, whether the right to obtain substantially all of the economic benefits from use of the asset exists, whether the right to direct how and for what purpose the asset is used exists, whether the right to operate the asset throughout the period of use without the vendor having the right to change those operating instructions exists and whether the purpose of the asset and the manner in which it will be used has been predetermined. This comprehensive review resulted in the identification of lease contracts for vehicles governed by certain owner-operator agreements. The review did not yield a substantially different lease population had the old definition been applied. The Group of Companies applies the definition of a lease and related guidance set out in IFRS 16 to all contracts identified as containing a lease as if IFRS 16 had always been applied.

(a.3) Impact on lessee accounting • As a lessee, the Group of Companies previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group of Companies. Under IFRS 16, the Group of Companies did the following:

- recognized right-of-use assets and lease liabilities in the interim statement of financial position, measured at the present value of future lease payments and discounted using the incremental borrowing rate;
- recognized depreciation of right-of-use assets and interest on lease liabilities in the interim statement of comprehensive Income;
- separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the interim statement of cash flows.

The Group of Companies applied recognition exemptions to low-value assets (value of $5,000 or less when new, including items such as computer hardware and office equipment) and short-term leases (defined as leases with a lease term of 12 months or less for all right-of-use asset classes). Payments for such leases are expensed over the term.

Lease incentives such as free rent periods are recognized as part of the measurement of the right-of-use assets and lease liabilities. Under IAS 17, they resulted in the recognition of a lease incentives liability, amortized as a reduction of rental expense on a straight-line basis. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 "Impairment of Assets" to replace the previous requirement recognizing a provision for onerous lease contracts.

(a.4) Impact on lessor accounting • The Group of Companies will continue to classify subleases as operating or financing in nature after reassessing the nature of subleases as part of the IFRS 16 transition. Under IFRS 16, this classification is determined with reference to the right-of-use asset rather than the underlying asset. Lessor accounting has also remained substantially unchanged from IAS 17, and the Group of Companies will continue to record letting income for operating leases as an offset to other operating costs while any income from finance subleases will be recognized as investment and other income.

The overall impact of these changes on the financial position and comprehensive income was as follows:

Consolidated statement of financial position

As at January 1, 2018 (in millions)	**As previously reported**	**IFRS 16 impact**	**Restated**
Other assets (current)	$ 126	$ (1)	$ 125
Property, plant and equipment	2,627	(38)	2,589
Right-of-use assets	–	944	944
Deferred tax asset	1,568	37	1,605
Other assets (non-current)	7	4	11
Trade and other payables	583	(4)	579
Deferred revenue	138	(3)	135
Lease liabilities (current)	–	106	106
Loans and borrowings (current)	13	(13)	–
Lease liabilities (non-current)	–	996	996
Loans and borrowings (non-current)	1,025	(28)	997
Other liabilities (non-current)	25	(2)	23
Accumulated deficit	(1,611)	(102)	(1,713)
Non-controlling interests	32	(4)	28

Consolidated statement of financial position

As at December 31, 2018 (in millions)	**As previously reported**	**IFRS 16 impact**	**Restated**
Other assets (current)	$ 102	$ 1	$ 103
Property, plant and equipment	2,709	(22)	2,687
Right-of-use assets	–	982	982
Deferred tax asset	1,641	39	1,680
Other assets (non-current)	49	14	63
Trade and other payables	653	(5)	648
Deferred revenue	154	(1)	153
Lease liabilities (current)	–	109	109
Loans and borrowings (current)	12	(12)	–
Lease liabilities (non-current)	–	1,054	1,054
Loans and borrowings (non-current)	1,013	(16)	997
Other liabilities (non-current)	25	(3)	22
Accumulated deficit	(1,300)	(108)	(1,408)
Non-controlling interests	40	(4)	36

Consolidated statement of comprehensive income

For the 13 weeks ended June 30, 2018 (in millions)	As previously reported	IFRS 16 impact	Restated
Revenue from operations	$ 2,142	$ (1)	$ 2,141
Other operating costs	599	(33)	566
Depreciation and amortization	77	25	102
Finance costs and other expense	(18)	(8)	(26)
Profit before tax	(190)	(1)	(191)
Net loss	(146)	(1)	(147)

Consolidated statement of comprehensive income

For the 26 weeks ended June 30, 2018 (in millions)	As previously reported	IFRS 16 impact	Restated
Revenue from operations	$ 4,304	$ (1)	$ 4,303
Other operating costs	1,194	(63)	1,131
Depreciation and amortization	158	49	207
Finance costs and other expense	(31)	(16)	(47)
Profit before tax	(94)	(3)	(97)
Net loss	(72)	(3)	(75)

Consolidated statement of cash flows

For the 13 weeks ended June 30, 2018 (in millions)	As previously reported	IFRS 16 impact	Restated
Cash provided by operating activities	$ 118	$ 22	$ 140
Cash used in financing activities	(4)	(22)	(26)

Consolidated statement of cash flows

For the 26 weeks ended June 30, 2018 (in millions)	As previously reported	IFRS 16 impact	Restated
Cash provided by operating activities	$ 388	$ 46	$ 434
Cash used in financing activities	(6)	(46)	(52)

The impact of adopting IFRS 16 is included in notes 4, 7, 12, 13 and 15, and resulting comparative subtotals and totals of the IFRS 16 restatement are included in the restated consolidated financial statements.

The quantitative assessment of the accounting impact included the following:

- A change in other assets as a prepaid rent expense under IAS 17 is now recognized as a reduction of the lease liability. It is offset by the current portion of finance subleases.
- Vehicles and plant equipment held under finance lease arrangements previously recognized as property, plant and equipment are now presented with right-of-use assets. The lease liability on leases previously classified as financing leases under IAS 17 and previously presented within loans and borrowings is now presented with lease liabilities.
- Recognition of right-of-use assets for leases previously classified as operating leases under IAS 17 and other contracts assessed as containing a lease under IFRS 16 that were previously expensed to other operating costs.
- An increase in other non-current assets due to the recognition of finance subleases.
- An increase in current and long-term lease liabilities as all lease payments are now recognized as a financial liability that represents the obligation to make future lease payments.
- A decrease to profit before tax given that rent expense (recorded under other operating costs) is replaced by depreciation of right-of-use assets and interest expense on the lease liability.
- An increase to cash provided by operating activities and an increase in cash used in financing activities, since IFRS 16 requires principal repayments of lease liabilities to be presented as a financing outflow, whereas payments under operating leases under IAS 17 were presented as an operating outflow.

The Minister of Finance reviews and monitors the funding of Crown corporation activities and provides related approvals for their borrowing transactions. IFRS 16 Leases results in the recognition of lease transactions that represent a material and long-term financial commitment with a payment stream that mimics a long-term debt liability and, therefore, they are deemed to be borrowing transactions. As such, the Governor in Council approved amendments to subsection 10(b) of the *Crown Corporation General Regulation*s, 1995, made under the *Financial Administration Act*, which sets the threshold over which the Minister of Finance's approval is required on the terms and conditions of lease transactions. The new regulatory threshold for Minister of Finance approval of leases is the lesser of 5% of the total assets of the Corporation and $10 million. The Corporation's total authorized borrowing limit of $2.5 billion under the *Appropriation Act No. 4,* 2009-10, has remained unchanged and is not affected by the transition to IFRS 16.

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

During the quarter, there were no new standards, amendments and interpretations issued by the IASB or the IFRS Interpretations Committee that would have a possible effect on the Group of Companies in the future. The standards, amendments and interpretations not yet in effect are disclosed in Note 5 (b) of the Corporation's annual consolidated financial statements for the year ended December 31, 2018.

4 Other Assets

As at (in millions)	**June 29, 2019**	December 31, 2018 (Restated – Note 3)
Income tax receivable	$ 136	$ 5
Prepaid expenses	140	98
Assets held for sale	1	1
Finance lease receivable	16	19
Other receivables	53	43
Total other assets	**$ 346**	$ 166
Current other assets	**$ 276**	$ 103
Non-current other assets	**70**	63

The table below identifies undiscounted lease payments to be received on an annual basis for each of the following periods:

As at (in millions)	**June 29, 2019**	December 31, 2018 (Restated – Note 3)
Contractual undiscounted cash flows		
Less than one year	$ 5	$ 5
One to five years	12	14
Total undiscounted finance lease receivable	**$ 17**	$ 19

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									
Restated balance at December 31, 2018	$ 347	$ 2,138	$ 318	$ 1,177	$ 503	$ 354	$ 1,058	$ 103	$ 5,998
Additions	15	22	12	14	24	13	30	69	199
Retirements	–	–	–	–	(2)	–	(2)	–	(4)
Transfers	–	15	2	–	–	3	27	(47)	–
June 29, 2019	**$ 362**	**$ 2,175**	**$ 332**	**$ 1,191**	**$ 525**	**$ 370**	**$ 1,113**	**$ 125**	**$ 6,193**
Accumulated depreciation									
Restated balance at December 31, 2018	$ –	$ 1,171	$ 241	$ 723	$ 317	$ 275	$ 584	$ –	$ 3,311
Depreciation	–	29	8	36	22	14	23	–	132
Retirements	–	–	–	–	(2)	–	(2)	–	(4)
June 29, 2019	**$ –**	**$ 1,200**	**$ 249**	**$ 759**	**$ 337**	**$ 289**	**$ 605**	**$ –**	**$ 3,439**
Carrying amounts									
Restated balance at December 31, 2018	$ 347	$ 967	$ 77	$ 454	$ 186	$ 79	$ 474	$ 103	$ 2,687
June 29, 2019	**$ 362**	**$ 975**	**$ 83**	**$ 432**	**$ 188**	**$ 81**	**$ 508**	**$ 125**	**$ 2,754**

(b) Intangible assets

(in millions)	Software	Software under development	Customer contracts and relationships	Total
Cost				
December 31, 2018	$ 818	$ 9	$ 23	$ 850
Additions	2	27	–	29
June 29, 2019	**$ 820**	**$ 36**	**$ 23**	**$ 879**
Accumulated amortization				
December 31, 2018	$ 722	$ –	$ 22	$ 744
Amortization	21	–	–	21
June 29, 2019	**$ 743**	**$ –**	**$ 22**	**$ 765**
Carrying amounts				
December 31, 2018	$ 96	$ 9	$ 1	$ 106
June 29, 2019	**$ 77**	**$ 36**	**$ 1**	**$ 114**

(c) Right-of-use assets

(in millions)	Land	Buildings – gross	Buildings – net	Vehicles	Plant equipment	Total
Carrying amounts						
Restated balance at December 31, 2018	$ 118	$ 230	$ 597	$ 34	$ 3	$ 982
Additions	–	33	65	–	–	98
Depreciation	(2)	(13)	(35)	(7)	(1)	(58)
June 29, 2019	**$ 116**	**$ 250**	**$ 627**	**$ 27**	**$ 2**	**$ 1,022**

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

(a) Net defined benefit liability

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

As at (in millions)	**June 29, 2019**	December 31, 2018
Pension benefit assets	**$ 50**	$ 95
Pension benefit liabilities	$ 4,716	$ 2,701
Other post-employment and other long-term benefit liabilities	4,134	3,644
Total pension, other post-employment and other long-term benefit liabilities	$ 8,850	$ 6,345
Current other long-term benefit liabilities	**$ 67**	$ 68
Non-current pension, other post-employment and other long-term benefit liabilities	**$ 8,783**	$ 6,277

(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:

For the 13 weeks ended (in millions)		**June 29, 2019**			June 30, 2018	
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	$ 132	$ 29	$ 161	$ 137	$ 29	$ 166
Interest cost	270	35	305	256	35	291
Interest income on plan assets	(246)	–	(246)	(235)	–	(235)
Plan amendments	–	–	–	177	28	205
Other administration costs	4	–	4	3	–	3
Defined benefit expense	160	64	224	338	92	430
Defined contribution expense	6	–	6	5	–	5
Total expense	166	64	230	343	92	435
Return on segregated securities	–	(4)	(4)	–	(4)	(4)
Component included in employee benefits expense	**$ 166**	**$ 60**	**$ 226**	$ 343	$ 88	$ 431
Remeasurement gains (losses):						
Return on plan assets, excluding interest income on plan assets	$ 457	$ –	$ 457	$ (429)	$ –	$ (429)
Actuarial losses	(1,601)	(147)	(1,748)	(535)	(68)	(603)
Component included in other comprehensive loss[1,2]	**$ (1,144)**	**$ (147)**	**$ (1,291)**	$ (964)	$ (68)	$ (1,032)

1. Amounts presented in this table exclude income tax recovery of $325 million and $596 million for the 13 and 26 weeks ended June 29, 2019, respectively (income tax recovery of $258 million and $256 million at June 30, 2018, respectively).
2. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at June 29, 2019, were 3.0% and 3.1%, compared to 3.3% and 3.4% at March 30, 2019. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at June 30, 2018, were 3.7% and 3.8% compared to 3.6% and 3.7% at March 31, 2018.

For the 26 weeks ended			**June 29, 2019**			June 30, 2018
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	$ 263	$ 57	$ 320	$ 275	$ 57	$ 332
Interest cost	536	70	606	512	70	582
Interest income on plan assets	(487)	–	(487)	(470)	–	(470)
Plan amendments	–	–	–	177	23	200
Other administration costs	7	–	7	7	–	7
Defined benefit expense	319	127	446	501	150	651
Defined contribution expense	12	–	12	10	–	10
Total expense	331	127	458	511	150	661
Return on segregated securities	–	(15)	(15)	–	(9)	(9)
Component included in employee benefits expense	**$ 331**	**$ 112**	**$ 443**	$ 511	$ 141	$ 652
Remeasurement gains (losses):						
Return on plan assets, excluding interest income on plan assets	$ 2,006	$ –	$ 2,006	$ (355)	$ –	$ (355)
Actuarial losses	(3,934)	(445)	(4,379)	(539)	(130)	(669)
Component included in other comprehensive loss[1,2]	**$ (1,928)**	**$ (445)**	**$ (2,373)**	$ (894)	$ (130)	$ (1,024)

1. Amounts presented in this table exclude income tax recovery of $325 million and $596 million for the 13 and 26 weeks ended June 29, 2019, respectively (income tax recovery of $258 million and $256 million at June 30, 2018, respectively).
2. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at June 29, 2019, were 3.0% and 3.1%, compared to 3.3% and 3.4% at March 30, 2019. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at June 30, 2018, were 3.7% and 3.8% compared to 3.6% and 3.7% at March 31, 2018.

(c) Total cash payments

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

For the		**13 weeks ended**		**26 weeks ended**
	June 29, 2019	June 30, 2018	**June 29, 2019**	June 30, 2018
Benefits paid directly to beneficiaries for other benefit plans	$ 41	$ 39	$ 81	$ 77
Employer regular contributions to pension benefit plans	77	66	159	152
Employer special contributions to pension benefit plans	16	18	29	27
Cash payments for defined benefit plans	134	123	269	256
Contributions to defined contribution plans	6	5	12	10
Total cash payments	**$ 140**	$ 128	**$ 281**	$ 266

In the second quarter of 2019, solvency payments of $11 million were made as a result of the pay equity decision for members of the Canadian Union of Postal Workers – Rural and Suburban Mail Carriers. The estimates for the Group of Companies' total contributions to the defined benefit pension plans in 2019 did not change significantly from those disclosed in the Corporation's audited consolidated financial statements for the year ended December 31, 2018.

7 Finance Liabilities

(a) Loans and borrowings

As at (in millions)	June 29, 2019		December 31, 2018 (Restated – Note 3)	
	Fair value	**Carrying value**	Fair value	Carrying value
Series 1 bonds maturing July 2040, interest at 4.36%, payable semi-annually on January 16 and July 16	$ 674	$ 498	$ 617	$ 498
Series 2 bonds maturing July 2025, interest at 4.08%, payable semi-annually on January 16 and July 16	567	499	553	499
Total loans and borrowings	**$ 1,241**	**$ 997**	$ 1,170	$ 997

(b) Lease liabilities

As at (in millions)	June 29, 2019	December 31, 2018 (Restated – Note 3)
Maturity analysis – lease liabilities (undiscounted)		
Less than one year	$ 139	$ 133
One to five years	478	460
More than five years	982	974
Total	**$ 1,599**	$ 1,567
Lease liabilities in the statement of financial position (discounted)	**$ 1,203**	$ 1,163
Current lease liabilities	**$ 108**	$ 109
Non-current lease liabilities	**1,095**	1,054

Included in the above table are lease payments (undiscounted lease liabilities) to be made to related parties in the normal course of business, in the amount of $17 million for premises used in postal operations and transportation services (December 31, 2018 – $11 million). Leases that have not yet commenced, but which have been committed to as at June 29, 2019, have future cash outflows of $76 million that are excluded from the measurement of lease liabilities.

(c) Changes in liabilities arising from financing activities

(in millions)	December 31, 2018 (Restated – Note 3)	Payments	Interest	Net lease additions	June 29, 2019
Lease liabilities	$ 1,163	$ (77)	$ 19	$ 98	**$ 1,203**

8 Other Comprehensive Income (Loss)

	Items that may subsequently be reclassified to net profit (loss)			Item never reclassified to net profit (loss)	
For the 26 weeks ended June 29, 2019 (in millions)	Change in unrealized fair value of financial assets	Cumulative foreign currency translation adjustment	Accumulated other comprehensive income	Remeasurements of defined benefit plans	Other comprehensive loss
Accumulated balance as at December 31, 2018	$ 38	$ 5	$ 43		
Gains (losses) arising	$ 35	$ –	$ 35	$ (2,373)	$ (2,338)
Income taxes	(9)	–	(9)	596	587
Net	**$ 26**	**$ –**	**$ 26**	**$ (1,777)**	**$ (1,751)**
Accumulated balance as at June 29, 2019	**$ 64**	**$ 5**	**$ 69**		

For the 26 weeks ended June 30, 2018 (in millions)	Items that may subsequently be reclassified to net profit (loss): Change in unrealized fair value of financial assets	Cumulative foreign currency translation adjustment	Accumulated other comprehensive income	Item never reclassified to net profit (loss): Remeasurements of defined benefit plans	Other comprehensive loss
Accumulated balance as at December 31, 2017	$ 51	$ 3	$ 54		
Gains (losses) arising	$ (5)	$ 1	$ (4)	$ 1,024	$ 1,020
Income taxes	1	–	1	(256)	(255)
Net	$ (4)	$ 1	$ (3)	$ 768	$ 765
Accumulated balance as at June 30, 2018	$ 47	$ 4	$ 51		

9 Labour-related Matters

The Corporation is involved in a number of pay equity and related matters filed by various labour groups of Canada Post. There have been no significant changes to the labour-related matters as disclosed in Note 15 of the Corporation's 2018 annual consolidated financial statements, except as noted below:

In 2012, the Canadian Postmasters and Assistants Association (CPAA) requested reactivation of a pay equity complaint filed in 1992, which Canada Post asserted had previously been settled. In 2014, a Canadian Human Rights Commission (Commission) investigator concluded that the 1992-97 period remains at issue and the Commission subsequently referred the matter on its merits to the Canadian Human Rights Tribunal. On May 12, 2019, Canada Post and the CPAA reached an agreement, which the Commission subsequently approved. Canada Post and the CPAA will form a committee to implement their settlement.

It is currently not possible for the Corporation to predict the final outcome of the various pay equity and related matters, and it may adjust any such provisions in its net profit for subsequent periods, as required. These matters will continue to evolve, but further detailed information will not be provided as it could be prejudicial to the Corporation.

10 Contingent Liabilities

There have been no significant changes to the contingent liabilities as disclosed in Note 16 of the Corporation's 2018 annual consolidated financial statements, except as noted below.

In June 2017, the Quebec Superior Court authorized a class action lawsuit to proceed against the Corporation. The allegation is that some employees and retirees in Quebec may have made, between July 1, 2013, and the present, co-payments for prescription drugs under the Canada Post drug insurance plan that are in excess of the annual maximum set by legislation that regulates the Régie de l'assurance maladie du Québec (RAMQ). Following a series of settlement discussions through to April 2019, Canada Post is to file its statement of defence before September 6, 2019. The outcome of this class action is still not determinable.

11 Fair Values and Risks Arising From Financial Instruments

Fair values of financial instruments

The fair values of cash and cash equivalents, marketable securities, segregated securities, trade and other receivables, trade and other payables and salaries and benefits payable and related provisions are a reasonable approximation of their carrying values as presented on the statement of financial position. For the fair value of loans and borrowings, refer to Note 7 (a).

Also, these financial instruments are categorized as level 2 in the fair value hierarchy and are applied on a recurring basis. There were no transfers between the levels of the fair value hierarchy during the period ended June 29, 2019.

Financial risk factors

The Group of Companies' financial instruments are exposed to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and commodity risk), credit risk and liquidity risk. These financial risks have not changed significantly since the end of the last reporting period. The updated disclosure concerning the nature and extent of market and liquidity risk follows.

(a) Market risk

Foreign exchange risk • Exposure to foreign exchange risk primarily applies to the Canada Post segment where it arises mainly from international settlements with foreign postal administrations and from the redemption of money orders denominated in foreign currencies. The Corporation's obligation to settle with foreign postal administrations is denominated in special drawing rights, a basket of currencies comprising the U.S. dollar, euro, British pound, Japanese yen and Chinese renminbi, whereas payment is usually denominated in the U.S. dollar.

The foreign exchange gains (losses) and derivative losses recognized were as follows:

For the 13 weeks ended (in millions)	**June 29, 2019**			June 30, 2018		
	Foreign exchange losses	**Derivative gains**	**Total**	Foreign exchange gains (losses)	Derivative gains	Total
Unrealized	$ (5)	$ 4	$ (1)	$ (2)	$ 2	$ –
Realized	–	1	1	4	1	5
Total	**$ (5)**	**$ 5**	**$ –**	$ 2	$ 3	$ 5

For the 26 weeks ended (in millions)	**June 29, 2019**			June 30, 2018		
	Foreign exchange losses	**Derivative gains**	**Total**	Foreign exchange gains	Derivative losses	Total
Unrealized	$ (7)	$ 7	$ –	$ 6	$ (8)	$ (2)
Realized	–	–	–	8	(3)	5
Total	**$ (7)**	**$ 7**	**$ –**	$ 14	$ (11)	$ 3

(b) Liquidity risk

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they fall due. The Group of Companies manages liquidity risk 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. The Group of Companies invests in what management believes are high-credit quality government or corporate securities, in accordance with policies approved by the Board of Directors.

12 Other Operating Costs

For the	**13 weeks ended**		**26 weeks ended**	
	June 29, 2019	June 30, 2018 (Restated – Note 3)	**June 29, 2019**	June 30, 2018 (Restated – Note 3)
Non-labour collection, processing and delivery	$ 373	$ 360	$ 755	$ 736
Property, facilities and maintenance	65	61	139	134
Selling, administrative and other	138	145	264	261
Other operating costs	**$ 576**	$ 566	**$ 1,158**	$ 1,131

13 Investing and Financing Income (Expense)

For the	13 weeks ended		26 weeks ended	
	June 29, 2019	June 30, 2018 (Restated – Note 3)	**June 29, 2019**	June 30, 2018 (Restated – Note 3)
Interest revenue	$ 16	$ 12	$ 33	$ 21
Gain (loss) on sale of capital assets and assets held for sale	1	(1)	1	(2)
Investment and other income	**$ 17**	$ 11	**$ 34**	$ 19
Interest expense	$ (20)	$ (21)	$ (40)	$ (39)
Other expense	(4)	(5)	(7)	(8)
Finance costs and other expense	**$ (24)**	$ (26)	**$ (47)**	$ (47)
Investing and financing expense, net	**$ (7)**	$ (15)	**$ (13)**	$ (28)

14 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

For the	13 weeks ended		26 weeks ended	
	June 29, 2019	June 30, 2018	**June 29, 2019**	June 30, 2018
Related party revenue	**$ 57**	$ 62	**$ 119**	$ 130
Compensation payments for programs				
Government mail and mailing of materials for persons who are blind	**$ 5**	$ 5	**$ 11**	$ 11
Payments from related parties for premises leased from the Corporation	**$ 2**	$ 2	**$ 4**	$ 4
Related party expenditures	**$ 5**	$ 6	**$ 12**	$ 16

The majority of the related party revenue was for commercial contracts relating to postal services with the Government of Canada. As well, compensation was provided by the Government of Canada for parliamentary mail services and mailing of materials for persons who are blind sent free of postage.

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

As at (in millions)	**June 29, 2019**	December 31, 2018
Due to/from related parties		
Included in trade and other receivables	**$ 15**	$ 13
Included in trade and other payables	**$ 8**	$ 9
Deferred revenue from related parties	**$ 1**	$ 1

(b) Transactions with entities in which key management personnel (KMP) 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 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 26 weeks ended June 29, 2019, 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 13 and 26 weeks ended June 29, 2019, respectively (June 30, 2018 – $3 million and $6 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 the 13 and 26 weeks ended June 29, 2019, the Corporation provided administration services to the Canada Post Corporation Registered Pension Plan in the amount of $3 million and $6 million, respectively (June 30, 2018 – $3 million and $6 million, respectively). As at June 29, 2019, $12 million (December 31, 2018 – $14 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).

15 Segmented and Disaggregation of Revenue Information

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

As at and for the 13 weeks ended June 29, 2019
(in millions)

	Canada Post	Purolator	Logistics	Other	Total
Revenue from external customers	$ 1,628	$ 479	$ 76	$ –	$ 2,183
Intersegment revenue	16	6	9	(31)	–
Revenue from operations	$ 1,644	$ 485	$ 85	$ (31)	$ 2,183
Labour and employee benefits	$ 1,196	$ 217	$ 41	$ 29	$ 1,483
Other operating costs	418	193	27	(62)	576
Depreciation and amortization	77	20	9	–	106
Cost of operations	$ 1,691	$ 430	$ 77	$ (33)	$ 2,165
Profit (loss) from operations	$ (47)	$ 55	$ 8	$ 2	$ 18
Investment and other income	$ 15	$ 2	$ –	$ –	$ 17
Finance costs and other expense	(18)	(5)	(1)	–	(24)
Profit (loss) before tax	$ (50)	$ 52	$ 7	$ 2	$ 11
Tax expense (recovery)	(13)	14	1	–	2
Net profit (loss)	$ (37)	$ 38	$ 6	$ 2	$ 9
Total assets	$ 9,450	$ 1,293	$ 268	$ (307)	$ 10,704
Total liabilities	$ 11,725	$ 710	$ 169	$ (13)	$ 12,591

As at and for the 13 weeks ended June 30, 2018
(in millions, restated – Note 3)

	Canada Post	Purolator	Logistics	Other	Total
Revenue from external customers	$ 1,631	$ 446	$ 64	$ –	$ 2,141
Intersegment revenue	14	6	10	(30)	–
Revenue from operations	$ 1,645	$ 452	$ 74	$ (30)	$ 2,141
Labour and employee benefits	$ 1,380	$ 204	$ 38	$ 27	$ 1,649
Other operating costs	422	177	24	(57)	566
Depreciation and amortization	75	21	7	(1)	102
Cost of operations	$ 1,877	$ 402	$ 69	$ (31)	$ 2,317
Profit (loss) from operations	$ (232)	$ 50	$ 5	$ 1	$ (176)
Investment and other income	$ 9	$ 1	$ 1	$ –	$ 11
Finance costs and other expense	(20)	(5)	(1)	–	(26)
Profit (loss) before tax	$ (243)	$ 46	$ 5	$ 1	$ (191)
Tax expense (recovery)	(57)	13	1	(1)	(44)
Net profit (loss)	$ (186)	$ 33	$ 4	$ 2	$ (147)
Total assets	$ 8,445	$ 1,194	$ 200	$ (314)	$ 9,525
Total liabilities	$ 8,622	$ 595	$ 111	$ (18)	$ 9,310

As at and for the 26 weeks ended June 29, 2019
(in millions)

	Canada Post	**Purolator**	**Logistics**	**Other**	**Total**
Revenue from external customers	$ 3,286	$ 913	$ 148	$ –	$ 4,347
Intersegment revenue	30	13	17	(60)	–
Revenue from operations	$ 3,316	$ 926	$ 165	$ (60)	$ 4,347
Labour and employee benefits	$ 2,337	$ 438	$ 83	$ 57	$ 2,915
Other operating costs	847	378	54	(121)	1,158
Depreciation and amortization	153	40	18	–	211
Cost of operations	$ 3,337	$ 856	$ 155	$ (64)	$ 4,284
Profit (loss) from operations	$ (21)	$ 70	$ 10	$ 4	$ 63
Investment and other income	$ 30	$ 3	$ 1	$ –	$ 34
Finance costs and other expense	(36)	(9)	(2)	–	(47)
Profit (loss) before tax	$ (27)	$ 64	$ 9	$ 4	$ 50
Tax expense (recovery)	(7)	17	2	–	12
Net profit (loss)	$ (20)	$ 47	$ 7	$ 4	$ 38
Total assets	$ 9,450	$ 1,293	$ 268	$ (307)	$ 10,704
Total liabilities	$ 11,725	$ 710	$ 169	$ (13)	$ 12,591

As at and for the 26 weeks ended June 30, 2018
(in millions, restated – Note 3)

	Canada Post	Purolator	Logistics	Other	Total
Revenue from external customers	$ 3,316	$ 859	$ 128	$ –	$ 4,303
Intersegment revenue	27	11	17	(55)	–
Revenue from operations	$ 3,343	$ 870	$ 145	$ (55)	$ 4,303
Labour and employee benefits	$ 2,499	$ 404	$ 74	$ 57	$ 3,034
Other operating costs	850	346	48	(113)	1,131
Depreciation and amortization	149	46	13	(1)	207
Cost of operations	$ 3,498	$ 796	$ 135	$ (57)	$ 4,372
Profit (loss) from operations	$ (155)	$ 74	$ 10	$ 2	$ (69)
Investment and other income	$ 17	$ 1	$ 1	$ –	$ 19
Finance costs and other expense	(37)	(9)	(1)	–	(47)
Profit (loss) before tax	$ (175)	$ 66	$ 10	$ 2	$ (97)
Tax expense (recovery)	(43)	18	3	–	(22)
Net profit (loss)	$ (132)	$ 48	$ 7	$ 2	$ (75)
Total assets	$ 8,445	$ 1,194	$ 200	$ (314)	$ 9,525
Total liabilities	$ 8,622	$ 595	$ 111	$ (18)	$ 9,310

(b) Geographic area revenue information

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.

For the 13 weeks ended (in millions)	**June 29, 2019**	June 30, 2018 (Restated – Note 3)
Canada	$ 2,054	$ 2,014
United States	62	66
Rest of the world	67	61
Total revenue	**$ 2,183**	$ 2,141

For the 26 weeks ended (in millions)	**June 29, 2019**	June 30, 2018 (Restated – Note 3)
Canada	$ 4,105	$ 4,042
United States	122	135
Rest of the world	120	126
Total revenue	**$ 4,347**	$ 4,303

(c) Products and services revenue information

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.

For the 13 weeks ended June 29, 2019
(in millions)

	Total revenue	Intersegment and consolidation	Revenue from external customers
Revenue attributed on sale			
Transaction Mail	$ 487	$ (1)	$ 486
Parcels	1,191	(27)	1,164
Direct Marketing	273	–	273
Other	118	(69)	49
	$ 2,069	**$ (97)**	**$ 1,972**
Unattributed revenue			
Stamp postage	$ 76	$ –	$ 76
Meter postage	135	–	135
	$ 211	**$ –**	**$ 211**
Total	**$ 2,280**	**$ (97)**	**$ 2,183**

For the 13 weeks ended June 30, 2018
(in millions, restated – Note 3)

	Total revenue	Intersegment and consolidation	Revenue from external customers
Revenue attributed on sale			
Transaction Mail	$ 482	$ (1)	$ 481
Parcels	1,113	(21)	1,092
Direct Marketing	282	–	282
Other	115	(63)	52
	$ 1,992	$ (85)	$ 1,907
Unattributed revenue			
Stamp postage	$ 87	$ –	$ 87
Meter postage	147	–	147
	$ 234	$ –	$ 234
Total	$ 2,226	$ (85)	$ 2,141

For the 26 weeks ended June 29, 2019
(in millions)

	Total revenue	Intersegment and consolidation	Revenue from external customers
Revenue attributed to products and services			
Transaction Mail	$ 1,031	$ (1)	$ 1,030
Parcels	2,310	(52)	2,258
Direct Marketing	528	–	528
Other	233	(135)	98
	$ 4,102	**$ (188)**	**$ 3,914**
Unattributed revenue			
Stamp postage	$ 156	$ –	$ 156
Meter postage	277	–	277
	$ 433	**$ –**	**$ 433**
Total	**$ 4,535**	**$ (188)**	**$ 4,347**

For the 26 weeks ended June 30, 2018
(in millions, restated – Note 3)

	Total revenue	Intersegment and consolidation	Revenue from external customers
Revenue attributed to products and services			
Transaction Mail	$ 1,030	$ (1)	$ 1,029
Parcels	2,176	(43)	2,133
Direct Marketing	555	–	555
Other	220	(118)	102
	$ 3,981	$ (162)	$ 3,819
Unattributed revenue			
Stamp postage	$ 184	$ –	$ 184
Meter postage	300	–	300
	$ 484	$ –	$ 484
Total	$ 4,465	$ (162)	$ 4,303

(d) Sales channel revenue information

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 15 (b).

For the 13 weeks ended June 29, 2019
(in millions)

	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**
Domestic			
Commercial	$ 1,580	$ (27)	$ 1,553
Retail	505	–	505
	$ 2,085	$ (27)	$ 2,058
International	$ 129	$ –	$ 129
Other	$ 66	$ (70)	$ (4)
Total	**$ 2,280**	**$ (97)**	**$ 2,183**

For the 13 weeks ended June 30, 2018
(in millions, restated – Note 3)

	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic			
Commercial[1]	$ 1,526	$ (22)	$ 1,504
Retail[1]	512	–	512
	$ 2,038	$ (22)	$ 2,016
International	$ 127	$ –	$ 127
Other	$ 61	$ (63)	$ (2)
Total	$ 2,226	$ (85)	$ 2,141

1. Prior year revenue was reclassified due to a realignment of the reporting structure.

For the 26 weeks ended June 29, 2019
(in millions)

	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**
Domestic			
Commercial	$ 3,127	$ (53)	$ 3,074
Retail	1,038	–	1,038
	$ 4,165	$ (53)	$ 4,112
International	$ 242	$ –	$ 242
Other	$ 128	$ (135)	$ (7)
Total	**$ 4,535**	**$ (188)**	**$ 4,347**

For the 26 weeks ended June 30, 2018
(in millions, restated – Note 3)

	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic			
Commercial[1]	$ 3,057	$ (45)	$ 3,012
Retail[1]	1,036	–	1,036
	$ 4,093	$ (45)	$ 4,048
International	$ 261	$ –	$ 261
Other	$ 111	$ (117)	$ (6)
Total	$ 4,465	$ (162)	$ 4,303

1. Prior year revenue was reclassified due to a realignment of the reporting structure.

CANADA POST
2701 RIVERSIDE DR SUITE N1200
OTTAWA ON K1A 0B1

General inquiries: 1-866-607-6301
For more contact information, visit **canadapost.ca**

Canada

CANADA POST POSTES CANADA