2022
Canada Post Corporation

SECOND QUARTER
FINANCIAL REPORT

For the period ended July 2, 2022

Financial Performance

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Management's Discussion and Analysis

Unaudited Interim Condensed Consolidated Financial Statements

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) of the financial condition and results of operations is prepared for the 13-week period (second quarter or Q2) and 26-week period (first two quarters or year to date) ended July 2, 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 second 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 second 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 August 25, 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 August 25, 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 Q2 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 $3.6 billion for the first two 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)

	Second quarter ended				Year-to-date ended			
	July 2, 2022	July 3, 2021	$ change	% change	**July 2, 2022**	July 3, 2021	$ change	% change
Canada Post	(160)	(151)	(9)	(6.0)%	(289)	(228)	(61)	(26.8)%
Purolator	91	77	14	18.2%	119	128	(9)	(7.3)%
SCI	4	9	(5)	(50.2)%	6	15	(9)	(58.2)%
Other	1	1	–	(51.5)%	–	2	(2)	(81.8)%
Canada Post Group of Companies	**(64)**	**(64)**	**–**	**(0.4)%**	**(164)**	**(83)**	**(81)**	**(98.0)%**

The Canada Post Group of Companies' loss before tax was $64 million in the second quarter and $164 million for the year to date in 2022, which was no change in profitability and a decline in profitability of $81 million, respectively, compared to the same periods in 2021. The Canada Post segment's loss before tax for the second quarter and the year to date in 2022, was $160 million and $289 million respectively. Profit before tax in the Purolator segment of $91 million and $119 million, respectively, for the same periods, and in the SCI segment of $4 million and $6 million, respectively, for the same periods, partially offset the Canada Post losses.

Canada Post segment

Financial self-sustainability

Our Parcels line of business makes up nearly half of our revenue. Our market share in the highly competitive delivery market has decreased over the last five years. New entrants are gig economy players, with asset-light delivery models and significantly lower cost structures compared to traditional carriers. Some competitors are expanding their reach to fulfillment and self-delivery.

Facing structural challenges and inherent risks in our business model, including declining Lettermail™ volumes, financial commitments and capacity constraints, and maintaining success in a highly competitive parcel industry 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.

In the second quarter and possibly for the remainder of the year, our business, like many others in Canada and globally, has been affected by macroeconomic factors, including slower economic growth precipitated by higher inflation, prolonged supply chain challenges and potential waves of COVID-19 infections. These factors could result in increased cost pressures as well as reduced volumes and revenue for Canada Post as consumers may delay new purchases, reduce volumes, discontinue use of services and seek lower-priced alternatives from the Corporation or its competitors.

Revenue by line of business

(in millions of dollars)

	Second quarter ended				Year to date ended			
	July 2, 2022	July 3, 2021	$ change	% change	**July 2, 2022**	July 3, 2021	$ change	% change
Parcels	837	916	(79)	(7.3)%	1,697	1,868	(171)	(8.5)%
Transaction Mail	588	616	(28)	(2.9)%	1,271	1,335	(64)	(4.0)%
Direct Marketing	242	218	24	13.2%	476	434	42	10.6%
Other	56	71	(15)	(20.2)%	114	139	(25)	(17.2)%
Total	**1,723**	**1,821**	**(98)**	**(3.9)%**	**3,558**	**3,776**	**(218)**	**(5.0)%**

Parcel volumes decline

In the second quarter of 2022, Parcels revenue and volume declined by $79 million (-7.3%) and 27 million pieces (-27.9%), respectively, compared to the same period in 2021. For the year to date, revenue and volumes declined by $171 million (-8.5%) and 50 million pieces (-25.4%), respectively. These declines in 2022 were due to higher-than-normal volumes that occurred until part way through the second quarter in 2021, when stores were still closed to in-person shopping. Declines were compounded by other macroeconomic factors 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 decreased by $28 million (-2.9%) in Q2 2022 compared to Q2 2021, and volumes declined by 59 million pieces (-8.1%). For the first two quarters of 2022, revenue was $64 million lower (-4.0%) and volumes were 124 million pieces (-8.6%) lower, respectively, than the same period in 2021 as a result of continued substitution of digital communications for our traditional Lettermail service. Regulated stamp prices that were maintained at 2020 levels due to COVID-19 also contributed to lower revenue; however, this impact was partially offset by revenue from increases in commercial rates in January 2022.

Continued recovery of Direct Marketing

Direct Marketing revenue and volume increased $24 million (+13.2%), and 140 million pieces (+16.7%), respectively, in the second quarter of 2022 compared to the second quarter of 2021. For the year-to-date period, revenue and volume increases were $42 million (+10.6%), and 206 million pieces (+12.3%), respectively, compared to the same period in 2021. With the lifting of COVID-19-restrictions for in-person shopping in the first and second quarters of 2022, customers reinstated some marketing campaigns. However, impacts from general economic uncertainty began in Q2 and are expected to continue through 2022, negatively affecting our customers' marketing budgets and spending.

Decline in costs

In the second quarter of 2022, the cost of operations decreased by $84 million (-4.3%) compared to Q2 2021, and for the first two quarters of 2022 operating costs decreased by $161 million (-3.3%) compared to the same period in the prior year, mostly due to lower labour and employee benefits attributed to parcel volume declines. However, because it costs more to process and deliver parcels than letters, 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.

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

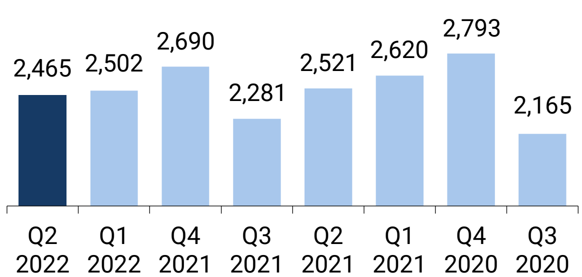
Market-driven volatility continued to have an impact on the Canada Post Corporation Registered Pension Plan (RPP) and other post-employment and other long-term benefits. For the second quarter and year to date period, remeasurement gains of $803 million and $3,259 million, net of tax, were recorded in 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. A remeasurement gain of $11 million was recorded in loss before tax for the Group of Companies' other long-term benefit plans. The gains were mostly the result of an increase in discount rates offset by lower-than-expected asset returns and experience adjustments. These factors resulted in the solvency position (using market value of plan assets) improving to an estimated surplus of $250 million from a $2.6 billion deficit at December 31, 2021. 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.

Canada Post Group of Companies – 2022

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

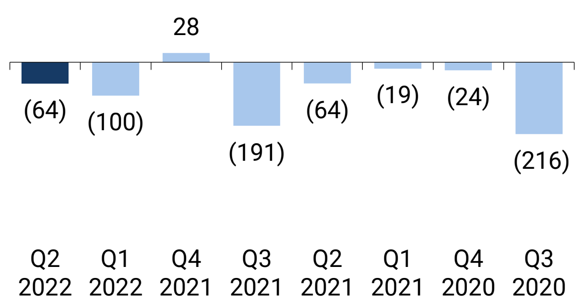
Quarterly consolidated revenue from operations

(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 second quarter and the year to date of 2022, compared to the same periods in the prior year.

(in millions of dollars)

	Second quarter ended				Year to date ended				
	July 2, 2022	July 3, 2021	$ change	% change	**July 2, 2022**	July 3, 2021	$ change	% change	Explanation
Consolidated statement of comprehensive income									Discussed in Section 5 Discussion of Operations.
Revenue from operations	2,465	2,521	(56)	(0.6)%	4,967	5,141	(174)	(2.6)%	Mainly due to decline in Parcels revenue in the Canada Post segment.
Cost of operations	2,512	2,563	(51)	(2.0)%	5,094	5,188	(94)	(1.1)%	Due to lower labour and employee benefits in the Canada Post segment, partly offset by higher operating expenses in the Purolator segment.
Loss from operations	(47)	(42)	(5)	(11.5)%	(127)	(47)	(80)	(170.6)%	Mainly due to a loss in the Canada Post segment, partially offset by profit in the Purolator and SCI segments.
Loss before tax	(64)	(64)	–	(0.4)%	(164)	(83)	(81)	(98.0)%	
Tax recovery	(15)	(15)	–	(1.7)%	(38)	(19)	(19)	(102.7)%	Mainly due to a higher loss before tax in the Group of Companies.
Net loss	(49)	(49)	–	–	(126)	(64)	(62)	(96.7)%	
Comprehensive income	724	231	493	213.7%	3,063	3,194	(131)	(4.1)%	For Q2, remeasurement gains on pension and other post-employment plans increased due to discount rate increases offset by lower-than-expected asset returns and experience adjustments compared to Q2 2021. For the year to date, mainly due to lower-than-expected asset returns and experience adjustments despite higher discount rate increases compared to the prior year.
Consolidated statement of cash flows									Discussed in Section 6 Liquidity and Capital Resources.
Cash provided by (used in) operating activities	43	301	(258)	(85.8)%	(66)	264	(330)	(125.0)%	Primarily due to pension expenses exceeding payments, tax refund received in 2021 and changes in working capital.
Cash used in investing activities	(22)	(28)	6	24.6%	(146)	(266)	120	45.3%	Primarily due to lower net acquisitions of securities.
Cash used in financing activities	(31)	(30)	(1)	(6.8)%	(63)	(58)	(5)	(10.5)%	No material change.

2. Core Businesses and Strategy

There were no significant changes to our core businesses or strategy during the second quarter of 2022. We continue to be guided by our overarching purpose, A Stronger Canada – Delivered, which has three pillars: to provide a service all Canadians can count on; meet their heightened expectations for environmental and social leadership; and do the right thing for our employees. By building capacity and improving service we're putting Canadians first, as well as establishing the 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 Q2 year-to-date result
Total injury frequency per 100 employees year-over-year (improvement) deterioration		(10%)	(3%)[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%	6.9%
Greenhouse gas emissions (GHG)	Scopes 1 and 2 for fleet and buildings[3] (in kilotonnes of carbon dioxide equivalent emissions)	142.2	77.0[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

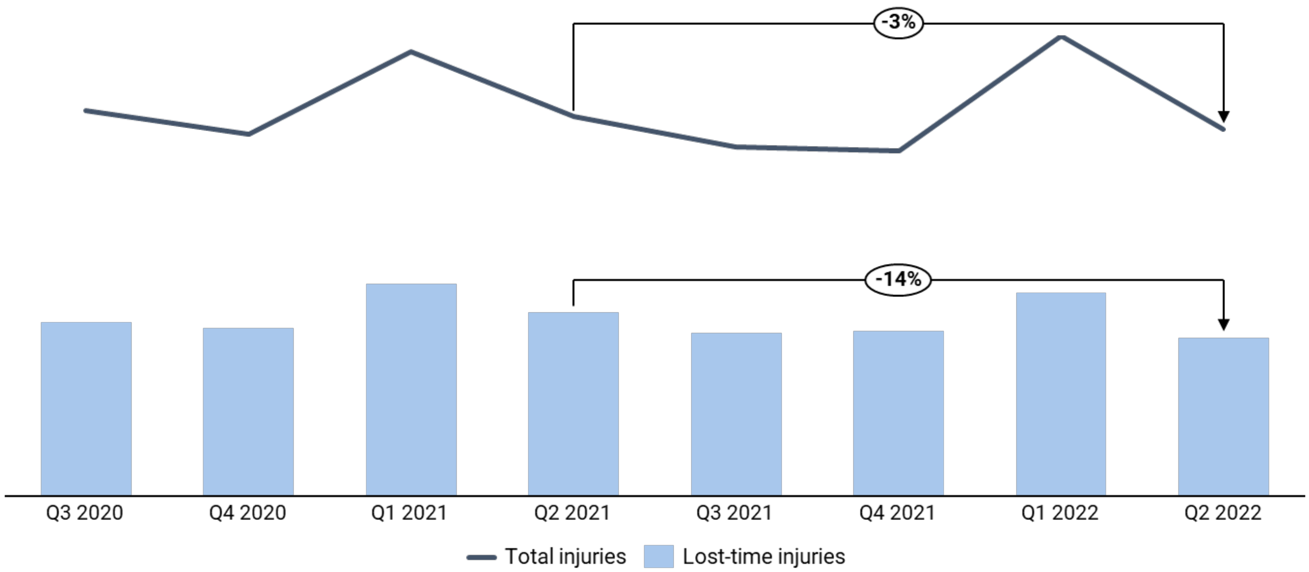
Where significant in the quarter, an update of 2022 health and safety, equity, diversity and inclusion, and labour and employee relations by segment is provided below.

Canada Post segment

Health and safety

Canada Post aims to be a leader in workplace health and safety and considers health and safety to be our highest priority, not only for our people but for all Canadians. In the first two quarters of 2022, the total injury frequency rate and lost-time injury frequency rate improved by 3% and 14%, respectively, over the same period in 2021.

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



In the second quarter, the Corporation continued its focus on road safety with the following accomplishments:

- Conducted over 290 on-road observations to identify unsafe driver behaviour, and knowledge and skill gaps, which helped develop targeted driver training and in-cab evaluations.
- Rolled out Canada Post's first ever Road Safety Week initiative throughout the Atlantic and Pacific regions. Employees participated in pre-trip and safe backing safety talks, and on-site demonstrations for drivers.
- Delivered road safety orientations to over 2,300 employees nationally, including team leader support, safety talks, safe backing up of vehicles, defensive driving and inspections.
- Provided training to over 500 non-operational employees through the Smith System, Smith5Keys® online driver course, a world-leading crash-avoidance training program.

COVID-19

In accordance with public health guidance, between mid-June and late July, as part of the final phases of our 10-stage COVID-19 de-escalation plan, we gradually rolled back some of the temporary health and safety or operational measures adopted during COVID-19. The following practices were revised in Canada Post facilities:

- Phase 7, mid-June – Employees, contractors and visitors were not required to wear a face covering in Canada Post facilities.
- Phases 8 and 9, early July – Physical distancing was not required, physical signatures were reinstated, remote workers returned to the workplace, and cleaning activities and their frequency were aligned to the evolving COVID-19 situation.
- Phase 10, end of July – International travel did not require health and safety approval, and sanitizing facilities after COVID-19 cases was not required (unless identified as a location with a high number of COVID-19 cases).
- Creation of a Tactical Pandemic Response Toolkit – The toolkit will guide our response to COVID-19 using a more targeted approach based on risk of exposure in lieu of national measures.
- Suspension of the Mandatory Vaccination Practice – Based on recommendations from health authorities and in line with the federal government's approach, the mandatory requirement was suspended for the time being. Employees on leave without pay due to non-compliance to the vaccination practice returned to work in early July.

The health and safety of our employees remain our highest priority. Several safety measures remain in effect, including daily self-screening and protocols if a COVID-19 infection is confirmed or presumed positive.

Culture

In Q2, over 20 employee culture sessions were held where we unveiled our refreshed values and explained our new values and signature behaviours. Team leader forums will start at the end of August when senior leaders will provide an in-person business update and an afternoon workshop on culture.

Equity, diversity and inclusion

Canada Post values and strives to ensure that the workplace reflects equity, diversity and inclusion. For example, in the second quarter we introduced our Anti-Racism and Anti-Discrimination Charter. The Charter acknowledges that racism and discrimination exist but makes it clear that they have no place in our workplaces. It underlines our commitment to an inclusive environment where employees are free from racism and discrimination.

Labour and employee relations

Building alignment

In the second quarter of 2022:

- Worked with the Canadian Union of Postal Workers (CUPW) to assess a new, more flexible staffing model to improve employee retention and alleviate pressure on hiring.
- Continued work with CUPW for rural and suburban mail carrier employees to make the transition to an hourly rate of pay through a new work measurement model.
- Worked to execute social and environmental strategies in collaboration with our unions in the Environmental and Equity, Diversity and Inclusion committees.
- Continued to work with our unions to resolve grievances in a number of significant areas with a view to reducing the total number of grievances filed. In 2022, there was an increase in the number of grievances filed, including a significant proportion due to the COVID-19 vaccination practice.

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

The collective agreements with CUPW-RSMC and CUPW-UPO expire December 31, 2023, and January 31, 2024, respectively. CUPW-UPO represents, among others, employees engaged in the internal processing and external collection and delivery of mail, as well as retail employees in urban areas.

Canadian Postmasters and Assistants Association (CPAA)

The collective agreement with the CPAA expires December 31, 2023. The CPAA represents rural post office postmasters and assistants.

Association of Postal Officials of Canada (APOC)

The collective agreement between APOC and Canada Post expires March 31, 2025. APOC represents supervisors, superintendents and supervisory support groups, such as trainers, route measurement officers and sales employees.

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

The collective agreement with PSAC/UPCE expires August 31, 2024. 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.

Purolator segment

Purolator and the Canada Council of Teamsters, representing Purolator drivers and warehouse staff, reached a memorandum of agreement in early July for a new collective agreement to replace the one that expired December 31, 2021, which is subject to ratification by members.

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

To support ecommerce parcel growth through productivity improvements and added capacity, here are some of the achievements:

- Opened six new delivery facilities in the second quarter of 2022. Two were major delivery facilities in Montréal East, Quebec, and Fort McMurray, Alberta. Four were facilities in Whistler, British Columbia, Niverville, Manitoba, Auclair, Quebec, and Lepreau, New Brunswick.
- Added approximately 2,000 indoor parcel lockers in 2022 in apartment buildings and condominiums by the end of the second quarter.
- Installed over 1,000 outdoor parcel lockers at existing delivery points in the first two quarters of 2022.
- Continued to add electric and hybrid electric vehicles to our fleet in the second quarter.
- Launched the flexible staffing pilot in collaboration with CUPW, to balance workload, improve health and safety and enhance delivery service in Q2.

Technology

To improve service and tracking, enable our network and capacity, and provide exceptional experiences to Canadians we progressed with technology projects through the second quarter:

- Added over 2,200 personal data terminals (PDTs) as part of a national multi-year program that provides upgraded technology to increase stability and communication range and introduce new features to improve customer service and tracking.
- Started testing 10 autonomous guided vehicles (AGVs) at the Léo Blanchette facility in Montréal. The AGVs, intended to transport products within the plant between work centres, are capable of self-parking and charging when needed. They are equipped with a multitude of safety sensors to detect obstructions such as objects, vehicles or people in the path and are designed to slow down or stop accordingly.

Accessibility

Canada Post is working on developing its Accessibility Plan according to the *Accessible Canada Act* that mandates Crown corporations and other federally regulated organizations to identify, remove and prevent barriers to accessibility.

In Q2, the draft Accessibility Plan was presented to Canada Post's Accessibility Panel for review and feedback. We are incorporating that feedback into the final plan to be published by December 31, 2022.

4.3 Our environmental, social and governance priorities

Canada Post segment

Climate action

In the second quarter, following the February 2022 release of the Sixth Assessment Report by the United Nations Intergovernmental Panel on Climate Change (IPCC) confirming that the impacts of climate change are larger than previous estimates, we unveiled new targets:

- Strengthened our 2030 emissions reduction target to achieve a 50% reduction in scopes 1 and 2 greenhouse gas (GHG) emissions, measured against 2019 levels. This target meets the Science Based Targets initiative (SBTi) and sets us on a path to net-zero emissions by 2050.
- Committed to transforming our fleet to 50% electric vehicles by 2030 and 100% by 2040.

We will submit these new targets to the SBTi for review and approval.

Also in the second quarter, we released the 2021 Annual Sustainability Report, providing a progress report on our efforts to be a social and environmental leader for Canadians. We simultaneously launched our inaugural Task Force on Financial Disclosures (TCFD) Report, outlining our climate risks and opportunities.

Employee and community engagement

- The grand opening of our community hub in Membertou, Nova Scotia, was held on May 6, 2022, and we announced our plan to open two additional community hubs by the end of 2022. Community hubs improve service to underserved Indigenous, northern and rural communities, as they offer a wide range of services that otherwise may not be available. We committed $1 million in 2022 to enhance and expand postal services with a focus on increasing service to Indigenous and northern communities; work commenced in Q2 but most of the funds will be spent in the third and fourth quarters.
- New privacy features and controls for users of canadapost.ca went live in July 2022, after the implementation of a comprehensive privacy accountability framework.

Equity, diversity and inclusion

- Preparations began for the implementation of the Official Languages Regulations Re-Application Exercise, which will include analyzing the 2021 Census data, expected to be available in August 2022, and procuring a new consultation platform to engage with minority language communities more effectively.
- A language of work survey was launched in July 2022 to assess whether employees feel they can work effectively in the official language of their choice. Results will be used to identify gaps and develop action plans to improve the support we offer to our people.

4.4 Product enhancement and sales channels

Canada Post segment

Brand and product enhancement

Supporting our new purpose, A Stronger Canada – Delivered, we launched an integrated campaign, Delivering More, in Q2 2022 through traditional and social media. This refreshed brand strategy highlights our commitment to environmental, social and governance principles.

In the second quarter, we also introduced a shipping pricing promotion to provide relief support to small businesses in underserved communities across Canada. The promotion, which runs until December 2022, targets Canada Post Solutions for Small Business™ and other smaller commercial customers.

Retail

Canadians rely on our extensive retail network of almost 6,000 post offices across the country for important services, parcel and mail pickup and product returns. In Q2, we continued with our pilot of contactless induction boxes and made other enhancements to our retail network as follows.

Indigenous, northern and rural communities

As part of our Indigenous and Northern Reconciliation Strategy and in collaboration with leaders of involved communities, we have several retail projects under way. These projects expand our network by adding full-service post offices as well as pick-and-drop locations and community mailbox and parcel locker locations.

Accessibility

To improve accessibility in our post office network, we have retail upgrades planned and in progress for 2022. Projects are also under way to respond to unforeseen accessibility issues raised by retail employees and customers.

Retail technology modernization

By the end of the second quarter, over 70% of our approximately 5,570 automated sites were using our new technology. Our customer-facing point-of-sale screens in over 3,800 locations have collected over 2.6 million anonymous real-time customer satisfaction ratings at the time of purchase.

Financial services

As part of our commitment to deliver more for Canadians and be true to our purpose, A Stronger Canada – Delivered, in partnership with TD Bank, the Canada Post MyMoney™ Loan was launched at over 1,700 post offices. Plans are in place to launch in our remaining retail locations by the end of September.

4.5 Internal controls and procedures

Changes in internal control over financial reporting

During the second 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. Further, fewer business days result in decreased revenue, while fewer paid days result in decreased cost of operations. In the second 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)

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Revenue from operations	2,465	2,502	2,690	2,281	2,521	2,620	2,793	2,165
Cost of operations	2,512	2,582	2,663	2,457	2,563	2,625	2,801	2,366
Profit (loss) from operations	**(47)**	**(80)**	**27**	**(176)**	**(42)**	**(5)**	**(8)**	**(201)**
Investing and financing income (expense), net	(17)	(20)	1	(15)	(22)	(14)	(16)	(15)
Profit (loss) before tax	**(64)**	**(100)**	**28**	**(191)**	**(64)**	**(19)**	**(24)**	**(216)**
Tax expense (recovery)	(15)	(23)	6	(46)	(15)	(4)	(3)	(52)
Net profit (loss)	**(49)**	**(77)**	**22**	**(145)**	**(49)**	**(15)**	**(21)**	**(164)**

5.2 Consolidated results from operations

Consolidated results for the second quarter and year to date

(in millions of dollars)

	Second quarter ended				**Year to date ended**			
	July 2, 2022	July 3, 2021	$ change	% change[1]	**July 2, 2022**	July 3, 2021	$ change	% change
Revenue from operations	2,465	2,521	(56)	(0.6)%	4,967	5,141	(174)	(2.6)%
Cost of operations	2,512	2,563	(51)	(2.0)%	5,094	5,188	(94)	(1.1)%
Loss from operations	**(47)**	**(42)**	**(5)**	**(11.5)%**	**(127)**	**(47)**	**(80)**	**(170.6)%**
Investing and financing income (expense), net	(17)	(22)	5	20.5%	(37)	(36)	(1)	(3.2)%
Loss before tax	**(64)**	**(64)**	**–**	**(0.4)%**	**(164)**	**(83)**	**(81)**	**(98.0)%**
Tax recovery	(15)	(15)	–	(1.7)%	(38)	(19)	(19)	(102.7)%
Net loss	**(49)**	**(49)**	**–**	**–**	**(126)**	**(64)**	**(62)**	**(96.7)%**
Other comprehensive income (loss)	773	280	493	176.2%	3,189	3,258	(69)	(2.1)%
Comprehensive income (loss)	**724**	**231**	**493**	**213.7%**	**3,063**	**3,194**	**(131)**	**(4.1)%**

The Canada Post Group of Companies' loss before tax in the second quarter of 2022 was $64 million, which was unchanged from the loss before tax in Q2 2021. For the year to date, the loss before tax was $164 million, a decrease in profitability of $81 million (-98.0%) compared to the same period in 2021. In the second quarter of 2022, for the Group of Companies there was one less business day and no difference in paid days compared to Q2 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. Fewer business days result in decreased revenue and fewer paid days result in a decrease in the cost of operations. A detailed discussion by segment is provided in sections 5.4 to 5.6.

Consolidated revenue from operations

Revenue from operations decreased by $56 million (-0.6%) in Q2 2022, and by $174 million (-2.6%) for the year to date compared to the same periods in the prior year, mostly 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 decreased by $51 million (-2.0%) in the second quarter of 2022 compared to Q2 2021, due to lower labour and employee benefits costs in the Canada Post segment, partly offset by higher operating costs in the Purolator segment. For the year to date, the cost of operations in 2022 was $94 million (-1.1%) lower than the cost in the corresponding period in 2021.

Consolidated investing and financing income (expense), net

Net investing and financing expenses for the second quarter decreased by $5 million (+20.5%) and were relatively flat 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.

Consolidated other comprehensive income

The consolidated other comprehensive income of $773 million and $3,189 million, respectively, in the second quarter and year to date, was mainly due to remeasurement gains on pension and other post-employment plans, primarily due to discount rates increases 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 Q2 2022.

5.3 Operating results by segment

Segmented results – Profit (loss) before tax

(in millions of dollars)

	Second quarter ended				Year to date ended			
	July 2, 2022	July 3, 2021	$ change	% change	**July 2, 2022**	July 3, 2021	$ change	% change
Canada Post	(160)	(151)	(9)	(6.0)%	(289)	(228)	(61)	(26.8)%
Purolator	91	77	14	18.2%	119	128	(9)	(7.3)%
SCI	4	9	(5)	(50.2)%	6	15	(9)	(58.2)%
Other	1	1	–	(51.5)%	–	2	(2)	(81.8)%
Canada Post Group of Companies	**(64)**	**(64)**	**–**	**(0.4)%**	**(164)**	**(83)**	**(81)**	**(98.0)%**

5.4 Canada Post segment

The Canada Post segment's loss before tax of $160 million and $289 million in Q2 2022 and for the year to date, respectively, was $9 million worse (-6.0%) and $61 million worse (-26.8%) than the losses in the same periods in 2021. Revenue declines were partly offset by lower costs. In the second quarter of 2022, for the Canada Post segment there was one less business day and no difference in paid days compared to the second quarter of 2021. For the year to date, there was one less business day and one less paid day compared to the same period in 2021. Fewer business days result in decreased revenue and fewer paid days result in a decrease in the cost of operations.

Summary of results for the second quarter and year to date

(in millions of dollars)

	Second quarter ended				Year to date ended			
	July 2, 2022	July 3, 2021	$ change	% change	**July 2, 2022**	July 3, 2021	$ change	% change
Revenue from operations	1,723	1,821	(98)	(3.9)%	3,558	3,776	(218)	(5.0)%
Cost of operations	1,873	1,957	(84)	(4.3)%	3,822	3,983	(161)	(3.3)%
Loss from operations	**(150)**	**(136)**	**(14)**	**(9.9)%**	**(264)**	**(207)**	**(57)**	**(27.5)%**
Investing and financing income (expense), net	(10)	(15)	5	28.9%	(25)	(21)	(4)	(20.0)%
Loss before tax	**(160)**	**(151)**	**(9)**	**(6.0)%**	**(289)**	**(228)**	**(61)**	**(26.8)%**

Revenue from operations

In Q2 and for the year to date in 2022, revenue and volumes for Parcels declined compared to the same periods in 2021, partly due to parcel volumes exceeding available capacity a year ago. Global supply chain issues that surfaced in the third quarter of 2021 also continued to affect inbound parcel volumes through Q2 2022. Transaction Mail declined compared to the same periods of 2021, while Direct Marketing continued its partial recovery compared to a low 2021 base that was heavily impacted by COVID-19.

Revenue and volumes by line of business for the second quarter

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	July 2, 2022	July 3, 2021	$ change	% change	**July 2, 2022**	July 3, 2021	change	% change
Parcels								
Domestic Parcels	680	734	(54)	(5.9)%	53	73	(20)	(25.9)%
Outbound Parcels	71	78	(7)	(8.4)%	3	3	–	(17.4)%
Inbound Parcels	81	98	(17)	(15.4)%	12	19	(7)	(37.4)%
Other	5	6	(1)	(20.9)%	–	–	–	–
Total Parcels	**837**	**916**	**(79)**	**(7.3)%**	**68**	**95**	**(27)**	**(27.9)%**
Transaction Mail								
Domestic Lettermail	561	588	(27)	(3.2)%	539	595	(56)	(8.1)%
Outbound Letter-post	16	18	(2)	(6.6)%	7	8	(1)	(8.4)%
Inbound Letter-post	11	10	1	15.8%	12	14	(2)	(10.3)%
Total Transaction Mail	**588**	**616**	**(28)**	**(2.9)%**	**558**	**617**	**(59)**	**(8.1)%**
Direct Marketing								
Personalized Mail™	98	92	6	9.7%	171	161	10	7.9%
Neighbourhood Mail™	104	86	18	24.1%	867	733	134	20.2%
Total Smartmail Marketing™	**202**	**178**	**24**	**16.7%**	**1,038**	**894**	**144**	**17.9%**
Publications Mail™	32	32	–	(1.3)%	44	47	(3)	(4.7)%
Business Reply Mail™ and Other Mail	4	4	–	(8.3)%	2	3	(1)	(6.3)%
Other	4	4	–	(0.1)%	–	–	–	–
Total Direct Marketing	**242**	**218**	**24**	**13.2%**	**1,084**	**944**	**140**	**16.7%**
Other Revenue	56	71	(15)	(20.2)%	–	–	–	–
Total	**1,723**	**1,821**	**(98)**	**(3.9)%**	**1,710**	**1,656**	**54**	**4.9%**

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

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	July 2, 2022	July 3, 2021	$ change	% change	**July 2, 2022**	July 3, 2021	change	% change
Parcels								
Domestic Parcels	1,373	1,476	(103)	(6.3)%	112	150	(38)	(24.7)%
Outbound Parcels	148	164	(16)	(9.3)%	6	7	(1)	(18.0)%
Inbound Parcels	166	216	(50)	(22.5)%	25	36	(11)	(30.1)%
Other	10	12	(2)	(17.6)%	–	–	–	–
Total Parcels	**1,697**	**1,868**	**(171)**	**(8.5)%**	**143**	**193**	**(50)**	**(25.4)%**
Transaction Mail								
Domestic Lettermail	1,210	1,271	(61)	(4.0)%	1,171	1,291	(120)	(8.6)%
Outbound Letter-post	37	40	(3)	(5.9)%	17	18	(1)	(5.7)%
Inbound Letter-post	24	24	–	0.1%	26	29	(3)	(8.8)%
Total Transaction Mail	**1,271**	**1,335**	**(64)**	**(4.0)%**	**1,214**	**1,338**	**(124)**	**(8.6)%**
Direct Marketing								
Personalized Mail	209	195	14	8.2%	359	342	17	5.7%
Neighbourhood Mail	188	161	27	18.2%	1,563	1,370	193	15.0%
Total Smartmail Marketing	**397**	**356**	**41**	**12.7%**	**1,922**	**1,712**	**210**	**13.1%**
Publications Mail	63	62	1	2.0%	87	89	(2)	(1.3)%
Business Reply Mail and Other Mail	8	9	(1)	(9.3)%	5	7	(2)	(12.1)%
Other	8	7	1	6.1%	–	–	–	–
Total Direct Marketing	**476**	**434**	**42**	**10.6%**	**2,014**	**1,808**	**206**	**12.3%**
Other Revenue	114	139	(25)	(17.2)%	–	–	–	–
Total	**3,558**	**3,776**	**(218)**	**(5.0)%**	**3,371**	**3,339**	**32**	**1.8%**

Parcels

Parcels revenue in Q2 decreased by $79 million (-7.3%) compared to the second quarter of 2021 and by $171 million (-8.5%) for the year to date. Details by product category were as follows:

- Domestic Parcels revenue and volume for Q2 and the first two quarters of 2022, were lower than revenue and volumes in the same periods of 2021, as a result of increased use of ecommerce in the prior year when in-person shopping was restricted. These 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. We continue to proactively manage our commercial customer and product mix to better use existing capacity, while we work on improving efficiencies of our network and expanding processing capacity in certain areas.
- Outbound Parcels revenue (postage revenue collected from domestic customers for parcels destined to foreign postal administrations [posts]) was lower in the second quarter and for the first two 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 second 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 into 2022. As well, there were higher-than-normal volumes in the first two quarters of 2021 from the United States.

- Other Parcels revenue decreased 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 second quarter and the year to date of 2022, decreased by $28 million (-2.9%) and by $64 million (-4.0%), respectively, compared to the same periods in 2021. Details by product category were as follows:

- Domestic Lettermail revenue and volumes declined in Q2 and for the first two quarters of 2022, as digital communications continue to replace our traditional Lettermail™ service. Compounding the impact on revenue from volume declines was the maintenance of regulated stamp prices at 2020 levels due to COVID-19, which was only partially offset by revenue increases from commercial rate action in January 2022. In addition, the comparative periods in 2021 included revenue from the 2021 Census mailing.
- Inbound and Outbound Letter-post volumes declined in the second quarter and for the year to date of 2022, as restrictions remained on air transportation. Similar to Domestic Lettermail, increased use of digital alternatives was also a factor. 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 Q2 and for the first two quarters increased by $24 million (+13.2%) and $42 million (+10.6%), respectively, compared to the same periods in the prior year. Details by product category were as follows:

- Personalized Mail and Neighbourhood Mail revenue and volumes are recovering due to the gradual return to in-person shopping and compared to the lower 2021 base, which was negatively affected by COVID-19. Despite year over year increases, general economic uncertainty and prolonged supply chain challenges began to have an impact in Q2, resulting in delays and cancellations of marketing campaigns.
- 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.
- Business Reply Mail volumes declined in Q2 and for the year to date compared to the prior year. Revenue from Other Mail and Other products was flat in Q2 and increased slightly for the year to date.

Other Revenue

Other Revenue decreased by $15 million (-20.2%) in the second quarter and by $25 million (-17.2%) for the year to date of 2022, compared to the same periods in 2021, mainly as a result of decreases in consumer products and services, including logistics services (such as warehousing and transportation) related to the 2021 Census.

Cost of operations

In the second quarter and for the year to date of 2022, the Canada Post segment's cost of operations decreased by $84 million (-4.3%) and $161 million (-3.3%), respectively, compared to the same periods of 2021 mainly due to lower labour and employee benefits, 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)

	Second quarter ended				Year to date ended			
	July 2, 2022	July 3, 2021	$ change	% change	**July 2, 2022**	July 3, 2021	$ change	% change
Labour	904	947	(43)	(4.6)%	1,850	1,928	(78)	(3.3)%
Employee benefits	331	409	(78)	(19.1)%	658	820	(162)	(19.2)%
Total labour and employee benefits	**1,235**	**1,356**	**(121)**	**(8.9)%**	**2,508**	**2,748**	**(240)**	**(8.0)%**
Non-labour collection, processing and delivery	323	307	16	5.1%	672	658	14	3.0%
Property, facilities and maintenance	64	57	7	13.4%	137	120	17	14.9%
Selling, administrative and other	171	157	14	8.8%	344	299	45	15.9%
Total other operating costs	**558**	**521**	**37**	**7.1%**	**1,153**	**1,077**	**76**	**7.9%**
Depreciation and amortization	80	80	–	(0.8)%	161	158	3	2.4%
Total	**1,873**	**1,957**	**(84)**	**(4.3)%**	**3,822**	**3,983**	**(161)**	**(3.3)%**

Labour

Labour costs in the second quarter decreased by $43 million (-4.6%) and by $78 million (-3.3%) for the year to date, compared to the same periods in 2021, mainly due to lower parcel volumes 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 two quarters of 2022, we continued to incur costs for employee special leave relating to COVID-19, however, to a lesser extent than in the same period in 2021.

Employee benefits

Employee benefits decreased by $78 million (-19.1%) and by $162 million (-19.2%) in Q2 and for the first two 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 Q2 2022 were as follows:

- Contracted collection, processing and delivery costs increased by $16 million (+5.1%) and $14 million (+3.0%) in the second quarter and for the first two quarters of 2022, respectively, compared to the same periods in 2021, mainly due to higher spending on transportation and fuel costs, which was partly offset by lower dealer fees and international settlements related to lower parcel volumes.
- The cost of facilities increased by $7 million (+13.4%) for Q2 2022 and by $17 million (+14.9%) for the year to date when compared to the same periods in 2021, mainly due to ongoing cleaning and maintenance costs mostly related to COVID-19.
- Selling, administrative and other expenses increased by $14 million (+8.8%) for the second quarter in 2022 compared to the second quarter in 2021, and by $45 million (+15.9%) for the first two quarters of 2022 compared to the first two quarters of 2021, mainly due to increased spending on IT services and investments to sustain the network, enhance our services and improve capacity.
- The depreciation and amortization expense was unchanged in the second quarter and increased by $3 million (+2.4%) for the year to date of 2022, respectively, compared to the same periods of 2021, due to higher investment in capital assets.

5.5 Purolator segment

The Purolator segment's profit before tax increased by $14 million (+18.2%) in the second quarter but decreased by $9 million (-7.3%) for the first two quarters of 2022, compared to the same periods in 2021. In Q2 2022, there was one less business day and no difference in paid days compared to Q2 2021. For the year to date, there was one less business day and one less paid day compared to the same period in 2021. Fewer business days result in decreased revenue and fewer paid days result in a decrease in the cost of operations.

Summary of results for the second quarter and year to date

(in millions of dollars)

	Second quarter ended				Year to date ended			
	July 2, 2022	July 3, 2021	$ change	% change	**July 2, 2022**	July 3, 2021	$ change	% change
Revenue from operations	709	653	56	10.4%	1,347	1,279	68	6.1%
Cost of operations	611	570	41	7.4%	1,218	1,138	80	7.9%
Profit from operations	**98**	**83**	**15**	**16.8%**	**129**	**141**	**(12)**	**(8.7)%**
Investing and financing income (expense), net	(7)	(6)	(1)	0.6%	(10)	(13)	3	22.5%
Profit before tax	**91**	**77**	**14**	**18.2%**	**119**	**128**	**(9)**	**(7.3)%**

Revenue from operations increased by $56 million (+10.4%) in the second quarter of 2022, and by $68 million (+6.1%) for the year to date compared to the same periods of 2021, due to an increase in yield in the express segment and fuel revenue driven by higher fuel prices. Volume in the express market decreased by 5.5% compared to the same period in the prior year, mainly in the business-to-consumer express market as consumer behaviour shifted more toward in-store shopping with the lifting of COVID-19 measures.

Annual wage increases combined with COVID-19 related absences resulted in the need to use more expensive agents and overtime, increasing labour costs by $5 million (+2.0%) and $18 million (+4.0%) in Q2 and for the year to date, respectively, compared to the same periods in 2021. Higher fuel costs combined with a return to normal spending levels similar to those prior to COVID-19 for sales and general administration expenses caused non-labour costs to increase by $36 million (+12.6%) in Q2 and by $62 million (+11.6%) for the year to date compared to the same periods in 2021.

5.6 SCI segment

In the second quarter and the first two quarters of 2022, SCI's profit before tax decreased by $5 million (-50.2%) and $9 million (-58.2%), respectively, compared to the same periods in the prior year. In Q2 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 second quarter and year to date

(in millions of dollars)

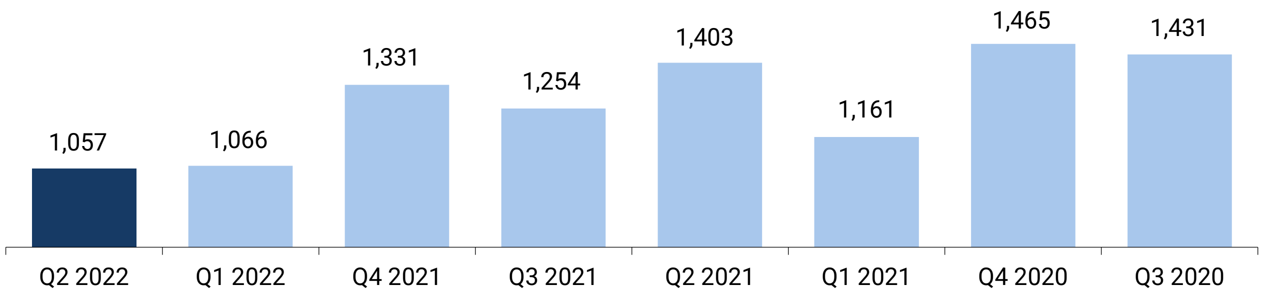
	Second quarter ended				Year to date ended			
	July 2, 2022	July 3, 2021	$ change	% change	**July 2, 2022**	July 3, 2021	$ change	% change
Revenue from operations	82	96	(14)	(15.1)%	156	180	(24)	(13.4)%
Cost of operations	77	86	(9)	(11.3)%	148	163	(15)	(9.3)%
Profit from operations	**5**	**10**	**(5)**	**(47.5)%**	**8**	**17**	**(9)**	**(53.9)%**
Investing and financing income (expense), net	(1)	(1)	–	8.4%	(2)	(2)	–	6.4%
Profit before tax	**4**	**9**	**(5)**	**(50.2)%**	**6**	**15**	**(9)**	**(58.2)%**

Revenue from operations declined in Q2 and for the first two quarters in 2022, by $14 million (-15.1%) and $24 million (-13.4%), respectively, compared to the same periods in 2021, as volume growth from new and existing customers was more than offset by customer attrition. Volume declines contributed to lower salary and occupancy costs with a decrease in cost of operations of $9 million (-11.3%) in the second quarter and $15 million (-9.3%) for the year to date compared to the same periods in 2021. These cost declines were partially offset by higher transportation costs due to growth in transportation service volumes and higher fuel costs.

6. Liquidity and Capital Resources

A discussion of our cash flow, liquidity and capital resources

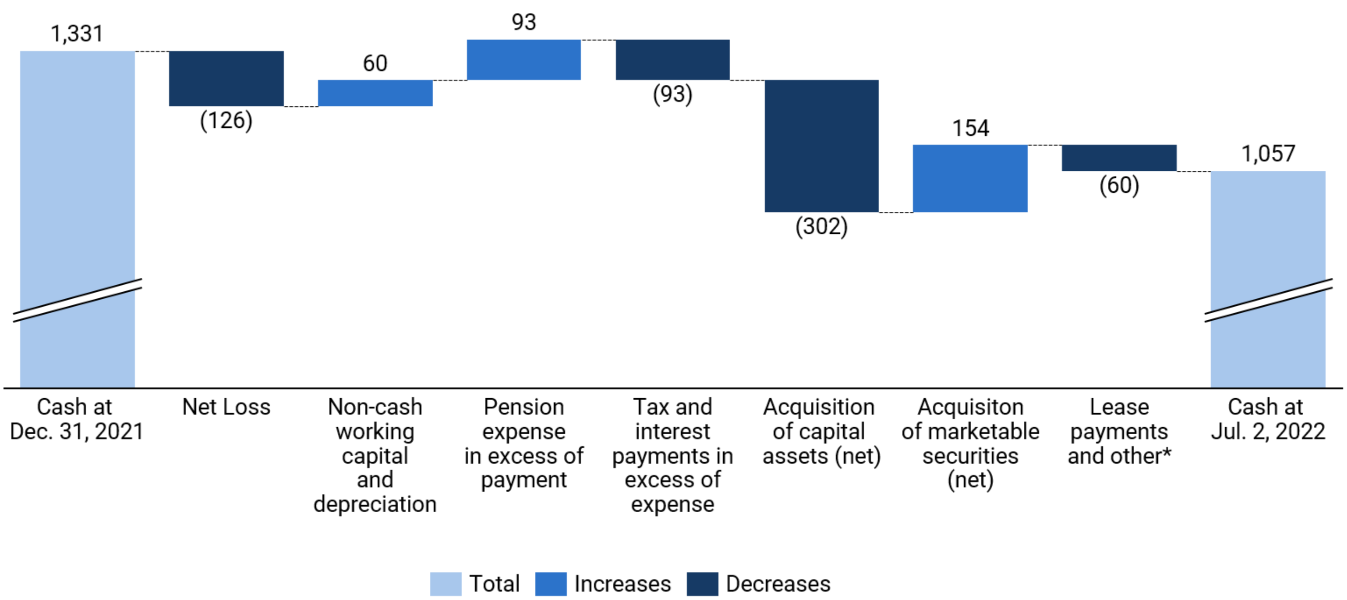
6.1 Cash and cash equivalents



The Group of Companies held cash and cash equivalents of $1,057 million as at July 2, 2022, compared to $1,331 million as at December 31, 2021. The cash decrease of $274 million (-20.6%) was due to acquisitions of capital assets and lower cash from working capital, 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 26 weeks ended July 2, 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)

	Second quarter ended				Year to date ended				
	July 2, 2022	July 3, 2021	$ change	% change	**July 2, 2022**	July 3, 2021	$ change	% change	Explanation
Cash provided by (used in) operating activities	43	301	(258)	(85.8)%	(66)	264	(330)	(125.0)%	The negative change in cash from operating activities was primarily due to pension payments exceeding expenses, the receipt of income tax refund in 2021, and changes in working capital.
Cash used in investing activities	(22)	(28)	6	24.6%	(146)	(266)	120	45.3%	Cash used in investing activities decreased primarily due to lower net acquisition of marketable securities.
Cash used in financing activities	(31)	(30)	(1)	(6.8)%	(63)	(58)	(5)	(10.5)%	Cash used in financing activities was relatively unchanged.

Capital expenditures

(in millions of dollars)

	Second quarter ended				Year to date ended			
	July 2, 2022	July 3, 2021	$ change	% change	**July 2, 2022**	July 3, 2021	$ change	% change
Canada Post	114	116	(2)	(2.3)%	208	197	11	5.3%
Purolator	52	49	3	5.7%	92	109	(17)	(15.4)%
SCI	2	2	–	13.0%	4	3	1	22.1%
Innovapost and intersegment	–	(1)	1	150.0%	–	–	–	(95.7)%
Canada Post Group of Companies	**168**	**166**	**2**	**0.3%**	**304**	**309**	**(5)**	**(2.2)%**

There was no material change to capital expenditures for the Group of Companies.

Canada Post segment

The Canada Post segment invested $159 million in Q2 2022, with capital and non-capital investments of $114 million, and $45 million, respectively. Year-to-date investments were $299 million, comprised of $208 million capital investments, and $91 million in non-capital investments, respectively. In the second quarter, we invested to address immediate capacity challenges and continued construction on the new Ontario East Processing Centre, now the Albert Jackson Processing Centre. We also progressed with other facility improvement projects, including those to expand our delivery capacity. Investments are aligned and guided by the three pillars of our purpose, A Stronger Canada – Delivered.

6.2 Canada Post Corporation Registered Pension Plan

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.

In June 2022, Canada Post filed the actuarial valuation of the Canada Post Corporation Registered Pension Plan (RPP) as at December 31, 2021, with the federal pension regulator, the Office of the Superintendent of Financial Institutions. This actuarial valuation disclosed a going-concern surplus of

$4.9 billion (using the smoothed value of RPP assets) and a solvency deficit of $4.9 billion (using the three-year average solvency ratio basis), or $2.6 billion (using market value of plan assets).

At the end of the second quarter, the solvency position (using market value of plan assets) of the Canada Post Corporation Registered Pension Plan (RPP) was an estimated surplus of $250 million, an improvement of over $2.8 billion compared to 2021 year-end, primarily due to a significant discount rate increase slightly offset by lower-than-expected asset returns and experience adjustments.

On an accounting basis, remeasurement gains of $0.5 billion and $2.4 billion, respectively, for the second quarter and first two quarters of 2022 for the RPP, net of tax, were recorded in other comprehensive income, due to a significant discount rate increase, offset by lower-than-expected asset returns and experience adjustments.

Current service contributions amounted to $84 million and $159 million, respectively, for the second quarter and first two quarters of 2022, compared to $85 million and $157 million, respectively, for the same periods in 2021.

6.3 Liquidity and capital resources

Liquidity

The Canada Post segment had $1,853 million of unrestricted liquid investments on hand as at July 2, 2022, for a net liquidity position of $855 million (after outstanding loans and borrowings of $998 million). 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 (see Section 6.2).

The Corporation's subsidiaries had a total of $312 million of unrestricted cash on hand and undrawn credit facilities of $140 million as at July 2, 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 July 2, 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 second 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 July 2, 2022, and December 31, 2021

(in millions of dollars)

ASSETS	July 2, 2022	Dec. 31, 2021	$ change	% change	Explanation
Cash and cash equivalents	1,057	1,331	(274)	(20.6)%	Refer to Section 6 Liquidity and Capital Resources.
Marketable securities	1,108	1,279	(171)	(13.3)%	Due to maturities and lower purchases of marketable securities.
Trade and other receivables	953	968	(15)	(1.6)%	Mainly due to lower receivables in the Canada Post and Purolator segments, partially offset by higher receivables in the SCI segment.
Other assets	232	200	32	16.0%	Mainly due to higher income tax receivable balances in all segments.
Total current assets	**3,350**	**3,778**	**(428)**	**(11.3)%**	
Marketable securities	84	82	2	1.8%	No material change.
Property, plant and equipment	3,615	3,473	142	4.1%	Mainly due to acquisitions in excess of depreciation.
Intangible assets	176	169	7	4.1%	No material change.
Right-of-use assets	1,346	1,326	20	1.5%	Mainly due to new leases and lease renewals exceeding depreciation in the Canada Post segment.
Segregated securities	405	482	(77)	(16.1)%	Mainly due to unrealized losses in the Canada Post segment recorded in other comprehensive income.
Pension benefit assets	4,680	1,450	3,230	222.9%	Mainly due to remeasurement gains in the Canada Post Registered Pension Plan (RPP) as a result of an increase in discount rates offset by lower than expected asset returns and experience adjustments.
Deferred tax assets	2	572	(570)	(99.6)%	Mainly due to a net surplus in post-employment plans, compared to a net deficit in 2021. The net surplus is a result of an increase in discount rates.
Goodwill	130	130	–	–	No change.
Other assets	54	54	–	0.1%	No material change.
Total non-current assets	**10,492**	**7,738**	**2,754**	**35.6%**	
Total assets	**13,842**	**11,516**	**2,326**	**20.2%**	

(in millions of dollars)

LIABILITIES	July 2, 2022	Dec. 31, 2021	$ change	% change	Explanation
Trade and other payables	859	881	(22)	(2.5)%	Mainly due to lower expenses and timing in the Purolator segment.
Salaries and benefits payable and related provisions	588	700	(112)	(16.1)%	Mainly due to lower accrued salaries and benefits in the Canada Post segment.
Provisions	53	57	(4)	(7.3)%	No material change.
Income tax payable	–	20	(20)	(100.0)%	Primarily due to a decrease in tax liability for the Purolator segment.
Deferred revenue	157	186	(29)	(15.6)%	Mainly due to reduced Parcel revenue deferrals in the Canada Post segment.
Lease liabilities	123	123	–	(0.1)%	No material change.
Other long-term benefit liabilities	62	62	–	–	No change.
Total current liabilities	**1,842**	**2,029**	**(187)**	**(9.2)%**	
Lease liabilities	1,416	1,391	25	1.8%	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	2,945	3,969	(1,024)	(25.8)%	Mainly a result of remeasurement gains from an increase in discount rates on other post-employment plans.
Deferred tax liability	454	11	443	†	Mainly due to a net surplus in post-employment plans, compared to a net deficit in 2021. The net surplus is a result of an increase in discount rates.
Other liabilities	39	33	6	19.0%	No material change.
Total non-current liabilities	**5,852**	**6,402**	**(550)**	**(8.6)%**	
Total liabilities	**7,694**	**8,431**	**(737)**	**(8.7)%**	
EQUITY					
Contributed capital	1,155	1,155	–	–	No change.
Accumulated other comprehensive income	(11)	59	(70)	*	Mainly due to unrealized losses on segregated securities for dental, term life and death benefit plans in the Canada Post segment.
Retained earnings	4,932	1,811	3,121	172.3%	Primarily due to remeasurement gains from significantly higher discount rates.
Equity of Canada	**6,076**	**3,025**	**3,051**	**100.8%**	
Non-controlling interests	72	60	12	20.1%	
Total equity	**6,148**	**3,085**	**3,063**	**99.3%**	
Total liabilities and equity	**13,842**	**11,516**	**2,326**	**20.2%**	

† 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 some of the claims disclosed in the 2021 MD&A. 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 second 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 higher inflation and reduced consumer confidence, prolonged supply chain issues, and lasting effects of COVID-19. Such challenges have exacerbated many of Canada Post's principal risks and could result in increased costs, reduced volumes and operational challenges. 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.

8.2 Principal risks

Climate change and environmentally sustainable practices

As a major delivery company operating one of Canada's largest fleets, we acknowledge our important role to address climate change and are committed to a low-carbon future. In response to the release by the United Nations Intergovernmental Panel on Climate Change (IPCC) of their Sixth Assessment Report earlier this year, we began re-evaluating risks related to climate-induced weather events and disasters, the progressive impacts of climate change and our climate strategy. We will continue to introduce control measures identified in the study, embed climate risk assessments and mitigation strategies into business and decision-making processes throughout the organization, and integrate regular climate risk assessments into the corporate enterprise risk management (ERM) process.

The immediate focus is to manage direct greenhouse gas emissions (scope 1) through the retrofitting and electrification of our buildings and fleet, make a shift to clean electricity (scope 2) and work with supply chain partners to help them reduce their carbon footprints and set science-based targets (scope 3). We're also aiming to achieve a net-zero waste future by transforming its waste and recycling processes. A dedicated team of subject-matter experts are in place to lead, manage and communicate our Environmental Action Plan. We will implement programs and participate in studies aimed at reducing real estate emissions (pilots are under way). Hybrid vehicles have been added to our fleet and we recently made the commitment to transform our fleet to 100% electric by 2040. Oversight for climate-related risks is provided by the Environmental, Social and Governance Committee of the Board of Directors.

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 second quarter.

9.3 Accounting policy developments

There were no other new standards, amendments and interpretations issued by the IASB or the Interpretations Committee in the second quarter that would have a possible effect on the Group of Companies in the future.

Endnotes

1. Percentage changes for revenue, volumes and cost of operations in this report are adjusted for differences in business and paid days in Q2 and for the year to date of 2022, compared to the same periods in 2021. 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. These days varied by segment, as follows.
    - Canada Post Group of Companies, Canada Post segment and Purolator segment:
        - one less business day and no difference in paid days for Q2 2022 compared to Q2 2021;
        - one less business day and one less paid day for the 2022 year to date compared to the same period of 2021.
    - SCI segment:
        - no difference in business or paid days for Q2 or for the year to date of 2022 compared to the same periods in 2021.

Management's Responsibility for Interim Financial Reporting

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

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

President and Chief Executive Officer

Chief Financial Officer

August 25, 2022

Interim Condensed Consolidated Statement of Financial Position

(Unaudited – in millions of Canadian dollars)

	As at July 2, 2022	As at December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	**1,057**	1,331
Marketable securities	**1,108**	1,279
Trade, other receivables and contract assets	**953**	968
Other assets (Note 4)	**232**	200
Total current assets	**3,350**	3,778
Non-current assets		
Marketable securities	**84**	82
Property, plant and equipment (Note 5)	**3,615**	3,473
Intangible assets (Note 5)	**176**	169
Right-of-use assets (Note 5)	**1,346**	1,326
Segregated securities	**405**	482
Pension benefit assets (Note 6)	**4,680**	1,450
Deferred tax assets	**2**	572
Goodwill	**130**	130
Other assets (Note 4)	**54**	54
Total non-current assets	**10,492**	7,738
Total assets	**13,842**	11,516
Liabilities and equity		
Current liabilities		
Trade and other payables	**859**	881
Salaries and benefits payable and related provisions	**588**	700
Provisions	**53**	57
Income tax payable	**–**	20
Deferred revenue	**157**	186
Lease liabilities (Note 7)	**123**	123
Other long-term benefit liabilities (Note 6)	**62**	62
Total current liabilities	**1,842**	2,029
Non-current liabilities		
Lease liabilities (Note 7)	**1,416**	1,391
Loans and borrowings	**998**	998
Pension, other post-employment and other long-term benefit liabilities (Note 6)	**2,945**	3,969
Deferred tax liabilities	**454**	11
Other liabilities	**39**	33
Total non-current liabilities	**5,852**	6,402
Total liabilities	**7,694**	8,431
Equity		
Contributed capital	**1,155**	1,155
Accumulated other comprehensive income (Note 12)	**(11)**	59
Accumulated surplus	**4,932**	1,811
Equity of Canada	**6,076**	3,025
Non-controlling interests	**72**	60
Total equity	**6,148**	3,085
Total liabilities and equity	**13,842**	11,516

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 26 weeks ended	
	July 2, 2022	July 3, 2021	**July 2, 2022**	July 3, 2021
Revenue from operations (Note 9)	**2,465**	2,521	**4,967**	5,141
Cost of operations				
Labour	**1,190**	1,239	**2,420**	2,500
Employee benefits	**394**	473	**796**	959
	1,584	1,712	**3,216**	3,459
Other operating costs (Note 10)	**817**	739	**1,654**	1,508
Depreciation and amortization (Note 5)	**111**	112	**224**	221
Total cost of operations	**2,512**	2,563	**5,094**	5,188
Loss from operations	**(47)**	(42)	**(127)**	(47)
Investing and financing income (expense)				
Investment and other income (Note 11)	**7**	5	**12**	18
Finance costs and other expense (Note 11)	**(24)**	(27)	**(49)**	(54)
Investing and financing expense, net	**(17)**	(22)	**(37)**	(36)
Loss before tax	**(64)**	(64)	**(164)**	(83)
Tax recovery	**(15)**	(15)	**(38)**	(19)
Net loss	**(49)**	(49)	**(126)**	(64)
Other comprehensive income (Note 12)				
Items that may subsequently be reclassified to net loss				
Change in unrealized fair value of financial assets	**(30)**	7	**(70)**	(28)
Foreign currency translation adjustment	**–**	–	**–**	(2)
Item never reclassified to net loss				
Remeasurements of defined benefit plans	**803**	273	**3,259**	3,288
Other comprehensive income	**773**	280	**3,189**	3,258
Comprehensive income	**724**	231	**3,063**	3,194
Net profit (loss) attributable to				
Government of Canada	**(54)**	(53)	**(132)**	(71)
Non-controlling interests	**5**	4	**6**	7
	(49)	(49)	**(126)**	(64)
Comprehensive income attributable to				
Government of Canada	**718**	226	**3,051**	3,180
Non-controlling interests	**6**	5	**12**	14
	724	231	**3,063**	3,194

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 July 2, 2022	Contributed capital	Accumulated other comprehensive income	Accumulated surplus	Equity of Canada	Non-controlling interests	Total equity
Balance at April 2, 2022	**1,155**	**19**	**4,184**	**5,358**	**66**	**5,424**
Net profit (loss)	**–**	**–**	**(54)**	**(54)**	**5**	**(49)**
Other comprehensive income (loss) (Note 12)	**–**	**(30)**	**802**	**772**	**1**	**773**
Comprehensive income (loss)	**–**	**(30)**	**748**	**718**	**6**	**724**
Balance at July 2, 2022	**1,155**	**(11)**	**4,932**	**6,076**	**72**	**6,148**

For the 13 weeks ended July 3, 2021	Contributed capital	Accumulated other comprehensive income	Accumulated surplus	Equity of Canada	Non-controlling interests	Total equity
Balance at April 3, 2021	1,155	55	825	2,035	50	2,085
Net profit (loss)	–	–	(53)	(53)	4	(49)
Other comprehensive income (Note 12)	–	7	272	279	1	280
Comprehensive income	–	7	219	226	5	231
Balance at July 3, 2021	1,155	62	1,044	2,261	55	2,316

For the 26 weeks ended July 2, 2022	Contributed capital	Accumulated other comprehensive income	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)	**–**	**–**	**(132)**	**(132)**	**6**	**(126)**
Other comprehensive income (loss) (Note 12)	**–**	**(70)**	**3,253**	**3,183**	**6**	**3,189**
Comprehensive income (loss)	**–**	**(70)**	**3,121**	**3,051**	**12**	**3,063**
Balance at July 2, 2022	**1,155**	**(11)**	**4,932**	**6,076**	**72**	**6,148**

For the 26 weeks ended July 3, 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)	–	–	(71)	(71)	7	(64)
Other comprehensive income (loss) (Note 12)	–	(30)	3,281	3,251	7	3,258
Comprehensive income (loss)	–	(30)	3,210	3,180	14	3,194
Balance at July 3, 2021	1,155	62	1,044	2,261	55	2,316

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

Interim Condensed Consolidated Statement of Cash Flows

(Unaudited – in millions of Canadian dollars)

	For the 13 weeks ended		For the 26 weeks ended	
	July 2, 2022	July 3, 2021	**July 2, 2022**	July 3, 2021
Cash flows from operating activities				
Net loss	**(49)**	(49)	**(126)**	(64)
Adjustments to reconcile net profit to cash provided by operating activities:				
Depreciation and amortization (Note 5)	**111**	112	**224**	221
Pension, other post-employment and other long-term benefit expense (Note 6)	**210**	294	**418**	582
Pension, other post-employment and other long-term benefit payments (Note 6)	**(169)**	(160)	**(325)**	(314)
Loss (gain) on sale of capital assets (Note 11)	**1**	–	**1**	(8)
Tax recovery and other items affecting net income tax receivable	**(15)**	(15)	**(38)**	(19)
Net interest expense (Note 11)	**14**	17	**29**	33
Change in non-cash operating working capital:				
(Increase) decrease in trade and other receivables	**(58)**	4	**16**	93
(Decrease) increase in trade and other payables	**56**	101	**(22)**	(84)
Decrease in salaries and benefits payable and related provisions	**(8)**	(43)	**(112)**	(116)
(Decrease) increase in provisions	**(4)**	1	**(6)**	(1)
Net increase in other non-cash operating working capital	**(26)**	(41)	**(43)**	(87)
Other income not affecting cash, net	**(4)**	(3)	**2**	(6)
Cash provided by operations before interest and tax	**59**	218	**18**	230
Interest received	**13**	12	**18**	19
Interest paid	**(10)**	(10)	**(41)**	(41)
Tax (paid) received	**(19)**	81	**(61)**	56
Cash provided by (used in) operating activities	**43**	301	**(66)**	264
Cash flows from investing activities				
Acquisition of securities	**(46)**	(230)	**(316)**	(596)
Proceeds from sale of securities	**188**	366	**470**	627
Acquisition of capital assets	**(168)**	(166)	**(304)**	(309)
Proceeds from sale of capital assets	**2**	1	**2**	11
Other investing activities, net	**2**	1	**2**	1
Cash used in investing activities	**(22)**	(28)	**(146)**	(266)
Cash flows from financing activities				
Repayments of lease liabilities, net of sublease proceeds	**(31)**	(30)	**(63)**	(59)
Other financing activities, net	**–**	–	**–**	1
Cash used in financing activities	**(31)**	(30)	**(63)**	(58)
Net (decrease) increase in cash and cash equivalents	**(10)**	243	**(275)**	(60)
Cash and cash equivalents, beginning of period	**1,066**	1,161	**1,331**	1,465
Effect of exchange rate changes on cash and cash equivalents	**1**	(1)	**1**	(2)
Cash and cash equivalents, end of period	**1,057**	1,403	**1,057**	1,403

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

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the 26 weeks ended July 2, 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 Her Majesty. The Corporation's head office is located at 2701 Riverside Drive, Ottawa, Ontario, Canada.

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

Under the *Canada Post Corporation Act*, the Corporation has the sole and exclusive privilege (with some exceptions) of collecting, transmitting and delivering letters to the addressee thereof within Canada. The Corporation is also subject to directives issued pursuant to section 89 of the *Financial Administration Act* as described in Note 1 to the Corporation's annual consolidated financial statements for the year ended December 31, 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 Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board of Canada. 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 August 25, 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 26 weeks ending July 2, 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 second quarter.

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

Other than those disclosed in Note 5 (b) of the Corporation's annual consolidated financial statements for the year ended December 31, 2021, there were no other new standards, amendments and interpretations issued by the IASB or the Interpretations Committee that would have a possible effect on the Group of Companies in the future.

4. Other Assets

(in millions)

	As at July 2, 2022	As at December 31, 2021
Income tax receivable	**93**	66
Prepaid expenses	**148**	141
Assets held for sale	**1**	1
Other receivables	**44**	46
Total other assets	**286**	254
Current other assets	**232**	200
Non-current other assets	**54**	54

As at July 2, 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	13	3	8	17	6	54	148	274
Reclassified as held for sale	–	(2)	–	–	–	–	–	–	(2)
Retirements	–	–	(1)	(26)	(12)	(29)	(4)	–	(72)
Transfers	–	3	2	1	–	1	3	(10)	–
July 2, 2022	**482**	**2,353**	**381**	**1,198**	**754**	**324**	**1,208**	**687**	**7,387**
Accumulated depreciation									
December 31, 2021	–	1,303	277	854	447	280	553	–	3,714
Depreciation	–	29	8	34	25	8	27	–	131
Reclassified as held for sale	–	(2)	–	–	–	–	–	–	(2)
Retirements	–	–	(1)	(26)	(11)	(29)	(4)	–	(71)
July 2, 2022	**–**	**1,330**	**284**	**862**	**461**	**259**	**576**	**–**	**3,772**
Carrying amounts									
December 31, 2021	457	1,036	100	361	302	66	602	549	3,473
July 2, 2022	**482**	**1,023**	**97**	**336**	**293**	**65**	**632**	**687**	**3,615**

(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	33	–	34
Retirements	(3)	–	–	(3)
Transfers	4	(4)	–	–
July 2, 2022	**962**	**67**	**22**	**1,051**
Accumulated amortization				
December 31, 2021	829	–	22	851
Amortization	25	–	–	25
Retirements	(1)	–	–	(1)
July 2, 2022	**853**	**–**	**22**	**875**
Carrying amounts				
December 31, 2021	131	38	–	169
July 2, 2022	**109**	**67**	**–**	**176**

(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	–	28	61	–	–	89
Depreciation	(2)	(15)	(48)	(3)	–	(68)
Terminations	–	–	(1)	–	–	(1)
July 2, 2022	**114**	**320**	**900**	**10**	**2**	**1,346**

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 July 2, 2022	As at December 31, 2021
Pension benefit assets	**4,680**	1,450
Pension benefit liabilities	5	6
Other post-employment and other long-term benefit liabilities	3,002	4,025
Total pension, other post-employment and other long-term benefit liabilities	3,007	4,031
Current other long-term benefit liabilities	**62**	62
Non-current pension, other post-employment and other long-term benefit liabilities	**2,945**	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 July 2, 2022			For the 13 weeks ended July 3, 2021		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	161	30	191	197	34	231
Interest cost	227	29	256	229	30	259
Interest income on plan assets	(239)	–	(239)	(207)	–	(207)
Other administration costs	4	–	4	3	–	3
Actuarial gains[1]	–	(11)	(11)	–	–	–
Defined benefit expense	153	48	201	222	64	286
Defined contribution expense	9	–	9	8	–	8
Total expense	162	48	210	230	64	294
Return on segregated securities	–	(4)	(4)	–	(4)	(4)
Component included in employee benefits expense	**162**	**44**	**206**	**230**	**60**	**290**
Remeasurement (gains) losses:						
Return on plan assets, excluding interest income on plan assets	2,646	–	2,646	(1,157)	–	(1,157)
Actuarial (gains) losses	(3,277)	(441)	(3,718)	719	74	793
Component included in other comprehensive income[2,3]	**(631)**	**(441)**	**(1,072)**	**(438)**	**74**	**(364)**

1. Remeasurements for other long-term benefits plans are recognized in net profit (or loss) in the period in which they arise. The discount rate used to measure the Canada Post segment other long-term benefit plans at July 2, 2022, was 5.13% compared to 4.05% at April 2, 2022. Due to the immaterial change in the discount rate from April 3, 2021, the Canada Post segment other long-term benefit plans were not remeasured at July 3, 2021.
2. Amounts presented in this table exclude an income tax expense of $269 million for the 13 weeks ended July 2, 2022 (July 3, 2021 – $91 million).
3. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at July 2, 2022, were 5.31% and 5.34% compared to 4.30% and 4.33%, respectively, at April 2, 2022 (3.27% and 3.39% at July 3, 2021, compared to 3.41% and 3.53%, respectively, at April 3, 2021).

(in millions)

	For the 26 weeks ended July 2, 2022			For the 26 weeks ended July 3, 2021		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	322	60	382	398	68	466
Interest cost	454	58	512	461	61	522
Interest income on plan assets	(478)	–	(478)	(417)	–	(417)
Other administration costs	8	–	8	7	–	7
Actuarial gains[1]	–	(25)	(25)	–	(12)	(12)
Defined benefit expense	306	93	399	449	117	566
Defined contribution expense	19	–	19	16	–	16
Total expense	325	93	418	465	117	582
Return on segregated securities	–	(8)	(8)	–	(8)	(8)
Component included in employee benefits expense	**325**	**85**	**410**	**465**	**109**	**574**
Remeasurement (gains) losses:						
Return on plan assets, excluding interest income on plan assets	4,453	–	4,453	(767)	–	(767)
Actuarial (gains) losses	(7,761)	(1,039)	(8,800)	(3,159)	(461)	(3,620)
Component included in other comprehensive income[2,3]	**(3,308)**	**(1,039)**	**(4,347)**	**(3,926)**	**(461)**	**(4,387)**

1. Remeasurement for other long-term benefits plans are recognized in net profit (or loss) in the period in which they arise. The discount rate used to measure the Canada Post segment other long-term benefit plans at July 2, 2022, was 5.13% compared to 2.86% at December 31, 2021 (2.76% at July 3, 2021, compared to 2.09% at December 31, 2020). Due to the immaterial change in the discount rate from April 3, 2021, the Canada Post segment other long-term benefit plans were not remeasured at July 3, 2021.
2. Amounts presented in this table exclude an income tax expense of $1,088 million for the 26 weeks ended July 2, 2022 (July 3, 2021 – $1,099 million).
3. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at July 2, 2022, were 5.31% and 5.34% compared to 3.22% and 3.26%, respectively, at December 31, 2021 (3.27% and 3.39%, respectively, at July 3, 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 26 weeks ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Benefits paid directly to beneficiaries for other benefit plans	39	35	77	77
Employer regular contributions to pension benefit plans	103	104	196	195
Employer special contributions to pension benefit plans	18	13	33	26
Cash payments for defined benefit plans	160	152	306	298
Contributions to defined contribution plans	9	8	19	16
Total cash payments	**169**	**160**	**325**	**314**

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 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.

7. Lease Liabilities

(a) Lease liabilities

(in millions)

	As at July 2, 2022	As at December 31, 2021
Maturity analysis – contractual undiscounted cash flows[1,2]		
Less than one year	162	159
One to five years	561	567
More than five years	1,259	1,240
Total undiscounted lease liabilities	**1,982**	1,966
Lease liabilities in the consolidated statement of financial position	**1,539**	1,514
Current lease liabilities	**123**	123
Non-current lease liabilities	**1,416**	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 $30 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 July 2, 2022, have future cash outflows of $41 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	July 2, 2022
Lease liabilities	1,514	(83)	20	88	**1,539**

8. 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 July 2, 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 July 2, 2022, was not significant.

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

(in millions)

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

(in millions)

	For the 26 weeks ended July 2, 2022			For the 26 weeks ended July 3, 2021		
	Foreign exchange losses	**Derivative gains**	**Total**	Foreign exchange losses	Derivative gains	Total
Unrealized	(2)	4	2	(3)	7	4
Realized	(2)	3	1	(6)	3	(3)
Total	**(4)**	**7**	**3**	(9)	10	1

(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.

9. 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 26 weeks ended	
	July 2, 2022	July 3, 2021	**July 2, 2022**	July 3, 2021
Canada	2,361	2,403	4,755	4,880
United States	69	71	138	156
Rest of the world	35	47	74	105
Total revenue	**2,465**	2,521	**4,967**	5,141

(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 July 2, 2022			For the 13 weeks ended July 3, 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	1,614	(47)	1,567	1,646	(48)	1,598
Transaction Mail	453	(1)	452	467	(1)	466
Direct Marketing	242	(1)	241	218	–	218
Other revenue	135	(80)	55	153	(85)	68
	2,444	(129)	2,315	2,484	(134)	2,350
Unattributed revenue						
Stamp postage	59	–	59	71	–	71
Meter postage	91	–	91	100	–	100
	150	–	150	171	–	171
Total	**2,594**	**(129)**	**2,465**	2,655	(134)	2,521

(in millions)

	For the 26 weeks ended July 2, 2022			For the 26 weeks ended July 3, 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	3,170	(92)	3,078	3,289	(93)	3,196
Transaction Mail	979	(1)	978	1,008	(1)	1,007
Direct Marketing	476	(1)	475	434	–	434
Other revenue	263	(154)	109	291	(160)	131
	4,888	(248)	4,640	5,022	(254)	4,768
Unattributed revenue						
Stamp postage	132	–	132	162	–	162
Meter postage	195	–	195	211	–	211
	327	–	327	373	–	373
Total	**5,215**	**(248)**	**4,967**	5,395	(254)	5,141

(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 9 (a).

(in millions)

	For the 13 weeks ended July 2, 2022			For the 13 weeks ended July 3, 2021		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic						
Commercial	1,763	(49)	1,714	1,795	(49)	1,746
Retail	644	–	644	655	–	655
	2,407	(49)	2,358	2,450	(49)	2,401
International	104	–	104	118	–	118
Other	83	(80)	3	87	(85)	2
Total	**2,594**	**(129)**	**2,465**	2,655	(134)	2,521

(in millions)

	For the 26 weeks ended July 2, 2022			For the 26 weeks ended July 3, 2021		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic						
Commercial	3,544	(94)	3,450	3,566	(94)	3,472
Retail	1,302	–	1,302	1,405	–	1,405
	4,846	(94)	4,752	4,971	(94)	4,877
International	212	–	212	261	–	261
Other	157	(154)	3	163	(160)	3
Total	**5,215**	**(248)**	**4,967**	5,395	(254)	5,141

10. Other Operating Costs

(in millions)

	For the 13 weeks ended		For the 26 weeks ended	
	July 2, 2022	July 3, 2021	**July 2, 2022**	July 3, 2021
Non-labour collection, processing and delivery	537	490	1,087	1,022
Property, facilities and maintenance	85	78	179	164
Selling, administrative and other	195	171	388	322
Other operating costs	**817**	739	**1,654**	1,508

11. Investing and Financing Income (Expense)

(in millions)

	For the 13 weeks ended		For the 26 weeks ended	
	July 2, 2022	July 3, 2021	**July 2, 2022**	July 3, 2021
Interest income	8	4	13	9
Gain (loss) on sale of capital assets and assets held for sale	(1)	1	(1)	9
Investment and other income	**7**	5	**12**	18
Interest expense	(22)	(21)	(42)	(42)
Other expense	(2)	(6)	(7)	(12)
Finance costs and other expense	**(24)**	(27)	**(49)**	(54)
Investing and financing expense, net	**(17)**	(22)	**(37)**	(36)

12. 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	Remeasurements of defined benefit plans	Other comprehensive income
Accumulated balance as at December 31, 2021	56	3	59		
Gains (losses) arising	(94)	–	(94)	4,347	4,253
Income taxes	24	–	24	(1,088)	(1,064)
Net	**(70)**	**–**	**(70)**	**3,259**	**3,189**
Accumulated balance as at July 2, 2022	**(14)**	**3**	**(11)**		

13. 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 26 weeks ended**	
	July 2, 2022	July 3, 2021	**July 2, 2022**	July 3, 2021
Related party revenue	**55**	82	**123**	160
Compensation payments for programs				
Government mail and mailing of materials for persons who are blind	**5**	5	**11**	11
Payments from related parties for premises leased from the Corporation	**1**	1	**3**	3
Related party expenditures	**2**	8	**8**	14

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 July 2, 2022	As at December 31, 2021
Due to/from related parties		
Included in trade and other receivables	**18**	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 26 weeks ended July 2, 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 $4 million and $8 million for the 13 and 26 weeks ended July 2, 2022, respectively (July 3, 2021 – $3 million and $6 million, respectively). These transactions had been made at prices and terms comparable to those given to other suppliers of Purolator.

(c) Transactions with the Corporation's pension plans

During the 13 and 26 weeks ended July 2, 2022, the Corporation provided administration services to the Canada Post Corporation Registered Pension Plan in the amount of $4 million and $7 million, respectively (July 3, 2021 – $3 million and $6 million, respectively). As at July 2, 2022, $9 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).

14. 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 July 2, 2022

(in millions)

	Canada Post	Purolator	SCI	Other	Total
Revenue from external customers	1,697	700	68	–	2,465
Intersegment revenue	26	9	14	(49)	–
Revenue from operations	1,723	709	82	(49)	2,465
Labour and employee benefits	1,235	286	34	29	1,584
Other operating costs	558	303	34	(78)	817
Depreciation and amortization	80	22	9	–	111
Cost of operations	1,873	611	77	(49)	2,512
Profit (loss) from operations	(150)	98	5	–	(47)
Investment and other income	7	–	–	–	7
Finance costs and other expense	(17)	(7)	(1)	1	(24)
Profit (loss) before tax	(160)	91	4	1	(64)
Tax expense (recovery)	(40)	24	–	1	(15)
Net profit (loss)	(120)	67	4	–	(49)
Total assets	11,881	1,993	299	(331)	13,842
Total liabilities	6,744	830	158	(38)	7,694

As at and for the 13 weeks ended July 3, 2021

(in millions)

	Canada Post	Purolator	SCI	Other	Total
Revenue from external customers	1,791	644	86	–	2,521
Intersegment revenue	30	9	10	(49)	–
Revenue from operations	1,821	653	96	(49)	2,521
Labour and employee benefits	1,356	282	47	27	1,712
Other operating costs	521	267	29	(78)	739
Depreciation and amortization	80	21	10	1	112
Cost of operations	1,957	570	86	(50)	2,563
Profit (loss) from operations	(136)	83	10	1	(42)
Investment and other income	4	1	–	–	5
Finance costs and other expense	(19)	(7)	(1)	–	(27)
Profit (loss) before tax	(151)	77	9	1	(64)
Tax expense (recovery)	(38)	21	3	(1)	(15)
Net profit (loss)	(113)	56	6	2	(49)
Total assets	8,935	1,683	295	(321)	10,592
Total liabilities	7,363	770	169	(26)	8,276

As at and for the 26 weeks ended July 2, 2022

(in millions)

	Canada Post	**Purolator**	**SCI**	**Other**	**Total**
Revenue from external customers	3,507	1,330	130	–	4,967
Intersegment revenue	51	17	26	(94)	–
Revenue from operations	3,558	1,347	156	(94)	4,967
Labour and employee benefits	2,508	584	68	56	3,216
Other operating costs	1,153	590	62	(151)	1,654
Depreciation and amortization	161	44	18	1	224
Cost of operations	3,822	1,218	148	(94)	5,094
Profit (loss) from operations	(264)	129	8	–	(127)
Investment and other income	11	1	–	–	12
Finance costs and other expense	(36)	(11)	(2)	–	(49)
Profit (loss) before tax	(289)	119	6	–	(164)
Tax expense (recovery)	(72)	33	1	–	(38)
Net profit (loss)	(217)	86	5	–	(126)
Total assets	11,881	1,993	299	(331)	13,842
Total liabilities	6,744	830	158	(38)	7,694

As at and for the 26 weeks ended July 3, 2021

(in millions)

	Canada Post	Purolator	SCI	Other	Total
Revenue from external customers	3,720	1,260	161	–	5,141
Intersegment revenue	56	19	19	(94)	–
Revenue from operations	3,776	1,279	180	(94)	5,141
Labour and employee benefits	2,748	566	89	56	3,459
Other operating costs	1,077	530	54	(153)	1,508
Depreciation and amortization	158	42	20	1	221
Cost of operations	3,983	1,138	163	(96)	5,188
Profit (loss) from operations	(207)	141	17	2	(47)
Investment and other income	17	1	–	–	18
Finance costs and other expense	(38)	(14)	(2)	–	(54)
Profit (loss) before tax	(228)	128	15	2	(83)
Tax expense (recovery)	(57)	35	4	(1)	(19)
Net profit (loss)	(171)	93	11	3	(64)
Total assets	8,935	1,683	295	(321)	10,592
Total liabilities	7,363	770	169	(26)	8,276

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