2022
Canada Post Corporation

THIRD QUARTER
FINANCIAL REPORT

For the period ended October 1, 2022

Financial Performance

CONTENTS

Management's Discussion and Analysis

Unaudited Interim Condensed Consolidated Financial Statements

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) of the financial condition and results of operations is prepared for the 13-week period (third quarter or Q3) and 39-week period (first three quarters or year to date) ended October 1, 2022, for Canada Post Corporation (Corporation or Canada Post) and its subsidiaries – Purolator Holdings Ltd. (Purolator), SCI Group Inc. (SCI) 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.

Amounts in the MD&A are presented in Canadian dollars, rounded to the nearest million, while related percentages are based on numbers rounded to the nearest thousand. Percentages are adjusted for business or paid days, where applicable. In the third quarter and the year to date of 2022, there were differences, which varied by company, in business days (extra days result in increased revenue, while fewer days result in decreased revenue) and paid days (extra days result in increased cost of operations, while fewer days result in decreased cost of operations) compared to the same periods in 2021. Where these differences were material to our financial results, they have been highlighted in this report.

This discussion should be read in conjunction with the unaudited condensed consolidated financial statements (interim financial statements) for the third quarter of 2022, which were prepared in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and International Accounting Standard (IAS) 34, "Interim Financial Reporting" of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). 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, 2021.

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 November 24, 2022.

Forward-looking statements

The interim financial statements and the MD&A contain forward-looking statements including future-looking financial information or outlooks that reflect management's expectations regarding the Group 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). 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 November 24, 2022, 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 summary of Q3 2022 financial results

The Group of Companies is one of Canada's largest employers with over 84,500 people (full-time and part-time employees, including temporary, casual and term employees). Canada Post, the largest segment with revenue of nearly $5.2 billion for the first three quarters, is a federal Crown corporation, reporting to Parliament through the Minister of Public Services and Procurement. Under the *Canada Post Corporation Act*, Canada Post has a mandate to provide a standard of postal service that meets the needs of Canadians in a secure and financially self-sustaining manner. Canada Post operates the largest retail network in Canada with almost 6,000 retail post offices across the country.

Canada Post is part of the global postal industry comprising foreign postal administrations (posts) that have traditionally financed their universal service obligation (USO) through a legislated exclusive privilege, or monopoly, over a portion of the postal market. However, with more people shifting to the internet and smart mobile devices to communicate and transact, posts continue to experience a structural decline in mail volumes.

Financial and business highlights

Segment results – Profit (loss) before tax

(in millions of dollars)

	Third quarter ended				Year-to-date ended			
	Oct. 1, 2022	Oct. 2, 2021	$ change	% change[1]	**Oct. 1, 2022**	Oct. 2, 2021	$ change	% change
Canada Post	(227)	(264)	37	14.0%	(516)	(492)	(24)	(4.9)%
Purolator	84	65	19	30.4%	203	193	10	5.4%
SCI	6	7	(1)	(15.5)%	12	22	(10)	(45.7)%
Other	1	1	–	(77.2)%	1	3	(2)	(79.9)%
Canada Post Group of Companies	**(136)**	**(191)**	**55**	**28.6%**	**(300)**	**(274)**	**(26)**	**(9.6)%**

Losses before tax in the Canada Post Group of Companies in the third quarter and for the year to date in 2022, were the result of losses in the Canada Post segment, partly offset by profit before tax in the Purolator segment and the SCI segments.

Canada Post segment

Financial self-sustainability

The parcel delivery gig economy has transformed over the past few years, resulting in increased competition all around the world. Consumers have come to rely on these delivery intermediaries who have asset-light delivery models and significantly lower cost structures compared to traditional carriers. Some competitors are expanding their reach to fulfillment and self-delivery. Our Parcels line of business makes up approximately half of our revenue; however, our market share in the highly competitive delivery market has decreased over the last five years.

Our paper-based business model is facing structural challenges. Declining Lettermail™ volumes, financial commitments and capacity constraints, and maintaining success in a highly competitive parcel industry are inherent risks that put our long-term financial self-sustainability at risk. Our plan to build capacity, improve service and support small businesses, while investing in our people and protecting the environment was designed to address the magnitude and significance of recurring financial losses over the past four years. Investments to support innovation and grow the business are being made, and we are concentrating on improving efficiency, productivity and cost competitiveness in our operations.

Many businesses in Canada and globally have been negatively affected by macroeconomic challenges, including reduced consumer confidence precipitated by higher inflation, interest rate hikes, and historic labour shortages. These risks have been intensified by supply chain disruptions due to COVID-19 infections and lockdowns and worldwide geopolitical tensions. These factors, which began in the second quarter and continued through the third quarter, could result in increased cost pressures, delays to transformation projects, as well as reduced volumes and revenue for Canada Post as consumers discontinue use of services and seek lower-priced alternatives from the Corporation or its competitors.

Revenue by line of business

(in millions of dollars)

	Third quarter ended				Year to date ended			
	Oct. 1, 2022	Oct. 2, 2021	$ change	% change	**Oct. 1, 2022**	Oct. 2, 2021	$ change	% change
Parcels	796	774	22	2.8%	2,492	2,642	(150)	(5.2)%
Transaction Mail	561	566	(5)	(1.0)%	1,832	1,901	(69)	(3.1)%
Direct Marketing	218	229	(11)	(4.7)%	695	663	32	5.3%
Other	56	54	2	4.4%	170	193	(23)	(11.2)%
Total	**1,631**	**1,623**	**8**	**0.5%**	**5,189**	**5,399**	**(210)**	**(3.4)%**

Parcels volumes declined

In the third quarter of 2022, Parcels revenue increased by $22 million (+2.8%) despite volume declines of 12 million pieces (-16.2%), compared to the same period in 2021. For the year to date, revenue and volumes declined by $150 million (-5.2%) and 62 million pieces (-22.8%), respectively. Volume declines in 2022 were due to higher-than-normal volumes in 2021, when stores were still closed to in-person shopping, especially in the first half of 2021. Declines were compounded by macroeconomic factors which began in Q2 and continued in Q3 that had an impact on consumer spending and reduced demand for parcel delivery services in general. Inbound revenue and volumes continue to be negatively affected by global supply chain and air capacity issues.

Transaction Mail volume erosion continues

Transaction Mail revenue and volumes decreased by $5 million (-1.0%) and 28 million pieces (-4.9%), respectively, in Q3 2022 compared to the same period in 2021. For the first three quarters of 2022, revenue and volumes were $69 million (-3.1%) and 152 million pieces (-7.5%) lower, respectively, than the same period in 2021, due in part to the 2021 Census mailing in Q2 and the 2021 federal election mailing in Q3. Regulated stamp prices that were maintained at 2020 levels contributed to poor performance in this eroding line of business; however, increases in commercial rates in January 2022 partially offset revenue declines.

Direct Marketing impacted by economic uncertainty

Direct Marketing revenue and volume decreased $11 million (-4.7%), and 107 million pieces (-10.9%), respectively, in Q3 2022, compared to Q3 2021. For the year-to-date period, revenue and volume increases were $32 million (+5.3%), and 99 million pieces (+4.1%), respectively, compared to the same period in 2021. With the lifting of COVID-19 restrictions for in-person shopping in the first half of 2022, customers reinstated some marketing campaigns; however, impacts from general economic uncertainty began in Q2 2022, continued in Q3 and are expected to continue through the remainder of 2022, negatively affecting our customers' marketing budgets and spending especially in the third quarter.

Decline in costs

In the third quarter of 2022, the cost of operations decreased by $26 million (-1.4%) compared to Q3 2021, and for the first three quarters of 2022, operating costs decreased by $187 million (-2.7%) compared to the same period in the prior year, mostly due to lower employee benefits driven by higher discount rates and lower labour attributed to parcel volume declines. However, as our business continues to shift from mail to parcels, we expect increased costs for collection, processing and delivery, as well as costs to expand capacity, because it is more labour and capital intensive to process and deliver parcels than letters.

Size and volatility of pension, other post-employment and other long-term benefits

For the third quarter, a remeasurement loss of $425 million, net of tax, and for the year-to-date period, a remeasurement gain of $2,834 million, net of tax, were recorded in other comprehensive income for the Group of Companies' defined benefit plans. The actuarially determined pension expense recorded in the statement of comprehensive income and regular payments were not affected by these remeasurements.

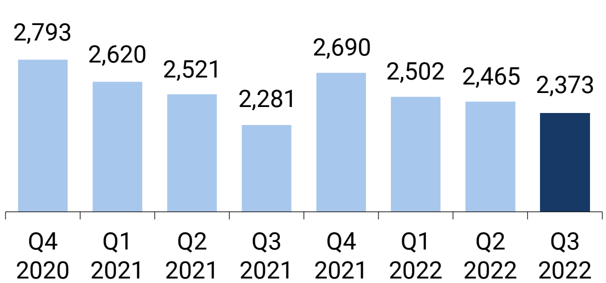
At the end of the third quarter, discount rates used to record remeasurements for pension, other post-employment and other long-term benefit plans and measure the solvency status of the Canada Post Corporation Registered Pension Plan (RPP) stayed stable or slightly lower compared to the second quarter but remained higher than rates observed at December 31, 2021. Pension asset returns remain lower than expected. The solvency position (using market value of plan assets) improved to an estimated surplus of $470 million from a $2.6 billion deficit as at December 31, 2021.

Canada Post Group of Companies – 2022

The charts below present a summary of the 2022 consolidated results for the Group of Companies.

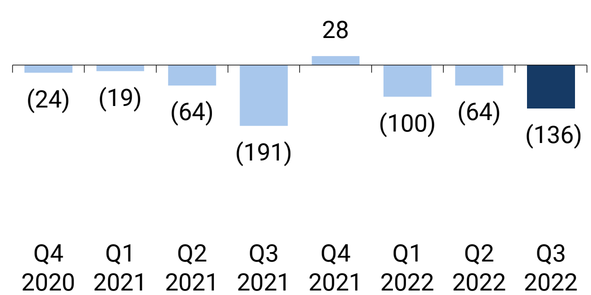
Quarterly consolidated revenue from operations

(in millions of dollars)



Quarterly consolidated profit (loss) before tax

(in millions of dollars)



The following table presents the Group of Companies' consolidated performance for the third quarter and the year to date of 2022, compared to the same periods in the prior year.

(in millions of dollars)

	Third quarter ended				Year to date ended				
	Oct. 1, 2022	Oct. 2, 2021	$ change	% change	**Oct. 1, 2022**	Oct. 2, 2021	$ change	% change	Explanation
Consolidated statement of comprehensive income									Discussed in Section 5 Discussion of Operations.
Revenue from operations	2,373	2,281	92	4.0%	7,340	7,422	(82)	(0.6)%	For Q3, due to increased revenue from Purolator and increased Parcels revenue in the Canada Post segment. For the year to date, due to decline in revenue in the Canada Post segment partially offset by revenue increases in the Purolator segment.
Cost of operations	2,498	2,457	41	1.6%	7,592	7,645	(53)	(0.2)%	For Q3, due to higher costs in the Purolator segment partially offset by lower costs in the Canada Post segment. For the year to date, due to lower employee benefits and labour in the Canada Post segment, partly offset by higher operating expenses in the Purolator segment.
Loss from operations	(125)	(176)	51	28.6%	(252)	(223)	(29)	(13.3)%	Mainly due to a loss in the Canada Post segment, partially offset by profit in the Purolator and SCI segments.
Loss before tax	(136)	(191)	55	28.6%	(300)	(274)	(26)	(9.6)%	
Tax recovery	(35)	(46)	11	24.2%	(73)	(65)	(8)	(12.0)%	Due to change in loss before tax for the Group of Companies.
Net loss	(101)	(145)	44	30.1%	(227)	(209)	(18)	(8.8)%	
Comprehensive income (loss)	(524)	886	(1,410)	(159.1)%	2,539	4,080	(1,541)	(37.8)%	For Q3, remeasurement losses on pension and other post-employment plans due to discount rate decreases. For the year to date, remeasurement gains from discount rate increases, partially offset by lower-than-expected asset returns and experience adjustments.
Consolidated statement of cash flows									Discussed in Section 6 Liquidity and Capital Resources.
Cash provided by operating activities	123	30	93	304.8%	57	294	(237)	(80.8)%	Primarily driven by a non-cash decrease in pension expenses due to an increase in discount rates.
Cash used in investing activities	(49)	(152)	103	67.2%	(195)	(418)	223	53.2%	Primarily due to lower net acquisitions of securities.
Cash used in financing activities	(31)	(30)	(1)	0.2%	(94)	(88)	(6)	(6.7)%	No material change.

2. Core Businesses and Strategy

During Q3 2022, there were no significant changes to our core businesses or strategy. We are investing to build capacity and improving service to provide the service Canadians expect of us. We continue to be guided by our overarching purpose and Transformation Plan which reflects our commitment to Canadians, A Stronger Canada – Delivered. This plan has three pillars: providing a service all Canadians can count on; social and environmental leadership; and doing right by our people. Delivering on this customer-centric strategy is imperative to establish a path to financial self-sustainability in accordance with the expectation of the Government of Canada.

3. Key Performance Indicators

The Canada Post segment uses senior executive scorecards to monitor performance and progress against strategic priorities. Regular reporting provides management and the Board of Directors with a comprehensive view of the segment's performance. Our progress and achievements against 2022 targets reflecting our commitment to our people and to social and environmental leadership were as follows:

		2022 target	2022 Q3 year-to-date result
Total injury frequency per 100 employees year-over-year (improvement) deterioration		(10%)	(10%)[1]
Fleet with telematics		Over 1,500 to date	1,144 to date
Employee engagement index		75%	Measured annually, Q4
Employee diversity[2]	Indigenous Peoples	2.9%	2.9%
	Persons with disabilities	6.8%	7.0%
Greenhouse gas emissions (GHG)	Scopes 1 and 2 for fleet and buildings[3] (in kilotonnes of carbon dioxide equivalent emissions)	142.2	99.3[4]
Procurement spend with Indigenous Peoples (percentage of eligible direct expenditure in Indigenous businesses)		2.7%	2.7%

1. Refer to Section 4.1 Our employees (Canada Post employee health and safety) for additional information.
2. Although targets are established for all designated equity groups, the Corporation is above 80% of Canadian Labour Market Availability for women and members of visible minorities.
3. Scope 3 emissions, which include all upstream transportation, make up 90% of Canada Post's GHG emissions. As part of our science-based targets (SBTs), we are working with our suppliers toward the goal of having 67% of suppliers, by spend, to set an SBT by 2025. Scope 3 emissions are reported in the annual Sustainability Report.
4. Subject to verification; results impacted by seasonality. The confirmed value for 2022 (full year) will be reported in the 2022 Sustainability Report.

4. Capabilities

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

4.1 Our employees

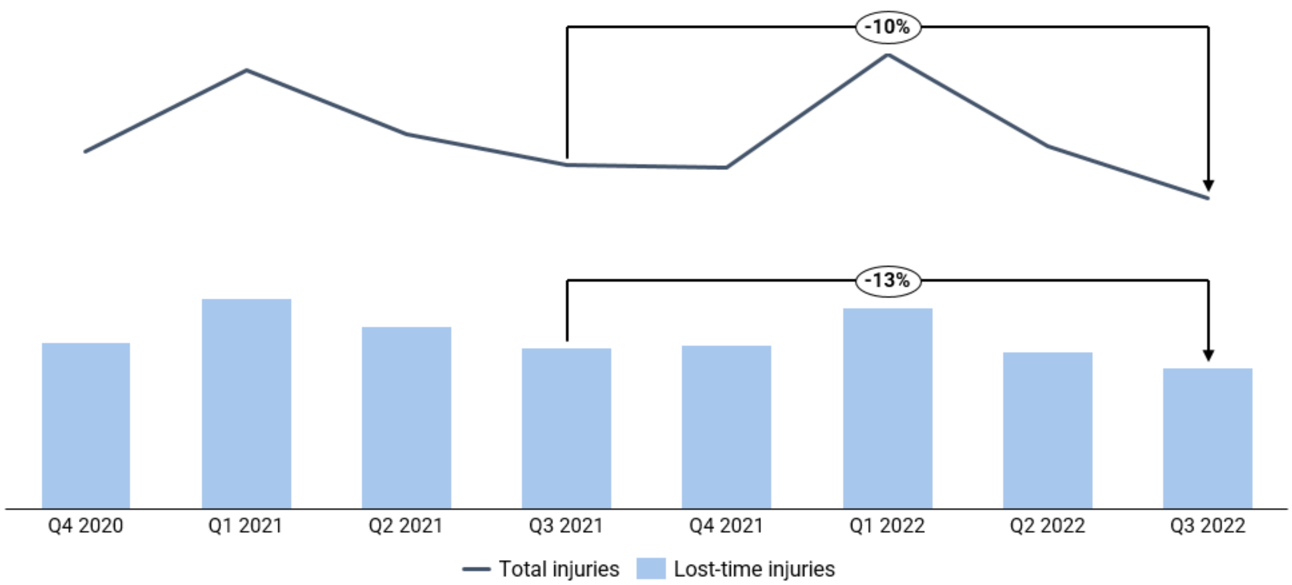
Where significant in the quarter, an update of 2022 health and safety, culture, equity, diversity and inclusion, and labour and employee relations by segment is provided below.

Canada Post segment

Health and safety

Our highest priority is the health and safety of our people and all Canadians, and we aim to be a leader in workplace health and safety. In the first three quarters of 2022, the total injury frequency rate improved by 10% and the lost-time injury frequency rate improved by 13% compared to the same period in 2021.

Injury frequency (% change for the year to date, year over year)



In the third quarter, the Corporation continued its focus on health and safety:

- Launched our slip simulator training pilot at the Windsor mail processing plant where employees can practise walking on a slippery surface with various simulated obstacles to raise awareness about slips, trips and falls in a safe and controlled environment.
- Delivered safe lifting workshops to support health and safety improvement plans in operations to reduce musculoskeletal-related injuries.
- Gathered feedback through psychological health and safety pilots, including the Guarding Minds at Work survey, which helped identify areas with opportunities for improvement.
- Maintained focus on road safety with the following accomplishments:
  - Conducted a further 200 on-road observations to identify unsafe driver behaviour, and knowledge and skill gaps, to develop targeted driver training and in-cab evaluations.
  - Continued rolling out Canada Post's first ever Road Safety Week initiative, moving into the Greater Toronto Area.

- o Delivered road safety orientations to an additional 1,700 employees nationally, including team leader support, safety talks, safe backing up of vehicles, defensive driving and inspections.
- o Provided training to over 450 non-operational employees through the Smith System, Smith5Keys® online driver course, a world-leading crash-avoidance training program.
- o Rolled out a one-day in-class training session for over 110 at-risk drivers within operations.

COVID-19

During the third quarter, we reached the final phase of our COVID-19 de-escalation plan, following expert advice from public health and guidelines set by Employment and Social Development Canada. For facilities identified as a hot spot or red zone, our Tactical Pandemic Response Toolkit will guide our response to protecting the health and safety of our employees, contractors and visitors.

Equity, diversity and inclusion

Canada Post strives to provide a safe and welcoming workplace that embraces and celebrates our differences. In Q3, Canada Post:

- Participated in the Ottawa Capital Pride Parade with members of our Pride LGBTQ2S+ Employee Resource Group, to demonstrate solidarity and commitment to equity, diversity and inclusion (EDI). Brand presence in such events demonstrates our focus on Allyship in Action and our commitment to EDI in the communities we serve.
- Joined the reconciliation march with Indigenous and non-Indigenous people in Ottawa on September 30 to honour the day.

Culture

In the third quarter of 2022, the Corporation:

- Held 13 team leader forums across the country, which included in-person business updates and culture workshops. The forums will continue until the beginning of November.
- Kicked off the Hybrid Workplace Practice in mid-September, where Canada Post and its employees can achieve mutual gain in meeting performance and work-life needs.

Employee recognition

In the third quarter of 2022:

- Launched a revamped recognition program that offers more flexibility and a simplified process for recognizing employee contributions and celebrating special moments with six categories: years of service and retirement, individual recognition, team recognition, spontaneous recognition, moments that matter and social recognition. By reinforcing our values and behaviours, the program supports our goal of becoming a workplace of choice where employees feel appreciated, engaged and aligned with our culture.
- Received the 2022 Canadian HR Team of the Year (500 Employees or More) award at the Canadian HR Awards, which recognizes our People and Safety team's collaborative approach to the human resources function.

Labour and employee relations

Building alignment

In the third quarter of 2022:

- Continued to engage with both the Canadian Union of Postal Workers (CUPW) and the Association of Postal Officials of Canada (APOC) in regular Relationship Committee meetings, as a means of addressing issues of mutual interest.

- Continued work with CUPW to transition rural and suburban mail carrier employees to an hourly rate of pay, including through adoption of a new work measurement model.

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

PSAC/UPCE represents employees who perform certain administrative, clerical, technical and professional work, including personnel in call centres, pay reporting, and technical employees in areas such as finance and engineering. PSAC has made an application to the Canada Industrial Relations Board, seeking the inclusion of other jobs currently in the management classification.

Purolator segment

In the third quarter, Purolator and the Canada Council of Teamsters (Teamsters Canada) ratified a new collective agreement to replace the one that expired December 31, 2021. The new five-year agreement extends to December 31, 2026, and provides annual wage increases retroactive to January 1, 2022, and other provisions, including a new mental health benefit. Teamsters Canada represents Purolator drivers and warehouse staff.

4.2 Our network and infrastructure

Canada Post segment

The Canada Post segment operates a vast operating network that requires significant coordination between collection, processing, transportation and delivery activities.

Service and capacity

In the third quarter, we continued to strive for productivity improvements while increasing capacity to support ecommerce parcel growth, with the following accomplishments:

- Installed approximately 2,800 indoor parcel lockers in 2022, in residential apartment buildings and condominiums by the end of Q3, for a total of over 20,000 installed nationwide.
- Added almost 3,500 outdoor parcel lockers at existing delivery points for the year to date.
- Increased the number of electric and hybrid electric vehicles in our fleet in Q3.
- Continued to fine-tune and learn from the flexible staffing pilot with CUPW, to balance workload, improve health and safety and enhance delivery service.
- Expanded our International Tracked Packet Service to China, Taiwan and the United Arab Emirates.

Technology

We strive to provide exceptional experiences to Canadians. Progress with technology projects in the third quarter for service and tracking, and enabling our network and capacity, was as follows:

- Grew our automatic tracking service, with over 215,000 Canadians now signed up.
- Added over 9,000 personal data terminals (PDTs) in Q3, to improve customer service and tracking with new features and upgraded technology to increase stability and communication range.

Accessibility

Canada Post continues to develop its Accessibility Plan, in consultation with persons with disabilities and the Canadian public, according to the *Accessible Canada Act* that mandates federally regulated organizations to identify, remove and prevent barriers to accessibility. The final plan and formal feedback process is to be published by December 31, 2022.

In line with our goal to provide accessible products and services to Canadians, all new public-facing digital products must be built to meet the Web Content Accessibility Guidelines (WCAG) 2.1 at Level AA. To ensure these standards are met, we continually train digital employees and contractors on accessibility and implemented a thorough accessibility testing approach. We achieved a measure of 88.8% on digital accessibility across all active digital products in Q3 2022, exceeding our 2021 result of 85.9%.

To remove barriers in our network of corporate owned buildings and facilities, we conducted 85 accessibility audits. Of these, 45 facilities received a passing score and adhere to our National Accessibility Design Standards for the built environment. These standards exceed minimum requirements in building codes and were developed in 2021 with external consultants and the Rick Hansen Foundation. We completed seven accessibility construction projects and six accessibility construction projects are under way.

Purolator segment

In August, Purolator officially opened its National Hub, a state-of-the-art package sorting facility in Toronto. With 430,000 square feet and investments in world-class automation features, goods can be moved quickly across Canada, serving businesses in all sectors and providing a scalable workspace to match demand during peak volume periods. This building was designed to meet the high standards of the Toronto Green Standards program.

4.3 Our environmental, social and governance priorities

Canada Post segment

Climate action

In the third quarter, Canada Post submitted updated targets to the Science Based Targets initiative (SBTi) for review and approval prior to the end of 2022. We revised our targets following the February 2022 release of the Sixth Assessment Report by the United Nations Intergovernmental panel on Climate Change (IPCC), which confirmed that impacts of climate change are larger than previous estimates. The 2030 emissions reduction target was strengthened to set us on a path to net-zero emissions by 2050, through 50% reduction of scopes 1 and 2 greenhouse gas (GHG) emissions by 2030 and transforming our fleet to 50% electric vehicles by 2030 and 100% by 2040.

Our focus in Q3 was continuing our real estate GHG reduction plans.

Employee and community engagement

Canada Post issued its second round of Sustainability Action Fund grants, funding over 80 projects across the country. The Sustainability Action fund is a $500,000 grant program that enables employees to bring forward and implement projects that support sustainability and employee engagement on sustainability at Canada Post.

Equity, diversity and inclusion

Preparations continue for the implementation of the Official Languages Regulations Re-Application Exercise; program to implement changes to begin in Q4 2022.

4.4 Product enhancement and sales channels

Canada Post segment

Retail

Our network of almost 6,000 post offices across the country provides important services, parcel and mail pickup and product returns for Canadians. In the third quarter, we piloted free-standing induction equipment and new customer-facing signage to highlight our contactless induction feature.

Indigenous, northern and rural communities

In the third quarter:

- Continued to receive requests for postal services from our Indigenous and northern communities as part of our Indigenous Reconciliation strategy to improve postal service in these communities.
- Announced that a second post office will open in 2023 in Iqaluit to expand capacity and improve customer experience.
- Opened a full-service franchised (dealer) post office in Sagamok, Ontario, and another four rural locations are on track to open by the end of 2022.
- Progressed toward the opening of two new community hubs by the end of 2022. These hubs will include other business support services such as rentable meeting rooms, secure printing and shredding options, and publicly available computers for videoconferencing.

Accessibility

By the end of Q3, almost 100 accessibility projects were delivered, over 60 of which were proactive and the remainder of which were reactive. These were primarily counter replacements and automatic door openers.

Retail technology modernization

By the end of the third quarter, almost all of our approximately 5,570 automated sites were using our new technology. Anonymous real-time customer satisfaction ratings are being captured at the time of purchase from our customer-facing point-of-sale screens in over 5,300 locations.

Financial services

In the third quarter, in partnership with TD Bank, we launched the Canada Post MyMoney™ Loan nationwide, expanding access to financial services for Canadians across the country. MyMoney Loan is a simple and flexible personal loan product designed to respond to the needs of Canadians looking for fair, transparent and more affordable loans. Also, in partnership with Payment Source and issuing bank Peoples Trust, we successfully relaunched the Canada Post Prepaid Reloadable Visa™ card and Visa Single Load Prepaid Card in all eligible Canada Post retail locations, effectively bringing a Visa solution to all Canadians.

4.5 Internal controls and procedures

Changes in internal control over financial reporting

During the third quarter of 2022, there were no changes in internal control over financial reporting that materially affected, or were reasonably likely to materially affect, the Corporation's internal control over financial reporting.

5. Discussion of Operations

A detailed discussion of our financial performance

5.1 Consolidated trends

The Group of Companies' consolidated results for the last eight quarters are presented below, highlighting the seasonal nature of its business. Demand for services is highest during the holiday or peak season in the fourth quarter. Volumes typically decline over the following quarters, reaching their lowest level in the third quarter. The Group of Companies' significant fixed costs do not vary in the short term. Fewer business days result in decreased revenue, while fewer paid days result in decreased cost of operations. In the third quarter of 2022, there were differences in business and paid days, which varied by segment, as described in the sections below.

(in millions of dollars)

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Revenue from operations	2,373	2,465	2,502	2,690	2,281	2,521	2,620	2,793
Cost of operations	2,498	2,512	2,582	2,663	2,457	2,563	2,625	2,801
Profit (loss) from operations	**(125)**	**(47)**	**(80)**	**27**	**(176)**	**(42)**	**(5)**	**(8)**
Investing and financing income (expense), net	(11)	(17)	(20)	1	(15)	(22)	(14)	(16)
Profit (loss) before tax	**(136)**	**(64)**	**(100)**	**28**	**(191)**	**(64)**	**(19)**	**(24)**
Tax expense (recovery)	(35)	(15)	(23)	6	(46)	(15)	(4)	(3)
Net profit (loss)	**(101)**	**(49)**	**(77)**	**22**	**(145)**	**(49)**	**(15)**	**(21)**

5.2 Consolidated results from operations

Consolidated results for the third quarter and year to date

(in millions of dollars)

	Third quarter ended				**Year to date ended**			
	Oct. 1, 2022	Oct. 2, 2021	$ change	% change[1]	**Oct. 1, 2022**	Oct. 2, 2021	$ change	% change
Revenue from operations	2,373	2,281	92	4.0%	7,340	7,422	(82)	(0.6)%
Cost of operations	2,498	2,457	41	1.6%	7,592	7,645	(53)	(0.2)%
Loss from operations	**(125)**	**(176)**	**51**	**28.6%**	**(252)**	**(223)**	**(29)**	**(13.3)%**
Investing and financing income (expense), net	(11)	(15)	4	29.3%	(48)	(51)	3	6.6%
Loss before tax	**(136)**	**(191)**	**55**	**28.6%**	**(300)**	**(274)**	**(26)**	**(9.6)%**
Tax recovery	(35)	(46)	11	24.2%	(73)	(65)	(8)	(12.0)%
Net loss	**(101)**	**(145)**	**44**	**30.1%**	**(227)**	**(209)**	**(18)**	**(8.8)%**
Other comprehensive income (loss)	(423)	1,031	(1,454)	(141.0)%	2,766	4,289	(1,523)	(35.5)%
Comprehensive income (loss)	**(524)**	**886**	**(1,410)**	**(159.1)%**	**2,539**	**4,080**	**(1,541)**	**(37.8)%**

The Canada Post Group of Companies' loss before tax in the third quarter of 2022 was $136 million, which was a $55 million improvement (+28.6%) compared to the loss before tax in Q3 2021. For the year to date, the loss before tax was $300 million, a decrease in profitability of $26 million (-9.6%) compared to the same period in 2021. In Q3 2022 for the Group of Companies, there was no difference in business or paid days compared to Q3 2021. For the year to date in 2022, there was one less business day and one less paid day compared to the same period in 2021. A detailed discussion by segment is provided in sections 5.4 to 5.6.

Consolidated revenue from operations

Revenue from operations increased by $92 million (+4.0%) in Q3 2022 over Q3 2021 mostly due to growth in the Purolator segment. For the year to date, revenue decreased by $82 million (-0.6%) compared to the same periods in the prior year, due to declines in the Canada Post segment for Parcels and Transaction Mail as well as declines in the SCI segment. Growth in the Purolator segment and increases in Direct Marketing in the Canada Post segment partially offset the declines.

Consolidated cost of operations

The cost of operations increased by $41 million (+1.6%) in the third quarter of 2022, compared to Q3 2021, due to higher operating costs in the Purolator segment, partly offset by lower employee benefits and labour costs in the Canada Post segment. For the year to date, the cost of operations in 2022 was $53 million (-0.2%) lower than the cost in the corresponding period in 2021.

Consolidated investing and financing income (expense), net

Net investing and financing expenses for the third quarter decreased by $4 million (+29.3%) and $3 million (+6.6%) for the year to date in 2022, compared to the same periods in the prior year mainly due to an increase in interest income and a decrease in other expenses, partially offset by lower gains on disposal of assets.

Consolidated other comprehensive income

The consolidated other comprehensive loss of $423 million in the third quarter was mainly due to remeasurement losses on pension and other post-employment plans, primarily due to discount rate decreases compared to the second quarter. For the year to date, the other comprehensive income of $2,766 million was mainly due to remeasurement gains resulting from discount rate increases compared to December 31, 2021, partially offset by lower-than-expected asset returns and experience adjustments. Fluctuations in the various factors and assumptions used to remeasure these plans caused volatility and had a significant impact on the Group of Companies' other comprehensive income in Q3 2022.

5.3 Operating results by segment

Segmented results – Profit (loss) before tax

(in millions of dollars)

	Third quarter ended				Year to date ended			
	Oct. 1, 2022	Oct. 2, 2021	$ change	% change	**Oct. 1, 2022**	Oct. 2, 2021	$ change	% change
Canada Post	(227)	(264)	37	14.0%	(516)	(492)	(24)	(4.9)%
Purolator	84	65	19	30.4%	203	193	10	5.4%
SCI	6	7	(1)	(15.5)%	12	22	(10)	(45.7)%
Other	1	1	–	(77.2)%	1	3	(2)	(79.9)%
Canada Post Group of Companies	**(136)**	**(191)**	**55**	**28.6%**	**(300)**	**(274)**	**(26)**	**(9.6)%**

5.4 Canada Post segment

The Canada Post segment's loss before tax of $227 million and $516 million in Q3 2022 and for the year to date, respectively, was $37 million better (+14.0%) and $24 million worse (-4.9%) than the losses in the same periods in 2021. Revenue and cost of operations were relatively flat in the third quarter. For the year to date, revenue declines were partly offset by lower costs. In Q3 2022, there were no differences in business days or paid days compared to Q3 2021. For the year to date, there was one less business day and one less paid day compared to the same period in 2021.

Summary of results for the third quarter and year to date

(in millions of dollars)

	Third quarter ended				Year to date ended			
	Oct. 1, 2022	Oct. 2, 2021	$ change	% change	**Oct. 1, 2022**	Oct. 2, 2021	$ change	% change
Revenue from operations	1,631	1,623	8	0.5%	5,189	5,399	(210)	(3.4)%
Cost of operations	1,852	1,878	(26)	(1.4)%	5,674	5,861	(187)	(2.7)%
Loss from operations	**(221)**	**(255)**	**34**	**13.2%**	**(485)**	**(462)**	**(23)**	**(5.0)%**
Investing and financing income (expense), net	(6)	(9)	3	36.3%	(31)	(30)	(1)	(3.5)%
Loss before tax	**(227)**	**(264)**	**37**	**14.0%**	**(516)**	**(492)**	**(24)**	**(4.9)%**

Revenue from operations

In Q3 and for the year to date in 2022, volumes for Parcels declined compared to the same periods in 2021, partly due to higher-than-normal 2021 volumes during store closures, compounded by macroeconomic factors in the current year that led to decreased consumer spending. Transaction Mail declined in the third quarter and for the year to date in 2022, compared to the same periods of 2021, which had been positively affected by the 2021 Census and federal election mailings. Direct Marketing continued its recovery in the first half of the year but began declining in the third quarter due to general economic uncertainty, which caused our customers to pull back on their marketing budgets.

Revenue and volumes by line of business for the third quarter

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	Oct. 1, 2022	Oct. 2, 2021	$ change	% change	**Oct. 1, 2022**	Oct. 2, 2021	Change	% change
Parcels								
Domestic Parcels	653	611	42	7.0%	50	57	(7)	(12.1)%
Outbound Parcels	69	71	(2)	(3.6)%	2	3	(1)	(11.8)%
Inbound Parcels	68	87	(19)	(21.7)%	11	15	(4)	(32.0)%
Other	6	5	1	11.3%	–	–	–	–
Total Parcels	**796**	**774**	**22**	**2.8%**	**63**	**75**	**(12)**	**(16.2)%**
Transaction Mail								
Domestic Lettermail	534	541	(7)	(1.2)%	518	546	(28)	(5.1)%
Outbound Letter-post	16	15	1	(1.1)%	7	7	–	(2.2)%
Inbound Letter-post	11	10	1	8.0%	12	12	–	2.7%
Total Transaction Mail	**561**	**566**	**(5)**	**(1.0)%**	**537**	**565**	**(28)**	**(4.9)%**
Direct Marketing								
Personalized Mail™	101	99	2	1.9%	170	173	(3)	(1.7)%
Neighbourhood Mail™	78	89	(11)	(13.0)%	655	757	(102)	(13.4)%
Total Smartmail Marketing™	**179**	**188**	**(9)**	**(5.1)%**	**825**	**930**	**(105)**	**(11.3)%**
Publications Mail™	31	32	(1)	(2.1)%	44	46	(2)	(5.1)%
Business Reply Mail™ and Other Mail	5	5	–	4.8%	3	3	–	2.9%
Other	3	4	(1)	(19.0)%	–	–	–	–
Total Direct Marketing	**218**	**229**	**(11)**	**(4.7)%**	**872**	**979**	**(107)**	**(10.9)%**
Other Revenue	56	54	2	4.4%	–	–	–	–
Total	**1,631**	**1,623**	**8**	**0.5%**	**1,472**	**1,619**	**(147)**	**(9.1)%**

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

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	Oct. 1, 2022	Oct. 2, 2021	$ change	% change	**Oct. 1, 2022**	Oct. 2, 2021	Change	% change
Parcels								
Domestic Parcels	2,027	2,087	(60)	(2.4)%	162	207	(45)	(21.2)%
Outbound Parcels	216	235	(19)	(7.6)%	8	10	(2)	(16.2)%
Inbound Parcels	234	303	(69)	(22.3)%	36	51	(15)	(30.7)%
Other	15	17	(2)	(8.9)%	–	–	–	–
Total Parcels	**2,492**	**2,642**	**(150)**	**(5.2)%**	**206**	**268**	**(62)**	**(22.8)%**
Transaction Mail								
Domestic Lettermail	1,745	1,812	(67)	(3.2)%	1,689	1,837	(148)	(7.6)%
Outbound Letter-post	52	55	(3)	(4.5)%	24	25	(1)	(4.8)%
Inbound Letter-post	35	34	1	2.5%	38	41	(3)	(5.5)%
Total Transaction Mail	**1,832**	**1,901**	**(69)**	**(3.1)%**	**1,751**	**1,903**	**(152)**	**(7.5)%**
Direct Marketing								
Personalized Mail	310	294	16	6.1%	529	515	14	3.2%
Neighbourhood Mail	266	250	16	7.0%	2,218	2,127	91	4.8%
Total Smartmail Marketing	**576**	**544**	**32**	**6.5%**	**2,747**	**2,642**	**105**	**4.5%**
Publications Mail	94	94	–	0.6%	131	135	(4)	(2.6)%
Business Reply Mail and Other Mail	14	14	–	(4.5)%	8	10	(2)	(7.2)%
Other	11	11	–	(2.2)%	–	–	–	–
Total Direct Marketing	**695**	**663**	**32**	**5.3%**	**2,886**	**2,787**	**99**	**4.1%**
Other Revenue	170	193	(23)	(11.2)%	–	–	–	–
Total	**5,189**	**5,399**	**(210)**	**(3.4)%**	**4,843**	**4,958**	**(115)**	**(1.8)%**

Parcels

Parcels revenue in Q3 increased by $22 million (+2.8%) compared to Q3 2021, but declined by $150 million (-5.2%) for the year to date compared to the first three quarters in 2021. Volumes declined in both periods (-16.2% and -22.8%, respectively, for Q3 and the year to date of 2022) compared to the same periods in 2021. Details by product category were as follows:

- Domestic Parcels volume decreased in the third quarter of 2022, compared to the third quarter in the prior year, due to softening ecommerce demand. For the year to date of 2022, revenue and volume were lower than in the same period of 2021, as a result of increased use of ecommerce in the prior year when in-person shopping was restricted. These volume declines were compounded by general economic uncertainty in 2022, causing consumers to reduce consumption, including ecommerce purchases, which lowered demand for parcel delivery services. Our share of domestic ecommerce delivery was also affected by our ability to meet rapidly evolving consumer expectations in this very competitive market. The financial impact of volume declines was partially mitigated by rate action and proactive management of our commercial customer and product mix to better use existing capacity. We also continued to work on improving efficiencies in our network and expanding processing capacity in certain areas to enable future volume growth.
- Outbound Parcels volume and revenue (postage collected from domestic customers for parcels destined to foreign postal administrations [posts]) was lower in the third quarter and for the first three quarters of 2022, compared to the same periods in the prior year as Canadians sent fewer packages to the United States and internationally with the lifting of travel and other COVID-19 restrictions.
- Inbound Parcels revenue (fees paid to Canada Post by other posts for delivering mail originating outside of Canada) and volume were lower in the third quarter and the year to date of 2022,

compared to the same periods in 2021. Limited air capacity out of China and increased competition from commercial consolidators which arose in Q3 2021, continued through Q3 2022. As well, in the first three quarters of the prior year, volumes from the United States were higher than normal.

- Other Parcels revenue was relatively flat for Q3. For the year-to-date period of 2022, revenue decreased by $2 million (-8.9%), compared to 2021, due to lower volumes of inbound postal items and corresponding reduced fees paid by the Customs Postal Program for rating of duties and taxes.

Transaction Mail

Transaction Mail revenue in the third quarter and the year to date of 2022, decreased by $5 million (-1.0%) and by $69 million (-3.1%), respectively, compared to the same periods in 2021. Volumes declined in both periods (-4.9% and -7.5%, respectively, for Q3 and the year to date). Details by product category were as follows:

- Domestic Lettermail revenue and volumes declined in Q3 and for the first three quarters of 2022, compared to 2021 revenue, which was elevated due to the 2021 Census and federal election mailings. Digital communications continue to replace our traditional Lettermail™ service in this eroding line of business. Regulated stamp prices continue to be maintained at 2020 levels, which compounds the impact on revenue. These revenue declines were only partially offset by revenue increases from commercial rate action in January 2022.
- Outbound Letter-post volumes declined in Q3 and for the year to date of 2022, while Inbound Letter-post volumes grew slightly in Q3 but declined for the year to date in 2022, compared to the same periods in 2021. Year-to-date declines continued due to restrictions on air transportation and use of digital alternatives. Outbound Letter-post revenue is collected from domestic customers for mail destined to other posts and Inbound Letter-post revenue is collected by other posts and shared with Canada Post for delivering mail in Canada.

Direct Marketing

Direct Marketing revenue in Q3 decreased by $11 million (-4.7%) but increased for the first three quarters of 2022, by $32 million (+5.3%), compared to the same periods in the prior year. Volumes declined in Q3 (-10.9%) and increased year to date (+4.1%). Details by product category were as follows:

- The 2022 recovery of Personalized Mail and Neighbourhood Mail revenue and volumes slowed in Q3 due to economic uncertainty and prolonged supply chain challenges. Declines in consumer spending, supply chain issues and global paper shortages resulted in delays and cancellations of marketing campaigns. Comparisons for Q3 and the year-to-date period are to the lower 2021 base, which was negatively affected by store closures in 2021 related to COVID-19.
- Publications Mail volumes decreased slightly in the quarter and for the year to date compared to the same periods in 2021, due to the timing of mailing campaigns. Further declines in paper subscriptions are expected as digital subscriptions are increasingly preferred.
- Revenue from Business Reply Mail and Other Mail and Other products was relatively flat for Q3 and the year to date compared to the prior year.

Other Revenue

Other Revenue was relatively flat in the third quarter. For the year to date in 2022, revenue declined by $23 million (-11.2%) compared to the same period in 2021, mostly due to decreases in consumer products and services, including logistics services (such as warehousing and transportation) related to the 2021 Census and federal election.

Cost of operations

In Q3 and for the year to date of 2022, the Canada Post segment's cost of operations decreased by $26 million (-1.4%) and $187 million (-2.7%), respectively, compared to the same periods of 2021. Decreases were mainly due to lower employee benefits and labour, which were partly offset by higher transportation, facilities and IT costs, as well as increased spending to sustain our network and improve capacity.

(in millions of dollars)

	Third quarter ended				Year to date ended			
	Oct. 1, 2022	Oct. 2, 2021	$ change	% change	**Oct. 1, 2022**	Oct. 2, 2021	$ change	% change
Labour	887	904	(17)	(2.0)%	2,737	2,832	(95)	(2.9)%
Employee benefits	329	399	(70)	(17.4)%	987	1,219	(232)	(18.6)%
Total labour and employee benefits	**1,216**	**1,303**	**(87)**	**(6.7)%**	**3,724**	**4,051**	**(327)**	**(7.6)%**
Non-labour collection, processing and delivery	297	280	17	5.9%	969	938	31	3.8%
Property, facilities and maintenance	59	55	4	5.9%	196	175	21	12.0%
Selling, administrative and other	201	158	43	27.5%	545	457	88	19.9%
Total other operating costs	**557**	**493**	**64**	**12.8%**	**1,710**	**1,570**	**140**	**9.4%**
Depreciation and amortization	79	82	(3)	(2.8)%	240	240	–	0.6%
Total	**1,852**	**1,878**	**(26)**	**(1.4)%**	**5,674**	**5,861**	**(187)**	**(2.7)%**

Labour

Labour costs in the third quarter decreased by $17 million (-2.0%) and by $95 million (-2.9%) for the year to date, compared to the same periods in 2021, mainly due to lower parcel volumes driven by a general slowdown in ecommerce and less reliance on overtime and temporary labour. Decreased costs for the year to date are also the result of one less paid day in 2022. In the first three quarters of 2022, we continued to incur costs for employee special leave relating to COVID-19, though to a lesser extent than in the same period in 2021.

Employee benefits

Employee benefits decreased by $70 million (-17.4%) and by $232 million (-18.6%) in Q3 and for the first three quarters, respectively, compared to the same periods in 2021, primarily due to an increase in discount rates, which decreased the non-cash pension and other post-employment expense.

Other operating costs, and depreciation and amortization

Changes in these costs in Q3 2022 were as follows:

- Contracted collection, processing and delivery costs increased by $17 million (+5.9%) and $31 million (+3.8%) in the third quarter and for the first three quarters of 2022, respectively, compared to the same periods in 2021, mainly due to continued higher transportation and fuel costs, which was partly offset by lower dealer fees and international settlements due to lower parcel volumes.
- The cost of facilities increased by $4 million (+5.9%) for Q3 2022 and by $21 million (+12.0%) for the year to date compared to the same periods in 2021, mainly due to higher janitorial, utilities and maintenance costs.
- Selling, administrative and other expenses increased by $43 million (+27.5%) for the third quarter in 2022, compared to the third quarter in 2021, and by $88 million (+19.9%) for the first three quarters of 2022, compared to the first three quarters of 2021, mainly due to more investments to sustain the network, enhance our services and improve capacity, and higher costs for IT services.

- The depreciation and amortization expense decreased by $3 million (-2.8%) in Q3 and was unchanged for the year to date of 2022, respectively, compared to the same periods of 2021, due to similar levels of capital assets.

5.5 Purolator segment

The Purolator segment's profit before tax increased by $19 million (+30.4%) in the third quarter and by $10 million (+5.4%) for the first three quarters of 2022, compared to the same periods in 2021. In Q3 2022, there was no difference in business days and two additional paid days compared to Q3 2021. For the year to date, there was one less business day and one additional paid day compared to the same period in 2021.

Summary of results for the third quarter and year to date

(in millions of dollars)

	Third quarter ended				Year to date ended			
	Oct. 1, 2022	Oct. 2, 2021	$ change	% change	**Oct. 1, 2022**	Oct. 2, 2021	$ change	% change
Revenue from operations	708	612	96	15.7%	2,055	1,891	164	9.2%
Cost of operations	618	541	77	10.8%	1,836	1,679	157	8.8%
Profit from operations	**90**	**71**	**19**	**26.5%**	**219**	**212**	**7**	**3.1%**
Investing and financing income (expense), net	(6)	(6)	–	16.6%	(16)	(19)	3	20.7%
Profit before tax	**84**	**65**	**19**	**30.4%**	**203**	**193**	**10**	**5.4%**

Revenue from operations increased by $96 million (+15.7%) in the third quarter of 2022, and by $164 million (+9.2%) for the year to date compared to the same periods in 2021. In the business-to-consumer express segment revenue increased in Q3 but decreased for the year to date as more people returned to in-store shopping after COVID-19 measures were lifted. Fuel revenue increases resulted from higher fuel prices.

Labour costs increased by $27 million (+6.8%) and $45 million (+4.9%) in Q3 and for the year to date, respectively, compared to the same periods in 2021, due to annual wage increases. The Q3 increase to labour costs was also due to the ratification of the new Teamsters Canada collective agreement, which resulted in a $11 million pension plan amendment loss due to the modification of the hourly pension plan. Non-labour costs increased by $50 million (+14.6%) in Q3 and by $112 million (+12.6%) for the year to date compared to the same periods in 2021, due to higher fuel costs and spending returning to normal levels for sales and general administration expenses.

5.6 SCI segment

In the third quarter and the first three quarters of 2022, SCI's profit before tax decreased by $1 million (-15.5%) and $10 million (-45.7%), respectively, compared to the same periods in the prior year. In Q3 and for the year to date of 2022, there was no difference in business days or paid days compared to the same periods in 2021.

Summary of results for the third quarter and year to date

(in millions of dollars)

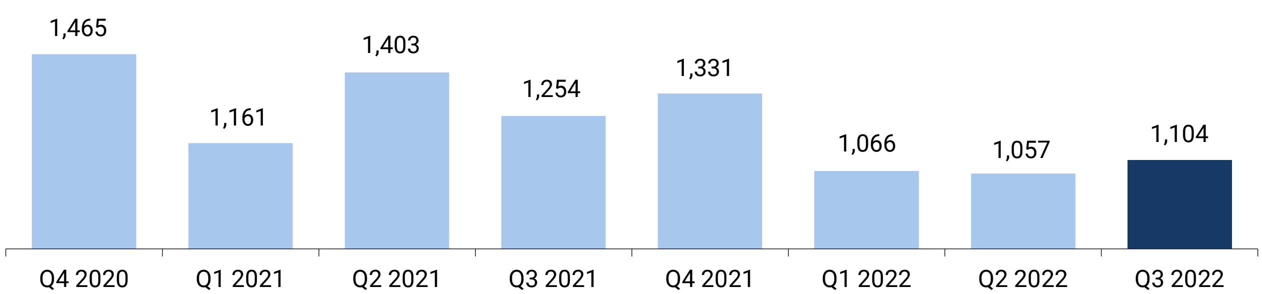
	Third quarter ended				Year to date ended			
	Oct. 1, 2022	Oct. 2, 2021	$ change	% change	**Oct. 1, 2022**	Oct. 2, 2021	$ change	% change
Revenue from operations	84	90	(6)	(6.6)%	240	270	(30)	(11.1)%
Cost of operations	79	83	(4)	(5.6)%	227	246	(19)	(8.0)%
Profit from operations	**5**	**7**	**(2)**	**(18.5)%**	**13**	**24**	**(11)**	**(43.5)%**
Investing and financing income (expense), net	1	–	1	46.0%	(1)	(2)	1	19.5%
Profit before tax	**6**	**7**	**(1)**	**(15.5)%**	**12**	**22**	**(10)**	**(45.7)%**

Revenue from operations declined in Q3 and for the first three quarters in 2022, by $6 million (-6.6%) and $30 million (-11.1%), respectively, compared to the same periods in 2021, due primarily to attrition of several customers midway through 2021, partially offset by volume growth from new and existing customers. Customer attrition contributed to lower salary and occupancy costs with a decrease in cost of operations of $4 million (-5.6%) in the third quarter and $19 million (-8.0%) for the year to date compared to the same periods in 2021; however, transportation costs were higher due to growth in transportation service volumes and fuel cost increases.

6. Liquidity and Capital Resources

A discussion of our cash flow, liquidity and capital resources

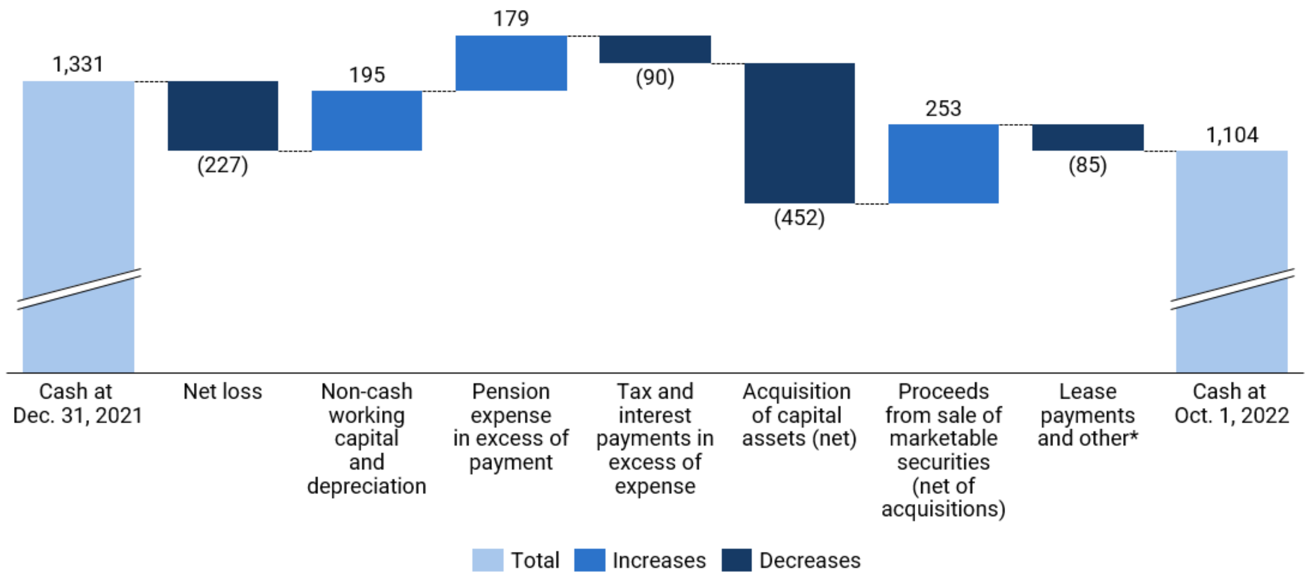
6.1 Cash and cash equivalents



The Group of Companies held cash and cash equivalents of $1,104 million as at October 1, 2022, compared to $1,331 million as at December 31, 2021. The cash decrease of $227 million (-17.1%) was due to acquisitions of capital assets, lower cash from working capital, and repayments of lease liabilities, partially offset by proceeds from sales of securities in excess of acquisitions and pension expenses in excess of payments.

Change in cash and cash equivalents for the 39 weeks ended October 1, 2022

(in millions of dollars)



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

Consolidated statement of cash flows

(in millions of dollars)

	Third quarter ended				Year to date ended				
	Oct. 1, 2022	Oct. 2, 2021	$ change	% change	**Oct. 1, 2022**	Oct. 2, 2021	$ change	% change	Explanation
Cash provided by (used in) operating activities	123	30	93	304.8%	57	294	(237)	(80.8)%	For Q3, primarily due to taxes received, a net loss decrease, and changes in working capital partially offset by reduction in pension expenses. For year-to-date, due to operating losses and changes in working capital.
Cash used in investing activities	(49)	(152)	103	67.2%	(195)	(418)	223	53.2%	Due to lower acquisitions and proceeds from marketable securities.
Cash used in financing activities	(31)	(30)	(1)	0.2%	(94)	(88)	(6)	(6.7)%	Relatively unchanged.

Capital expenditures

(in millions of dollars)

	Third quarter ended				Year to date ended			
	Oct. 1, 2022	Oct. 2, 2021	$ change	% change	**Oct. 1, 2022**	Oct. 2, 2021	$ change	% change
Canada Post	125	108	17	16.9%	333	305	28	9.4%
Purolator	22	51	(29)	(57.2)%	114	160	(46)	(28.8)%
SCI	3	2	1	33.7%	7	5	2	19.9%
Innovapost and intersegment	–	1	(1)	(100.8)%	–	1	(1)	(93.7)%
Canada Post Group of Companies	**150**	**162**	**(12)**	**(6.7)%**	**454**	**471**	**(17)**	**(3.7)%**

Capital expenditures for the Group of Companies decreased by $12 million (-6.7%) and $17 million (-3.7%) in Q3 2022 and for the year to date of 2022, compared to the same periods in 2021, due to lower acquisitions in the Purolator segment, partially offset by higher spending on infrastructure capacity in the Canada Post segment.

Canada Post segment

The Canada Post segment invested $205 million in Q3 2022, with capital and non-capital investments of $125 million, and $80 million, respectively. Year-to-date investments were $504 million, composed of $333 million capital investments and $171 million in non-capital investments. In the third quarter, we continued investments to address immediate capacity challenges and construction of the new Albert Jackson Processing Centre in the Greater Toronto Area. We also progressed with other facility improvement projects, including those to expand our delivery capacity. Investments were aligned and guided by the three pillars of our purpose, A Stronger Canada – Delivered.

6.2 Canada Post Corporation Registered Pension Plan

On an accounting basis, a remeasurement loss of $0.4 billion for the Canada Post Registered Pension Plan (RPP), net of tax, was recorded in other comprehensive income for the third quarter, due to a discount rate decrease. For the first three quarters, a remeasurement gain of $2 billion, net of tax, was recorded in other comprehensive income, resulting from discount rate increases compared to December 31, 2021, partially offset by lower-than-expected asset returns and experience adjustments.

Current service contributions amounted to $72 million and $231 million, respectively, for the third quarter and first three quarters of 2022, compared to $76 million and $233 million, respectively, for the same periods in 2021.

At the end of the third quarter, the solvency position (using market value of plan assets) of the RPP was an estimated surplus of $470 million, an improvement of $3.1 billion from the December 31, 2021, solvency deficit valuation of $2.6 billion, primarily due to a significant discount rate increase slightly offset by lower-than-expected asset returns and experience adjustments.

In October 2022, the Office of the Superintendent of Financial Institutions (OSFI) withdrew restrictions that had been in place on the RPP transfer deficiency payments. This change allows funding requirements for these payments to be consistent with the rules applied to other federally regulated plans. Savings from future cash transfer deficiency payments for the remainder of 2022 are estimated to be $7 million.

6.3 Liquidity and capital resources

Liquidity

The Canada Post segment had $1,739 million of unrestricted liquid investments on hand as at October 1, 2022, for a net liquidity position of $741 million, after outstanding loans and borrowings of $998 million (December 31, 2021 – $1,251 million). The decline in the segment's net liquidity position of $510 million is due to operating losses and higher costs to expand capacity and sustain the network. The segment also had $100 million in lines of credit established under a short-term borrowing authority approved by the Minister of Finance (all undrawn) and will benefit from temporary relief from its solvency funding obligation until December 31, 2024.

The Corporation's subsidiaries had a total of $401 million of unrestricted cash on hand and undrawn credit facilities of $138 million as at October 1, 2022, ensuring sufficient liquidity to support operations for at least the next 12 months.

Access to capital markets

With $998 million of borrowings as at October 1, 2022, the Canada Post segment had $1,502 million of its $2.5 billion external borrowing limit that had not been used. The Corporation funded itself primarily through the use of cash on hand, funds generated from operations during the third quarter of 2022 and the pension plan funding relief permitted by legislation.

7. Changes in Financial Position

A discussion of significant changes in our assets and liabilities between October 1, 2022, and December 31, 2021

(in millions of dollars)

ASSETS	**Oct. 1, 2022**	Dec. 31, 2021	$ change	% change	Explanation
Cash and cash equivalents	1,104	1,331	(227)	(17.1)%	Refer to Section 6 Liquidity and Capital Resources.
Marketable securities	1,036	1,279	(243)	(19.0)%	Due to maturities and lower surplus cash resulting in lower purchases of marketable securities.
Trade and other receivables	898	968	(70)	(7.2)%	Mainly due to lower receivables in the Canada Post and Purolator segments, partially offset by higher receivables in the SCI segment.
Other assets	179	200	(21)	(10.8)%	Mainly due to lower income tax receivable balance partially offset by higher prepaid expenses in the Canada Post segment.
Total current assets	**3,217**	**3,778**	**(561)**	**(14.9)%**	
Marketable securities	58	82	(24)	(28.9)%	Due to maturities not being reinvested due to lower surplus cash.
Property, plant and equipment	3,676	3,473	203	5.8%	Mainly due to acquisitions in excess of depreciation.
Intangible assets	187	169	18	10.3%	Mainly due to an increase in software under development
Right-of-use assets	1,340	1,326	14	1.0%	Mainly due to new leases and lease renewals exceeding depreciation in the Canada Post segment.
Segregated securities	408	482	(74)	(15.3)%	Due to unrealized losses in the Canada Post segment recorded in other comprehensive income.
Pension benefit assets	4,127	1,450	2,677	184.7%	Mostly resulting from remeasurement gains in the Canada Post Registered Pension Plan (RPP) due to an increase in discount rates offset by lower-than-expected asset returns and experience adjustments.
Deferred tax assets	2	572	(570)	(99.6)%	Due to a net surplus in post-employment plans (increase in discount rates from 2021), compared to a net deficit in 2021
Goodwill	130	130	–	–	No change.
Other assets	53	54	(1)	0.0%	No material change.
Total non-current assets	**9,981**	**7,738**	**2,243**	**29.0%**	
Total assets	**13,198**	**11,516**	**1,682**	**14.6%**	

(in millions of dollars)

LIABILITIES	Oct. 1, 2022	Dec. 31, 2021	$ change	% change	Explanation
Trade and other payables	893	881	12	1.4%	Primarily due to an increase in goods received in the Canada Post segment partially offset by a decrease in payables the Purolator segment.
Salaries and benefits payable and related provisions	514	700	(186)	(26.6)%	Mainly due to lower accrued salaries and benefits in the Canada Post segment.
Provisions	53	57	(4)	(7.8)%	No material change.
Income tax payable	–	20	(20)	(100.0)%	Primarily due to a decrease in tax liability for the Purolator segment.
Deferred revenue	171	186	(15)	(8.2)%	Mainly due to lower deferred revenue in the Canada Post segment related to parcels and stamps.
Lease liabilities	123	123	–	0.2%	No material change.
Other long-term benefit liabilities	62	62	–	0.1%	No change.
Total current liabilities	**1,816**	**2,029**	**(213)**	**(10.5)%**	
Lease liabilities	1,412	1,391	21	1.5%	Mainly due to new leases and lease renewals in the Canada Post segment net of lease payments.
Loans and borrowings	998	998	–	0.0%	No material change.
Pension, other post-employment and other long-term benefit liabilities	3,041	3,969	(928)	(23.4)%	Mainly a result of remeasurement gains from an increase in discount rates on other post-employment plans.
Deferred tax liability	265	12	253	†	Due to a net surplus in post-employment plans (increase in discount rates from 2021), compared to a net deficit in 2021
Other liabilities	42	32	10	24.3%	No material change.
Total non-current liabilities	**5,758**	**6,402**	**(644)**	**(10.0)%**	
Total liabilities	**7,574**	**8,431**	**(857)**	**(10.2)%**	
EQUITY					
Contributed capital	1,155	1,155	–	–	No change.
Accumulated other comprehensive income (loss)	(9)	59	(68)	*	Mainly due to unrealized losses on segregated securities for dental, term life and death benefit plans in the Canada Post segment.
Retained earnings	4,402	1,811	2,591	143.0%	Primarily due to remeasurement gains from higher discount rates offset by lower-than-expected asset returns and experience adjustments.
Equity of Canada	**5,548**	**3,025**	**2,523**	**83.4%**	
Non-controlling interests	76	60	16	26.8%	
Total equity	**5,624**	**3,085**	**2,539**	**82.3%**	
Total liabilities and equity	**13,198**	**11,516**	**1,682**	**14.6%**	

† Large percentage change.

* The calculation is not mathematically meaningful.

8. Risks and Risk Management

A discussion of Canada Post's 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 (ERM). Where appropriate, Canada Post has recorded provisions for claims, grievances, and non-litigated disputes. Should the ultimate resolution of these actions differ from management's assessments and assumptions, this could result in a material future adjustment to the Corporation's financial position and results of operations.

There were no developments in our emerging or principal risks in the third quarter of 2022, except as noted below.

8.1 Emerging risks

Economic uncertainty and recession

Similar to many businesses in Canada and globally, Canada Post has been affected by emerging macroeconomic challenges, including the global surge in inflation, aggressive interest rate hikes by central banks to tame demand and inflation pressure, reduced consumer confidence and historic labour shortages. Meanwhile, supply chain disruptions brought on by COVID-19 lockdowns and worldwide geopolitical tensions have only exacerbated these risks. For the remainder of 2022, there continues to be a risk of economic volatility and a potential recession, which may cause more severe impacts to the Canadian economy, businesses and Canada Post. Risks to Canada Post in the event of an economic recession include higher costs and delays to transformation projects, decreased consumer retail spending and associated ecommerce parcel volumes, and decreased Lettermail™ and Canada Post Smartmail Marketing™ volumes.

8.2 Principal risks

Climate change and environmentally sustainable practices

During the first two quarters of 2022, Canada Post re-evaluated risks related to climate-induced weather events and disasters, as well as the progressive impacts of climate change. The objective is to prepare for future climate-induced risks and minimize their impact to the Corporation.

To mitigate the risk that environmentally sustainable practices may not meet growing expectations of customers, its unions, the Government of Canada and all Canadians, the Corporation released a revised climate strategy in 2022, aligned with the Science Based Targets initiative (SBTi) 1.5°C pathway, which commits the Corporation to a 50% reduction of scopes 1 and 2 greenhouse gas emissions by 2030.

9. Critical Accounting Estimates, Adoption of New Accounting Standards and Accounting Policy Developments

A review of critical accounting estimates and changes in accounting policies in 2022 and future years

9.1 Critical accounting estimates

The preparation of the Corporation's consolidated financial statements requires management to make complex or subjective judgments, estimates and assumptions based on existing knowledge that affect reported amounts and disclosures in the consolidated financial statements and accompanying notes. Actual results may differ. 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 considerable 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 in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects current and future periods. Our significant estimates and judgments are described below.

The Group of Companies' critical accounting estimates remain substantially unchanged from the prior year.

9.2 Adoption of new accounting standards

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

9.3 Accounting policy developments

The following table presents the not-yet-effective amendments issued by the IASB that have not been early adopted at the end of the reporting period and that have been assessed as having a possible effect on the consolidated financial statements of the Group of Companies in the future. The Group of Companies is assessing the impact of these amendments.

Amendment	**Effective for annual periods beginning on or after**
Amendments to IFRS 16 "Leases – Lease liability in a Sale and Leaseback"	January 1, 2024

Endnotes

1. Percentage changes for revenue, volumes and cost of operations in this report are adjusted for differences in business and paid days in the quarter and for the year to date compared to the comparative periods in the prior year. Fewer business and paid days result in decreased revenue and volume, and decreased cost of operations, respectively, while the opposite is true for additional days.

   Differences in business and paid days in Q3 and for the year to date (YTD) of 2022, compared to the same periods in 2021, by segment, are as follows.

	Business days		**Paid days**	
Segment	**Q3**	**YTD**	**Q3**	**YTD**
Canada Post Group of Companies and Canada Post	–	(1)	–	(1)
Purolator	–	(1)	2	1
SCI	–	–	–	–

Management's Responsibility for Interim Financial Reporting

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

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

President and Chief Executive Officer

Chief Financial Officer

November 24, 2022

Interim Condensed Consolidated Statement of Financial Position

(Unaudited – in millions of Canadian dollars)

	As at October 1, 2022	As at December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	**1,104**	1,331
Marketable securities	**1,036**	1,279
Trade, other receivables and contract assets	**898**	968
Income tax receivable	**29**	66
Other assets (Note 4)	**150**	134
Total current assets	**3,217**	3,778
Non-current assets		
Marketable securities	**58**	82
Property, plant and equipment (Note 5)	**3,676**	3,473
Intangible assets (Note 5)	**187**	169
Right-of-use assets (Note 5)	**1,340**	1,326
Segregated securities	**408**	482
Pension benefit assets (Note 6)	**4,127**	1,450
Deferred tax assets	**2**	572
Goodwill	**130**	130
Other assets (Note 4)	**53**	54
Total non-current assets	**9,981**	7,738
Total assets	**13,198**	11,516
Liabilities and equity		
Current liabilities		
Trade and other payables	**893**	881
Salaries and benefits payable and related provisions	**514**	700
Provisions	**53**	57
Income tax payable	**–**	20
Deferred revenue	**171**	186
Lease liabilities (Note 7)	**123**	123
Other long-term benefit liabilities (Note 6)	**62**	62
Total current liabilities	**1,816**	2,029
Non-current liabilities		
Lease liabilities (Note 7)	**1,412**	1,391
Loans and borrowings	**998**	998
Pension, other post-employment and other long-term benefit liabilities (Note 6)	**3,041**	3,969
Deferred tax liabilities	**265**	12
Other liabilities	**42**	32
Total non-current liabilities	**5,758**	6,402
Total liabilities	**7,574**	8,431
Equity		
Contributed capital	**1,155**	1,155
Accumulated other comprehensive income (Note 13)	**(9)**	59
Accumulated surplus	**4,402**	1,811
Equity of Canada	**5,548**	3,025
Non-controlling interests	**76**	60
Total equity	**5,624**	3,085
Total liabilities and equity	**13,198**	11,516

Contingent Liabilities (Note 8). The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income

(Unaudited – in millions of Canadian dollars)

	For the 13 weeks ended		For the 39 weeks ended	
	October 1, 2022	October 2, 2021	**October 1, 2022**	October 2, 2021
Revenue from operations (Note 10)	**2,373**	2,281	**7,340**	7,422
Cost of operations				
Labour	**1,169**	1,175	**3,589**	3,675
Employee benefits	**400**	461	**1,196**	1,420
	1,569	1,636	**4,785**	5,095
Other operating costs (Note 11)	**817**	707	**2,471**	2,215
Depreciation and amortization (Note 5)	**112**	114	**336**	335
Total cost of operations	**2,498**	2,457	**7,592**	7,645
Loss from operations	**(125)**	(176)	**(252)**	(223)
Investing and financing income (expense)				
Investment and other income (Note 12)	**12**	10	**24**	28
Finance costs and other expense (Note 12)	**(23)**	(25)	**(72)**	(79)
Investing and financing expense, net	**(11)**	(15)	**(48)**	(51)
Loss before tax	**(136)**	(191)	**(300)**	(274)
Tax recovery	**(35)**	(46)	**(73)**	(65)
Net loss	**(101)**	(145)	**(227)**	(209)
Other comprehensive income (Note 13)				
Items that may subsequently be reclassified to net loss				
Change in unrealized fair value of financial assets	**1**	(7)	**(69)**	(35)
Foreign currency translation adjustment	**1**	1	**1**	(1)
Item never reclassified to net loss				
Remeasurements of defined benefit plans	**(425)**	1,037	**2,834**	4,325
Other comprehensive income (loss)	**(423)**	1,031	**2,766**	4,289
Comprehensive income (loss)	**(524)**	886	**2,539**	4,080
Net profit (loss) attributable to				
Government of Canada	**(106)**	(148)	**(238)**	(219)
Non-controlling interests	**5**	3	**11**	10
	(101)	(145)	**(227)**	(209)
Comprehensive income (loss) attributable to				
Government of Canada	**(528)**	880	**2,523**	4,060
Non-controlling interests	**4**	6	**16**	20
	(524)	886	**2,539**	4,080

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

Interim Condensed Consolidated Statement of Changes in Equity

(Unaudited – in millions of Canadian dollars)

For the 13 weeks ended October 1, 2022	Contributed capital	Accumulated other comprehensive income (loss)	Accumulated surplus	Equity of Canada	Non-controlling interests	Total equity
Balance at July 2, 2022	**1,155**	**(11)**	**4,932**	**6,076**	**72**	**6,148**
Net profit (loss)	**–**	**–**	**(106)**	**(106)**	**5**	**(101)**
Other comprehensive income (loss) (Note 13)	**–**	**2**	**(424)**	**(422)**	**(1)**	**(423)**
Comprehensive income (loss)	**–**	**2**	**(530)**	**(528)**	**4**	**(524)**
Balance at October 1, 2022	**1,155**	**(9)**	**4,402**	**5,548**	**76**	**5,624**

For the 13 weeks ended October 2, 2021	Contributed capital	Accumulated other comprehensive income	Accumulated surplus	Equity of Canada	Non-controlling interests	Total equity
Balance at July 3, 2021	1,155	62	1,044	2,261	55	2,316
Net profit (loss)	–	–	(148)	(148)	3	(145)
Other comprehensive income (Note 13)	–	(6)	1,034	1,028	3	1,031
Comprehensive income (loss)	–	(6)	886	880	6	886
Balance at October 2, 2021	1,155	56	1,930	3,141	61	3,202

For the 39 weeks ended October 1, 2022	Contributed capital	Accumulated other comprehensive income (loss)	Accumulated surplus	Equity of Canada	Non-controlling interests	Total equity
Balance at December 31, 2021	**1,155**	**59**	**1,811**	**3,025**	**60**	**3,085**
Net profit (loss)	**–**	**–**	**(238)**	**(238)**	**11**	**(227)**
Other comprehensive income (loss) (Note 13)	**–**	**(68)**	**2,829**	**2,761**	**5**	**2,766**
Comprehensive income (loss)	**–**	**(68)**	**2,591**	**2,523**	**16**	**2,539**
Balance at October 1, 2022	**1,155**	**(9)**	**4,402**	**5,548**	**76**	**5,624**

For the 39 weeks ended October 2, 2021	Contributed capital	Accumulated other comprehensive income	Accumulated surplus (accumulated deficit)	Equity of Canada	Non-controlling interests	Total equity
Balance at December 31, 2020	1,155	92	(2,166)	(919)	41	(878)
Net profit (loss)	–	–	(219)	(219)	10	(209)
Other comprehensive income (loss) (Note 13)	–	(36)	4,315	4,279	10	4,289
Comprehensive income (loss)	–	(36)	4,096	4,060	20	4,080
Balance at October 2, 2021	1,155	56	1,930	3,141	61	3,202

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

Interim Condensed Consolidated Statement of Cash Flows

(Unaudited – in millions of Canadian dollars)

	For the 13 weeks ended		For the 39 weeks ended	
	October 1, 2022	October 2, 2021	**October 1, 2022**	October 2, 2021
Cash flows from operating activities				
Net loss	**(101)**	(145)	**(227)**	(209)
Adjustments to reconcile net profit to cash provided by operating activities:				
Depreciation and amortization (Note 5)	**112**	114	**336**	335
Pension, other post-employment and other long-term benefit expense (Note 6)	**230**	296	**648**	878
Pension, other post-employment and other long-term benefit payments (Note 6)	**(144)**	(157)	**(469)**	(471)
Gain (loss) on sale of capital assets (Note 12)	**–**	(7)	**1**	(15)
Tax recovery and other items affecting net income tax receivable	**(35)**	(46)	**(73)**	(65)
Net interest expense (Note 12)	**9**	16	**38**	49
Change in non-cash operating working capital:				
Decrease in trade and other receivables	**54**	91	**70**	184
Increase (decrease) in trade and other payables	**45**	(52)	**23**	(136)
Decrease in salaries and benefits payable and related provisions	**(74)**	(53)	**(186)**	(169)
Decrease in provisions	**(3)**	(1)	**(9)**	(2)
Net decrease (increase) in other non-cash operating working capital	**5**	8	**(38)**	(79)
Other (expense) income not affecting cash, net	**(4)**	7	**(2)**	1
Cash provided by operations before interest and tax	**94**	71	**112**	301
Interest received	**12**	5	**30**	24
Interest paid	**(31)**	(31)	**(72)**	(72)
Tax received (paid)	**48**	(15)	**(13)**	41
Cash provided by operating activities	**123**	30	**57**	294
Cash flows from investing activities				
Acquisition of securities	**(134)**	(267)	**(450)**	(863)
Proceeds from sale of securities	**233**	269	**703**	896
Acquisition of capital assets	**(150)**	(162)	**(454)**	(471)
Proceeds from sale of capital assets	**–**	7	**2**	18
Other investing activities, net	**2**	1	**4**	2
Cash used in investing activities	**(49)**	(152)	**(195)**	(418)
Cash flows from financing activities				
Repayments of lease liabilities, net of sublease proceeds	**(31)**	(30)	**(94)**	(88)
Cash used in financing activities	**(31)**	(30)	**(94)**	(88)
Net increase (decrease) in cash and cash equivalents	**43**	(152)	**(232)**	(212)
Cash and cash equivalents, beginning of period	**1,057**	1,403	**1,331**	1,465
Effect of exchange rate changes on cash and cash equivalents	**4**	3	**5**	1
Cash and cash equivalents, end of period	**1,104**	1,254	**1,104**	1,254

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

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the 39 weeks ended October 1, 2022

1. Incorporation, Business Activities and Directives

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

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

Under the *Canada Post Corporation Act*, the Corporation has the sole and exclusive privilege (with some exceptions) of collecting, transmitting and delivering letters to the addressee thereof within Canada. The Corporation is also subject to directives issued pursuant to section 89 of the *Financial Administration Act* as described in Note 1 to the Corporation's annual consolidated financial statements for the year ended December 31, 2021. There is no change to the status of these directives.

2. Basis of Presentation

Statement of compliance • The Corporation has prepared its unaudited interim condensed consolidated financial statements (interim financial statements) in compliance with IAS 34 "Interim Financial Reporting" of the International Financial Reporting Standards (IFRSs), and the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports. As permitted under this standard, these interim financial statements do not include all of the disclosures required for annual consolidated financial statements, and they should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2021. They were approved and authorized for issue by the Board of Directors November 24, 2022.

Basis of presentation • These interim financial statements have been prepared on a historical cost basis, except as permitted by IFRSs and as otherwise indicated within these notes. Although the Corporation's year end of December 31 matches the calendar year end, the Corporation's quarter end dates do not necessarily coincide with calendar year quarters; instead, each of the Corporation's quarters contains 13 weeks. Amounts are shown in millions of dollars, unless otherwise noted.

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

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

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, 2021. The accounting policies have been applied consistently to all periods presented, unless otherwise indicated.

Basis of consolidation • These interim financial statements include the accounts of the Corporation and its subsidiaries, 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, 2021. There are no significant changes to these judgments or sources of estimation uncertainty in the 39 weeks ending October 1, 2022.

3. Application of New and Revised International Financial Reporting Standards

(a) New standards, amendments and interpretations effective January 1, 2022

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

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

In addition to those disclosed in Note 5 (b) of the Corporation's annual consolidated financial statements for the year ended December 31, 2021, in September 2022, the IASB issued an amendment to the following standard, which is effective for annual periods beginning on or after January 1, 2024, with early application is permitted. The Group is assessing the impact of this amendment.

Standard	Subject matter and significance
Amendments to IFRS 16, Leases – Lease liability in a sale and leaseback	Amendments specify how a seller-lessee subsequently measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements allow a seller-lessee to recognize a gain or loss relating to the partial or full termination of a lease.

4. Other Assets

(in millions)

	As at October 1, 2022	As at December 31, 2021
Prepaid expenses	**160**	141
Assets held for sale	**1**	1
Other receivables	**42**	46
Total other assets	**203**	188
Current other assets	**150**	134[1]
Non-current other assets	**53**	54

1. Comparative figures have been reclassified to conform to the current period presentation, where an income tax receivable of $66 million is reclassified from other current assets to a standalone item in the statement of financial position.

As at October 1, 2022, all properties classified as held for sale were from the Canada Post segment. It is anticipated that the carrying amount of the properties will be fully recovered through the sale proceeds.

5. Capital Assets

(a) Property, plant and equipment

(in millions)

	Land	Buildings	Leasehold improvements	Plant equipment	Vehicles	Sales counters, office furniture and equipment	Other equipment	Assets under development	Total
Cost									
December 31, 2021	457	2,339	377	1,215	749	346	1,155	549	7,187
Additions	25	37	8	28	36	13	102	154	403
Reclassified as held for sale	–	(2)	–	–	–	–	–	–	(2)
Retirements	–	–	(1)	(26)	(16)	(29)	(6)	–	(78)
Transfers	–	119	6	107	–	7	5	(244)	–
October 1, 2022	**482**	**2,493**	**390**	**1,324**	**769**	**337**	**1,256**	**459**	**7,510**
Accumulated depreciation									
December 31, 2021	–	1,303	277	854	447	280	553	–	3,714
Depreciation	–	44	12	51	38	12	42	–	199
Reclassified as held for sale	–	(2)	–	–	–	–	–	–	(2)
Retirements	–	–	(1)	(26)	(15)	(29)	(6)	–	(77)
October 1, 2022	**–**	**1,345**	**288**	**879**	**470**	**263**	**589**	**–**	**3,834**
Carrying amounts									
December 31, 2021	457	1,036	100	361	302	66	602	549	3,473
October 1, 2022	**482**	**1,148**	**102**	**445**	**299**	**74**	**667**	**459**	**3,676**

(b) Intangible assets

(in millions)

	Software	Software under development	Customer contracts and relationships	Total
Cost				
December 31, 2021	960	38	22	1,020
Additions	1	54	–	55
Retirements	(3)	–	–	(3)
Transfers	5	(5)	–	–
October 1, 2022	**963**	**87**	**22**	**1,072**
Accumulated amortization				
December 31, 2021	829	–	22	851
Amortization	35	–	–	35
Retirements	(1)	–	–	(1)
October 1, 2022	**863**	**–**	**22**	**885**
Carrying amounts				
December 31, 2021	131	38	–	169
October 1, 2022	**100**	**87**	**–**	**187**

(c) Right-of-use assets

(in millions)

	Land	Buildings – gross	Buildings – net	Vehicles	Plant equipment	Total
Carrying amounts						
December 31, 2021	116	307	888	13	2	1,326
Additions	–	33	84	–	–	117
Depreciation	(3)	(22)	(72)	(4)	(1)	(102)
Terminations	–	–	(1)	–	–	(1)
October 1, 2022	**113**	**318**	**899**	**9**	**1**	**1,340**

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:

(in millions)

	As at October 1, 2022	As at December 31, 2021
Pension benefit assets	**4,127**	1,450
Pension benefit liabilities	5	6
Other post-employment and other long-term benefit liabilities	3,098	4,025
Total pension, other post-employment and other long-term benefit liabilities	3,103	4,031
Current other long-term benefit liabilities	**62**	62
Non-current pension, other post-employment and other long-term benefit liabilities	**3,041**	3,969

(b) Defined benefit and defined contribution costs

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

(in millions)

	For the 13 weeks ended October 1, 2022			For the 13 weeks ended October 2, 2021		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	159	30	189	198	34	232
Interest cost	228	29	257	229	30	259
Interest income on plan assets	(240)	–	(240)	(207)	–	(207)
Other administration costs	4	–	4	4	–	4
Loss from plan amendment[1]	11	–	11	–	–	–
Defined benefit expense	162	59	221	224	64	288
Defined contribution expense	9	–	9	8	–	8
Total expense	171	59	230	232	64	296
Return on segregated securities	–	(3)	(3)	–	(4)	(4)
Component included in employee benefits expense	**171**	**56**	**227**	232	60	292
Remeasurement (gains) losses:						
Return on plan assets, excluding interest income on plan assets	(9)	–	(9)	(263)	–	(263)
Actuarial losses (gains)	498	74	572	(1,007)	(114)	(1,121)
Component included in other comprehensive income[2,3]	**489**	**74**	**563**	(1,270)	(114)	(1,384)

1. In Q3 2022, ratification of the new Teamsters Canada collective agreement resulted in a $11 million pension plan amendment loss due to the modification of the hourly pension plan.
2. Amounts presented in this table exclude an income tax recovery of $138 million for the 13 weeks ended October 1, 2022 (October 2, 2021 – expense of $347 million).
3. The discount rate used to measure the Canada Post segment pension benefit plans and other benefit plans at October 1, 2022, was 5.13% compared to 5.31% and 5.34%, respectively, at July 2, 2022 (3.46% and 3.60% at October 2, 2021, compared to 3.27% and 3.39%, respectively, at July 3, 2021).

(in millions)

	For the 39 weeks ended October 1, 2022			For the 39 weeks ended October 2, 2021		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	481	90	571	596	102	698
Interest cost	682	87	769	690	91	781
Interest income on plan assets	(718)	–	(718)	(624)	–	(624)
Other administration costs	12	–	12	11	–	11
Actuarial gains[1]	–	(25)	(25)	–	(12)	(12)
Loss from plan amendment[2]	11	–	11	–	–	–
Defined benefit expense	468	152	620	673	181	854
Defined contribution expense	28	–	28	24	–	24
Total expense	496	152	648	697	181	878
Return on segregated securities	–	(11)	(11)	–	(12)	(12)
Component included in employee benefits expense	**496**	**141**	**637**	697	169	866
Remeasurement (gains) losses:						
Return on plan assets, excluding interest income on plan assets	4,444	–	4,444	(1,030)	–	(1,030)
Actuarial gains	(7,263)	(965)	(8,228)	(4,166)	(575)	(4,741)
Component included in other comprehensive income[3,4]	**(2,819)**	**(965)**	**(3,784)**	(5,196)	(575)	(5,771)

1. Remeasurements for other long-term benefits plans are recognized in net profit (or loss) in the period in which they arise.
2. In Q3 2022, ratification of the new Teamsters Canada collective agreement resulted in a $11 million pension plan amendment loss due to the modification of the hourly pension plan.
3. Amounts presented in this table exclude an income tax expense of $950 million for the 39 weeks ended October 1, 2022 (October 2, 2021 – $1,446 million).
4. The discount rate used to measure the Canada Post segment pension benefit plans and other benefit plans at October 1, 2022, were 5.13% compared to 3.22% and 3.26%, respectively, at December 31, 2021 (3.46% and 3.60%, respectively, at October 2, 2021, compared to 2.67% and 2.74%, respectively, at December 31, 2020).

(c) Total cash payments and funding relief

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

(in millions)

	For the 13 weeks ended		**For the 39 weeks ended**	
	October 1, 2022	October 2, 2021	**October 1, 2022**	October 2, 2021
Benefits paid directly to beneficiaries for other benefit plans	37	37	114	114
Employer regular contributions to pension benefit plans	87	93	283	288
Employer special contributions to pension benefit plans	11	19	44	45
Cash payments for defined benefit plans	135	149	441	447
Contributions to defined contribution plans	9	8	28	24
Total cash payments	**144**	157	**469**	471

The estimates for the Group of Companies' total contributions to the defined benefit pension plans in 2022 did not change significantly from those disclosed in the Corporation's audited consolidated financial statements for the year ended December 31, 2021.

In October 2022, the Office of the Superintendent of Financial Institutions (OSFI) withdrew restrictions that had been in place on the Canada Post Registered Pension Plan transfer deficiency payments. This change allows funding requirements for these payments to be consistent with the rules applied to other federally regulated plans. Savings from future cash transfer deficiency payments for the remainder of 2022 are estimated to be $7 million.

7. Lease Liabilities

(a) Lease liabilities

(in millions)

	As at October 1, 2022	As at December 31, 2021
Maturity analysis – Contractual undiscounted cash flows[1,2]		
Less than one year	154	159
One to five years	581	567
More than five years	1,303	1,240
Total undiscounted lease liabilities	**2,038**	1,966
Lease liabilities in the consolidated statement of financial position	**1,535**	1,514
Current lease liabilities	**123**	123
Non-current lease liabilities	**1,412**	1,391

1. Included in the above table are lease payments (undiscounted cash flows) to be made to related parties in the normal course of business, in the amount of $29 million for premises used in postal operations (December 31, 2021 – $30 million).
2. Leases that have not yet commenced, but which have been committed to as at October 1, 2022, have future cash outflows of $100 million that are included in the above maturity analysis, but they are excluded from the measurement of lease liabilities (December 31, 2021 – $62 million).

(b) Changes in liabilities arising from financing activities

(in millions)

	December 31, 2021	Payments	Interest	Net lease additions	**October 1, 2022**
Lease liabilities	1,514	(123)	30	114	**1,535**

8. Contingent Liabilities

There have been no significant changes to the contingent liabilities as disclosed in Note 16 of the Corporation's 2021 annual consolidated financial statements, except as noted below.

On October 26, 2022, a class-action application was filed in Quebec's Superior Court against several defendants, including Canada Post. The application alleges that the defendants promote and sell predetermined spending limit prepaid cards (Visa, Mastercard, American Express) at a price that is higher than advertised – a practice that is claimed to be in violation of Quebec's *Consumer Protection Act* and Canada's *Competition Act*. The proposed class action includes all consumers in Canada who purchased a prepaid card from any of the defendants since May 8, 2019, and who paid a price higher than the price advertised on the card (excluding sales tax). The class action has not yet been certified by the Court. The outcome of this class action is not determinable.

9. Fair Values and Risk 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 (including derivatives), trade and other payables (including derivatives) and salaries and benefits payable and related provisions are a reasonable approximation of their carrying values as presented on the statement of financial position. 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 levels of the fair value hierarchy during the period ended October 1, 2022.

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. Unless noted below, these financial risks have not changed significantly since the end of the last reporting period.

(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 (SDRs), a basket of currencies comprising the U.S. dollar (US$), euro (€), British pound (£), Japanese yen (¥) and Chinese renminbi (CN¥) whereas payment is usually denominated in US$.

The Canada Post segment has an economic hedge program to mitigate its exposure to foreign exchange balances and forecasted sales denominated in SDRs. The mark-to-market adjustment on outstanding forward contracts held at October 1, 2022 was not significant (December 31, 2021 – not significant).

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

(in millions)

	For the 13 weeks ended October 1, 2022			For the 13 weeks ended October 2, 2021		
	Foreign exchange gains	**Derivative gains (losses)**	**Total**	Foreign exchange gains	Derivative gains (losses)	Total
Unrealized	4	(3)	1	5	(5)	–
Realized	1	3	4	–	1	1
Total	**5**	**–**	**5**	5	(4)	1

(in millions)

	For the 39 weeks ended October 1, 2022			For the 39 weeks ended October 2, 2021		
	Foreign exchange gains (losses)	**Derivative gains**	**Total**	Foreign exchange gains (losses)	Derivative gains	Total
Unrealized	2	1	3	2	2	4
Realized	(1)	6	5	(6)	4	(2)
Total	**1**	**7**	**8**	(4)	6	2

(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.

In April 2022, the Government of Canada approved the *Canada Post Corporation Pension Plan Funding Regulations* to provide Canada Post with temporary relief from its solvency funding obligations until December 31, 2024.

10. Disaggregation of Revenue

(a) Geographic area revenue

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

(in millions)

	For the 13 weeks ended		**For the 39 weeks ended**	
	October 1, 2022	October 2, 2021	**October 1, 2022**	October 2, 2021
Canada	2,282	2,184	7,037	7,064
United States	57	56	195	212
Rest of the world	34	41	108	146
Total revenue	**2,373**	2,281	**7,340**	7,422

(b) Products and services revenue

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

(in millions)

	For the 13 weeks ended October 1, 2022			For the 13 weeks ended October 2, 2021		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Revenue attributed to products and services						
Parcels	1,575	(50)	1,525	1,455	(43)	1,412
Transaction Mail	417	–	417	427	–	427
Direct Marketing	218	–	218	229	(1)	228
Other revenue	140	(82)	58	124	(70)	54
	2,350	(132)	2,218	2,235	(114)	2,121
Unattributed revenue						
Stamp postage	66	–	66	69	–	69
Meter postage	89	–	89	91	–	91
	155	–	155	160	–	160
Total	**2,505**	**(132)**	**2,373**	2,395	(114)	2,281

(in millions)

	For the 39 weeks ended October 1, 2022			For the 39 weeks ended October 2, 2021		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Revenue attributed to products and services						
Parcels	4,745	(142)	4,603	4,744	(136)	4,608
Transaction Mail	1,396	(1)	1,395	1,435	(1)	1,434
Direct Marketing	694	(1)	693	663	(1)	662
Other revenue	403	(236)	167	415	(230)	185
	7,238	(380)	6,858	7,257	(368)	6,889
Unattributed revenue						
Stamp postage	198	–	198	231	–	231
Meter postage	284	–	284	302	–	302
	482	–	482	533	–	533
Total	**7,720**	**(380)**	**7,340**	7,790	(368)	7,422

(c) Sales channel revenue

Sales channel revenue is reported for domestic revenue from commercial customers and for domestic retail from sales to consumers. International revenue includes revenue from the United States and the rest of the world as defined in Note 10 (a).

(in millions)

	For the 13 weeks ended October 1, 2022			For the 13 weeks ended October 2, 2021		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic						
Commercial	1,698	(50)	1,648	1,662	(44)	1,618
Retail	629	–	629	554	–	554
	2,327	(50)	2,277	2,216	(44)	2,172
International	90	–	90	108	–	108
Other	88	(82)	6	71	(70)	1
Total	**2,505**	**(132)**	**2,373**	2,395	(114)	2,281

(in millions)

	For the 39 weeks ended October 1, 2022			For the 39 weeks ended October 2, 2021		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic						
Commercial	5,242	(144)	5,098	5,228	(138)	5,090
Retail	1,931	–	1,931	1,959	–	1,959
	7,173	(144)	7,029	7,187	(138)	7,049
International	302	–	302	369	–	369
Other	245	(236)	9	234	(230)	4
Total	**7,720**	**(380)**	**7,340**	7,790	(368)	7,422

11. Other Operating Costs

(in millions)

	For the 13 weeks ended		For the 39 weeks ended	
	October 1, 2022	October 2, 2021	**October 1, 2022**	October 2, 2021
Non-labour collection, processing and delivery	510	456	1,597	1,478
Property, facilities and maintenance	77	73	256	237
Selling, administrative and other	230	178	618	500
Other operating costs	**817**	707	**2,471**	2,215

12. Investing and Financing Income (Expense)

(in millions)

	For the 13 weeks ended		For the 39 weeks ended	
	October 1, 2022	October 2, 2021	**October 1, 2022**	October 2, 2021
Interest income	11	3	24	13
Gain (loss) on sale of capital assets and assets held for sale	–	7	(1)	15
Other income	1	–	1	–
Investment and other income	**12**	10	**24**	28
Interest expense	(20)	(20)	(62)	(62)
Other expense	(3)	(5)	(10)	(17)
Finance costs and other expense	**(23)**	(25)	**(72)**	(79)
Investing and financing expense, net	**(11)**	(15)	**(48)**	(51)

13. Other Comprehensive Income

(in millions)

	Items that may subsequently be reclassified to net profit (loss)			Item never reclassified to net profit (loss)	
	Change in unrealized fair value of financial assets	Cumulative foreign currency translation adjustment	Accumulated other comprehensive income (loss)	Remeasurements of defined benefit plans	Other comprehensive income
Accumulated balance as at December 31, 2021	56	3	59		
Gains (losses) arising	(92)	1	(91)	3,784	3,693
Income taxes	23	–	23	(950)	(927)
Net	**(69)**	**1**	**(68)**	**2,834**	**2,766**
Accumulated balance as at October 1, 2022	**(13)**	**4**	**(9)**		

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

(in millions)

	For the 13 weeks ended		For the 39 weeks ended	
	October 1, 2022	October 2, 2021	**October 1, 2022**	October 2, 2021
Related party revenue	**65**	90	**188**	250
Compensation payments for programs				
Government mail and mailing of materials for persons who are blind	**6**	6	**17**	17
Payments from related parties for premises leased from the Corporation	**2**	2	**5**	5
Related party expenditures	**2**	5	**10**	19

Most of the related party revenue was for commercial contracts relating to postal services with the Government of Canada. As well, compensation was provided by the Government of Canada for parliamentary mail services and mailing of materials for persons who are blind sent free of postage. For related party lease information, refer to Note 7 (a).

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

	As at October 1, 2022	As at December 31, 2021
Due to/from related parties		
Included in trade and other receivables	**22**	21
Included in trade and other payables	**8**	9
Deferred revenue from related parties	**1**	5

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

In the normal course of business, the Group of Companies may interact with companies whose financial and operating policies are solely or jointly governed by key management personnel (KMP) of the Group of Companies. The affected KMP are required to recuse themselves from all discussions and decisions relating to transactions between the companies. The only significant transactions for the 39 weeks ended October 1, 2022, 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 nil and $8 million for the 13 and 39 weeks ended October 1, 2022, respectively (October 2, 2021 – $3 million and $9 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 39 weeks ended October 1, 2022, the Corporation provided administration services to the Canada Post Corporation Registered Pension Plan in the amount of $4 million and $11 million, respectively (October 2, 2021 – $4 million and $10 million, respectively). As at October 1, 2022, $1 million (December 31, 2021 – $4 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 Information

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

As at and for the 13 weeks ended October 1, 2022

(in millions)

	Canada Post	Purolator	SCI	Other	Total
Revenue from external customers	1,603	701	69	–	2,373
Intersegment revenue	28	7	15	(50)	–
Revenue from operations	1,631	708	84	(50)	2,373
Labour and employee benefits	1,216	292	36	25	1,569
Other operating costs	557	303	34	(77)	817
Depreciation and amortization	79	23	9	1	112
Cost of operations	1,852	618	79	(51)	2,498
Profit (loss) from operations	(221)	90	5	1	(125)
Investment and other income	10	1	1	–	12
Finance costs and other expense	(16)	(7)	–	–	(23)
Profit (loss) before tax	(227)	84	6	1	(136)
Tax expense (recovery)	(57)	20	2	–	(35)
Net profit (loss)	(170)	64	4	1	(101)
Total assets	11,183	2,049	300	(334)	13,198
Total liabilities	6,630	831	155	(42)	7,574

As at and for the 13 weeks ended October 2, 2021

(in millions)

	Canada Post	Purolator	SCI	Other	Total
Revenue from external customers	1,599	604	78	–	2,281
Intersegment revenue	24	8	12	(44)	–
Revenue from operations	1,623	612	90	(44)	2,281
Labour and employee benefits	1,303	264	44	25	1,636
Other operating costs	493	254	30	(70)	707
Depreciation and amortization	82	23	9	–	114
Cost of operations	1,878	541	83	(45)	2,457
Profit (loss) from operations	(255)	71	7	1	(176)
Investment and other income	10	–	–	–	10
Finance costs and other expense	(19)	(6)	–	–	(25)
Profit (loss) before tax	(264)	65	7	1	(191)
Tax expense (recovery)	(67)	17	2	2	(46)
Net profit (loss)	(197)	48	5	(1)	(145)
Total assets	9,532	1,780	310	(324)	11,298
Total liabilities	7,166	773	179	(22)	8,096

As at and for the 39 weeks ended October 1, 2022

(in millions)

	Canada Post	**Purolator**	**SCI**	**Other**	**Total**
Revenue from external customers	5,110	2,031	199	–	7,340
Intersegment revenue	79	24	41	(144)	–
Revenue from operations	5,189	2,055	240	(144)	7,340
Labour and employee benefits	3,724	876	104	81	4,785
Other operating costs	1,710	893	96	(228)	2,471
Depreciation and amortization	240	67	27	2	336
Cost of operations	5,674	1,836	227	(145)	7,592
Profit (loss) from operations	(485)	219	13	1	(252)
Investment and other income	21	2	1	–	24
Finance costs and other expense	(52)	(18)	(2)	–	(72)
Profit (loss) before tax	(516)	203	12	1	(300)
Tax expense (recovery)	(129)	53	3	–	(73)
Net profit (loss)	(387)	150	9	1	(227)
Total assets	11,183	2,049	300	(334)	13,198
Total liabilities	6,630	831	155	(42)	7,574

As at and for the 39 weeks ended October 2, 2021

(in millions)

	Canada Post	Purolator	SCI	Other	Total
Revenue from external customers	5,319	1,864	239	–	7,422
Intersegment revenue	80	27	31	(138)	–
Revenue from operations	5,399	1,891	270	(138)	7,422
Labour and employee benefits	4,051	830	133	81	5,095
Other operating costs	1,570	784	84	(223)	2,215
Depreciation and amortization	240	65	29	1	335
Cost of operations	5,861	1,679	246	(141)	7,645
Profit (loss) from operations	(462)	212	24	3	(223)
Investment and other income	27	1	–	–	28
Finance costs and other expense	(57)	(20)	(2)	–	(79)
Profit (loss) before tax	(492)	193	22	3	(274)
Tax expense (recovery)	(124)	52	6	1	(65)
Net profit (loss)	(368)	141	16	2	(209)
Total assets	9,532	1,780	310	(324)	11,298
Total liabilities	7,166	773	179	(22)	8,096

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