2023
Canada Post Corporation

THIRD QUARTER FINANCIAL REPORT

For the period ended September 30, 2023

Financial Performance

Contents

Unaudited Interim Condensed Consolidated Financial Statements

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) of the financial condition and results of operations is prepared for the 13-week period (third quarter or Q3) and 39-week period (first three quarters or year to date [YTD]) ended September 30, 2023, 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, the Group of Companies, or the Group. The Corporation manages its consolidated operations and, accordingly, determines its operating segments on the basis of legal entities. Three reportable operating segments have been identified: Canada Post, Purolator and SCI. The Other category includes the results of the support functions provided by the information technology business unit, Innovapost, under a shared services agreement between Canada Post, Purolator and Innovapost, as well as consolidation adjustments and intersegment balance eliminations.

Financial results reported in the MD&A were prepared using International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). Amounts are presented in Canadian dollars, rounded to the nearest million, while related percentages are based on numbers rounded to the nearest thousand. Percentage changes for revenue, volume, and cost of operations in this report are adjusted for differences in business or paid days in the third quarter and year to date of 2023 compared to Q3 and YTD 2022. Fewer business days and paid days result in decreased revenue and volume, and decreased cost of operations, respectively, while the opposite is true for additional days. Where these differences impacted financial results, they have been highlighted in this report. These days varied by reporting entity, as follows.

	Q3 2023		YTD 2023	
Company	**Business days**	**Paid days**	**Business days**	**Paid days**
Canada Post Group of Companies and Canada Post	–	–	+1	–
Purolator	–	–	+1	–
SCI	-1	-1	–	–

This discussion should be read in conjunction with the unaudited interim condensed consolidated financial statements (interim financial statements) for the third quarter of 2023, 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 IFRSs issued by the 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, 2022.

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 on November 23, 2023.

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's 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, objective, outlook, strategy, target* and other similar expressions, or future and conditional forms of 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 expects. Readers are cautioned not to place undue reliance on the forward-looking statements.

The forward-looking statements included in the interim financial statements and MD&A are made as of November 23, 2023, and the Corporation does not undertake to publicly update these statements to reflect new information, future events or changes in circumstances or for any other reason after this date.

1. Executive Summary

An overview of the Canada Post Group of Companies and summary of Q3 2023 financial results.

The Group stands as one of Canada's major employers, with a workforce exceeding 83,600 people, encompassing full-time and part-time employees, including temporary, casual and term employees. We operate the most extensive retail network in Canada, with nearly 5,900 retail post offices. In the first three quarters of 2023, Canada Post, the largest segment of the Group, had revenue of $5 billion.

Canada Post segment

Canada Post operates as a federal Crown corporation, reporting to the Minister of Public Services and Procurement. Under the *Canada Post Corporation Act*, Canada Post has a mandate to deliver postal services to Canadians that align with their needs, while maintaining its financial self-sufficiency. Canadians have high expectations for the organization to serve as a model for social and environmental leadership, to continually invest in modern products and services, and to cultivate a safe and healthy work environment for our dedicated employees.

Canada Post's universal service obligation (USO) is set out in the *Canadian Postal Service Charter,* which states that we will maintain and provide a service for the collection, transmission and delivery of letters, parcels and publications. With more Canadians shifting to digital communications, Transaction Mail volumes continue to decline each year; they ended 2022 55% down from their peak in 2006 – and we expect those volumes to further decline.

While the growth in Canadian ecommerce has helped our Parcels line of business, increasing competition in the delivery market, fuelled by the pandemic, has eroded the Corporation's market share. With Parcels generating approximately half of the Corporation's revenue, the company must compete in a rapidly evolving ecommerce delivery market characterized by innovation, intensifying competition and low-cost operators. Parcels volumes in the ecommerce market are expected to double in Canada by 2031. Our business model, however, was built for paper-based communications during regular business hours. We must transform to be able to compete. Despite these challenges, the postal service remains a vital economic link for all Canadians who rely on a strong Canada Post, while providing meaningful employment across the country.

Financial self-sustainability

Canada Post's recurring financial losses are unsustainable and the company's net liquidity position continues to be depleted due to operating losses and increased costs associated with expanding capacity and maintaining the network. These losses are putting increased pressure on our ability to transform the organization and meet the rapidly changing needs of Canadians. Our deteriorating financial position also threatens our ability to fulfill the mandate set by the Government of Canada, which is for Canada Post to provide service to all Canadians while remaining financially self-sufficient and funding its operations with revenue from the sale of products and services, rather than with taxpayer funding. We must continue to modernize our business and address certain challenges:

- Diminishing core mail volumes, capacity constraints and financial commitments are inherent risks to our traditional paper-based business operating model.
- Demand for ecommerce parcels continues to grow; rate shopping is putting pressure on price; and expectations for service performance, delivery speeds and flexible delivery options – including weekend, same-day and next-day delivery – are on the rise. Merchants face pressure to compete on overall experience.
- Competitors are using low-cost gig-economy and contracted labour to offer cost-effective delivery solutions, while increasing their delivery speeds.
- Compensation restrictions due to government policy are making it increasingly difficult to attract and retain top talent.
- As we move into upcoming negotiations, establishing strong relationships with our bargaining agents is crucial to building a framework for greater flexibility, which is needed to compete.

Corporate Plan

On October 27, 2023, we filed our 2024-28 Corporate Plan to the Government of Canada, our single shareholder. The Corporate Plan presents the significant challenges we are facing with recurring financial losses and deteriorating liquidity position. More important, it highlights the need to work with our shareholder to align on solutions for financial self-sustainability. We are at a critical point in our history, where our longstanding role as essential national infrastructure is under significant threat without major transformation.

Financial and business highlights

Segment results – Profit (loss) before tax

(in millions of dollars)

	Q3 2023	Q3 2022	$ change	% change	**YTD 2023**	YTD 2022	$ change	% change
Canada Post	(290)	(227)	(63)	(27.4)%	(651)	(516)	(135)	(26.0)%
Purolator	68	84	(16)	(19.8)%	201	203	(2)	(1.2)%
SCI	5	6	(1)	(17.6)%	8	12	(4)	(33.7)%
Other	–	1	(1)	(73.6)%	–	1	(1)	(61.7)%
Canada Post Group of Companies	**(217)**	**(136)**	**(81)**	**(58.8)%**	**(442)**	**(300)**	**(142)**	**(47.1)%**

For both periods, the Canada Post segment's loss before tax was partially offset by profit before tax in the Purolator and SCI segments.

Canada Post segment

Revenue and volume by line of business

(in millions of dollars)

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	Q3 2023	Q3 2022	$ change	% change	**Q3 2023**	Q3 2022	Change	% change
Parcels	793	796	(3)	(0.3)%	70	63	7	12.1%
Transaction Mail	518	561	(43)	(7.7)%	497	537	(40)	(7.5)%
Direct Marketing	225	218	7	3.3%	915	872	43	4.9%
Other	51	56	(5)	(9.4)%	–	–	–	–
Total	**1,587**	**1,631**	**(44)**	**(2.7)%**	**1,482**	**1,472**	**10**	**0.7%**

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	YTD 2023	YTD 2022	$ change	% change	**YTD 2023**	YTD 2022	Change	% change
Parcels	2,445	2,492	(47)	(2.4)%	210	206	4	1.8%
Transaction Mail	1,749	1,832	(83)	(5.0)%	1,673	1,751	(78)	(5.0)%
Direct Marketing	685	695	(10)	(1.8)%	2,823	2,886	(63)	(2.7)%
Other	156	170	(14)	(9.2)%	–	–	–	–
Total	**5,035**	**5,189**	**(154)**	**(3.5)%**	**4,706**	**4,843**	**(137)**	**(3.3)%**

Parcels volumes increased in Q3, while revenue remained flat

Total Parcels volumes increased for Q3 and YTD 2023, especially in Q3 with a total volume increase of 12.1% compared to 2022. Domestic volumes grew due to increased competitive offerings, online shopping returns, and additional volumes from new and existing ecommerce customers. Improved service performance, the rollout of late induction to major markets, including the Greater Toronto Area, and our carbon-neutral shipping offering on ground shipments are all factors tied to this volume growth. Domestic revenue declined, even as commercial parcel rates increased, due to shifts in customer and channel mix and competitive pressure. Fuel surcharges tied to market rates accounted for a significant portion of the revenue decline in Q3 and YTD. Competitive commercial consolidators were increasingly used over the traditional inbound postal network, resulting in some migration from inbound parcels to domestic parcels, which reduced total revenue.

Transaction Mail volume erosion continued

Transaction Mail revenue and volumes were down in Q3 and YTD 2023 compared to 2022 as consumers and mailers continued their transition to digital communications. Maintaining regulated stamp prices at 2020 levels through 2023 has not allowed the Corporation to mitigate the revenue impact of volume declines in this eroding line of business.

Direct Marketing performance improved in Q3

Direct Marketing revenue and volumes increased in Q3 2023, while YTD revenue and volumes decreased, compared to the same periods in 2022. In Q3 2023, Canada Post Neighbourhood Mail™ revenue increased mainly due to new customer relationships, product developments and broad volume recoveries. On a YTD basis, revenue and volumes continued to see consumer spending decline as a result of the unfavourable impacts of economic uncertainty and movement toward digital marketing offerings.

Higher operating costs were partially offset by a decline in employee benefits costs

(in millions of dollars)

	Q3 2023	Q3 2022	$ change	% change	YTD 2023	YTD 2022	$ change	% change
Labour	967	887	80	9.1%	2,917	2,737	180	6.6%
Employee benefits	223	329	(106)	(32.5)%	701	987	(286)	(29.0)%
Other operating costs	599	557	42	7.6%	1,818	1,710	108	6.3%
Depreciation and amortization	89	79	10	12.5%	261	240	21	8.7%
Total cost of operations	**1,878**	**1,852**	**26**	**1.4%**	**5,697**	**5,674**	**23**	**0.4%**

Total cost of operations increased by $26 million (+1.4%) in Q3 2023, compared to Q3 2022, while YTD costs increased by $23 million (+0.4%). Higher labour costs, non-capital investments in operations and technology, and depreciation expenses were partly offset by lower employee benefits driven by an increase in discount rates.

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

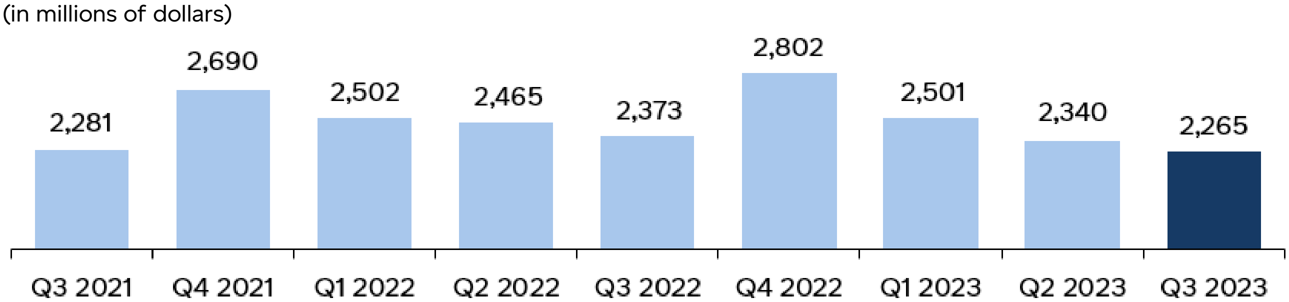
A remeasurement gain of $328 million and a remeasurement loss of $154 million, net of tax, were recorded in other comprehensive income for Q3 2023 and YTD 2023, respectively, for the Canada Post segment defined benefit plans. The expense recorded in the statement of comprehensive income and regular payments were not affected by these remeasurements. The Q3 remeasurement gain was due to discount rate increases, offset by lower-than-expected asset returns for the quarter and experience adjustments. The YTD loss was due to lower-than-expected asset returns for the year and experience adjustments, offset by discount rate increases. As the 2022 year-end going-concern ratio and solvency ratio (using market value of plan assets) exceed legislative thresholds, Canada Post is not permitted to make employer current service contributions for its Registered Pension Plan in 2023.

Canada Post Group of Companies – 2023

The charts below present selected consolidated financial results for the Group's nine last quarters.

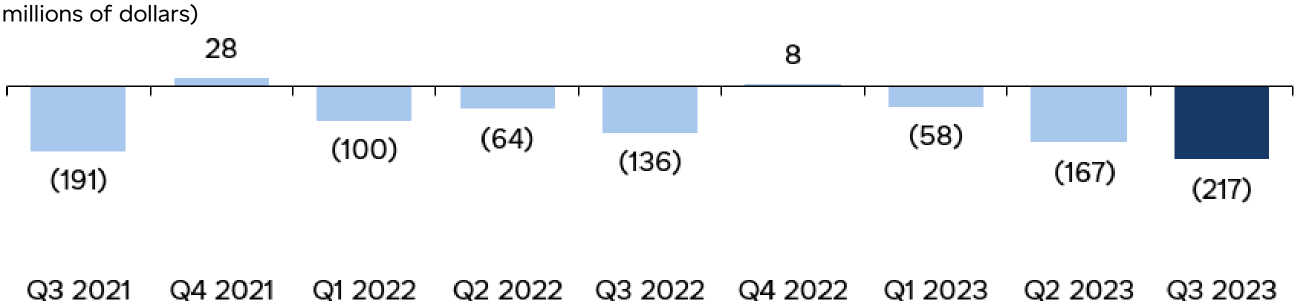
Revenue from operations

(in millions of dollars)



Profit (loss) before tax

(in millions of dollars)



The following table presents the Group's consolidated performance for the third quarter and the YTD of 2023, compared to the same periods in the prior year.

(in millions of dollars)

	Q3 2023	Q3 2022	$ change	% change	**YTD 2023**	YTD 2022	$ change	% change	Explanation of significant variances
Consolidated statement of comprehensive income									
Revenue from operations	2,265	2,373	(108)	(4.5)%	7,106	7,340	(234)	(3.7)%	YTD declines in the Canada Post and Purolator segments partially offset by an increase to revenue in the SCI segment.
Cost of operations	2,485	2,498	(13)	(0.5)%	7,553	7,592	(39)	(0.5)%	Lower costs in the Purolator segment, partly offset by higher costs in the Canada Post and SCI segments.
Loss from operations	(220)	(125)	(95)	(75.1)%	(447)	(252)	(195)	(77.2)%	Greater losses in the Canada Post segment and weaker profits in the Purolator and SCI segments.
Investing and financing income (expense), net	3	(11)	14	129.4%	5	(48)	53	111.7%	Increase in interest income.
Loss before tax	(217)	(136)	(81)	(58.8)%	(442)	(300)	(142)	(47.1)%	
Tax recovery	(54)	(35)	(19)	(52.1)%	(107)	(73)	(34)	(44.9)%	Higher loss before tax in the Group.
Net loss	(163)	(101)	(62)	(61.1)%	(335)	(227)	(108)	(47.8)%	
Comprehensive income (loss)	179	(524)	703	134.2%	(456)	2,539	(2,995)	(118.0)%	Q3: Remeasurement gains on pension and other post-employment plans due to discount rate increases, offset by lower-than-expected asset returns and experience adjustments. YTD: Lower-than-expected asset returns and experience adjustments, offset by discount rate increases.
Consolidated statement of cash flows									
Cash provided by (used in) operating activities	(35)	123	(158)	(127.9)%	(66)	57	(123)	(216.7)%	Increase in net losses, lower pension expense in excess of payments, and changes in working capital.
Cash provided by (used in) investing activities	(58)	(49)	(9)	(17.5)%	18	(195)	213	109.3%	YTD: Higher proceeds (net of acquisitions) of securities partially offset by higher payments for capital assets.
Cash used in financing activities	(32)	(31)	(1)	(5.5)%	(96)	(94)	(2)	(2.6)%	Payments for lease liabilities are relatively unchanged.

2. Core Businesses and Strategy

The Corporation has a mandate to serve all Canadians while operating in a manner that is financially self-sustaining. On October 27, 2023, we submitted to the Government of Canada our Corporate Plan that presents the significant challenges of our recurring financial losses, the deterioration of our liquidity position, the competitive pressures we face, and the need for changes to our business model. What Canadians need from their postal service in urban, suburban, rural and remote communities has fundamentally changed. Our ability to deliver on our mandate is at risk without structural changes to our business model.

In response to our deteriorating financial position, we are working to reduce costs and generate revenue to help preserve cash without impacting service to Canadians. We are revisiting project timelines and deferring a number of strategic investments.

Canada Post continues work to fulfill its overarching purpose, A Stronger Canada – Delivered. We remain committed to our transformation plan and three pillars: providing a service all Canadians can count on, achieving social and environmental leadership, and doing right by our people. Over the last few years, we have made meaningful progress on all aspects of the public policy mandate set out by our single shareholder, the Government of Canada, such as expanding parcel processing capacity, improving service, keeping our employees safe, pursuing climate action, enhancing accessibility and working toward Indigenous reconciliation. Our progress on initiatives supporting our overarching purpose is included in Section 4 Capabilities.

3. Key Performance Indicators

To track performance and monitor progress toward strategic priorities in its transformation, the Canada Post segment uses senior executive scorecards. Regular reporting provides management and the Board of Directors with a comprehensive view of the Canada Post segment's performance. The following is our progress and achievements against 2023 targets, reflecting our commitment to our people and to social and environmental leadership.

Key performance indicators		2023 target	YTD 2023 result	Status
Total injury frequency per 100 employees year-over-year improvement		10%	9%	A
Fleet with telematics installed (to date)		5,000	3,851[1]	B
Employee diversity[2]	Indigenous Peoples	3.1%	3.3%	A
	People with disabilities	6.9%	8.5%	A
Greenhouse gas emissions (GHGs)	Scopes 1 and 2 for fleet and buildings[3] (in kilotonnes of carbon dioxide equivalent emissions)	127.0	83.5[4]	A
Electric vehicle (EV) fleet	Number of EVs in our fleet[5]	111	81	A

Key performance indicators		2023 target	YTD 2023 result	Status
Digital accessibility	Percentage of digital accessibility across all active digital products	90.8%	91.6%	A
Indigenous procurement	Spending with Indigenous Peoples (percentage of eligible expenditure in Indigenous businesses)	3.5%	3.5%	A
Enhanced postal services in Indigenous communities	Number of communities with improved expanded services	25-35[6]	13	A
	Number of engagement discussions (security)	120	97	A
Removal of illicit products from the mail stream in Indigenous communities	Number of pieces inspected and removed	3,050	2,263	A

A Achieved target within success parameters, or on track to meet target by December 31, 2023.

B Performance did not meet target due to an explainable variance.

C Target not achieved (outside success parameters).

1. Telematics unit deployments are on track for the full year after some operational delays in Q2.
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. The Corporation does not modify recruitment strategies when the goal is exceeded.
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 2023 (full year) will be reported in the *2023 Sustainability Report*.
5. Target and 2023 totals presented are life-to-date.
6. Target for 2023 and 2024 combined. As of Q3, there are several Indigenous and northern community enhancement projects where work is under way or discussions with community leaders have begun.

4. Capabilities

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

4.1 Doing right by our people

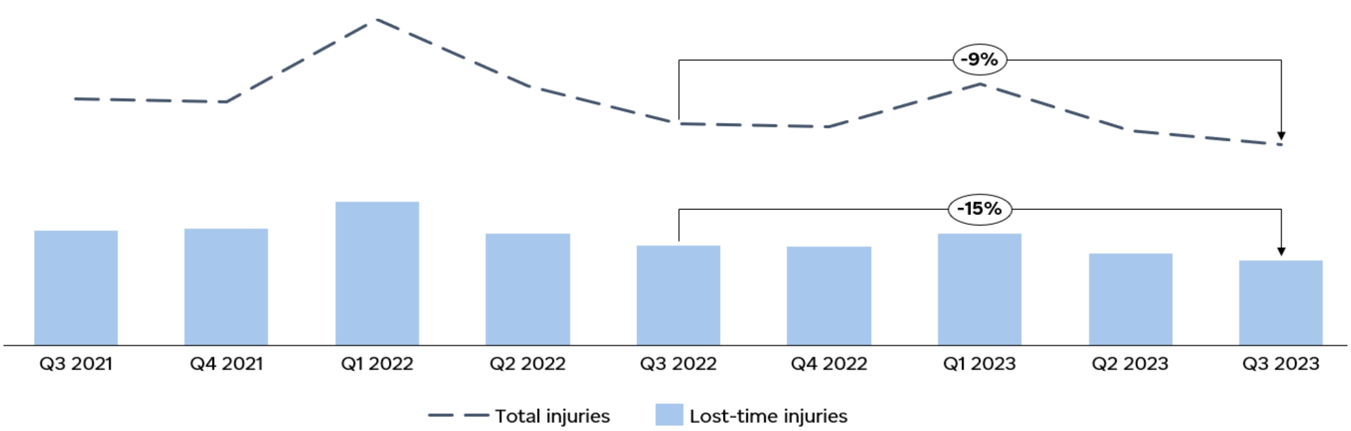
We strive to make progress toward our strategic imperatives, while ensuring the safety of our customers and employees, as well as aligning our workforce and culture with the expectations of Canadians for the Corporation.

Canada Post segment

Embedding health and safety in our culture

It is our priority and our responsibility to ensure the safety of our employees, our customers, and the communities we serve. We are committed to being a leader in workplace health and safety. In the first three quarters of 2023, the total injury frequency rate decreased by 9% over the same period in 2022, and the lost-time injury frequency rate improved by 15%. These advancements can be attributed to our diligent communication efforts with our employees that reinforce the importance of safety culture, accompanied by the initiatives discussed below.

Injury frequency (% change for the YTD, year over year)



As part of our 10-year Health and Safety Strategy and our five-year Mental Health Strategy, we progressed on several initiatives in the third quarter of 2023:

- Launched the Health and Safety Zone, a new platform to replace the current incident management system. This new platform has many capabilities and will allow employees to focus their efforts on preventing incidents, rather than preparing time-consuming reports.
- Updated the process and policy for workplace harassment, violence and discrimination. Team leaders were provided necessary tools and support to achieve best-in-class safety results.

Road safety

Following the five-year road safety strategy, the Corporation continued to initiate a number of activities to increase regulatory compliance and improve driving behaviour. Among the accomplishments in the third quarter:

- Continued to roll out Road Safety Week announcements in the regions of Northern Ontario, Calgary and Edmonton. Delivered on-site demonstrations and awareness in conducting pretrip inspections, reversing a vehicle and checking blind spots.
- Communicated the importance of driver life safety rules to employees in the form of life safety alerts, with a particular focus on potentially severe consequences related to improper seatbelt use and distracted driving.
- Provided online training to over 700 rural and suburban mail carriers through the Smith System, Smith5Keys® driver course, a world-leading crash avoidance training program.

Creating a fair and respectful workplace

- Launched the 2023 employee engagement survey to identify areas of focus and gain valuable insights to guide meaningful changes. Results will be analyzed in Q4 2023. Last year's feedback led to program improvements, training opportunities, and investments in tools and resources.

Equity, diversity and inclusion

- Unveiled our annual Truth and Reconciliation stamp issue at the Woodland Cultural Centre, site of the Mohawk Institute, in Brantford, Ontario; lit up in orange our head office in Ottawa to acknowledge the painful legacy of residential schools, honour survivors and remember the thousands of First Nations, Inuit and Métis children who never made it home.
- Participated in five parades during Pride season this year from June-August, including Ottawa Capital Pride and Toronto alongside 2SLGBTQI+ employees, the Pride Employee Resource Group and National Equity, Diversity, and Inclusion (EDI) team, showcasing our unity and dedication to EDI. Our active participation in such events demonstrates our Allyship in Action initiative and our commitment to promoting EDI within the Corporation and communities we serve.
- Launched a peer support program for Association of Postal Officials of Canada (APOC) employees to have a safe space to discuss emotional issues and provide social support for those dealing with mental health concerns.
- Internally issued the Q3 Diversity Newsletter, to highlight important holidays, commemorative days and observances including Yom Kippur, National Disability Employment Awareness Month, Transgender Day of Remembrance and World Mental Health Day. The newsletter included lived experiences, with stories from our employees in the Deaf community.
- Mailed the 2023-24 Equity and Diversity Action Plan to all employees' homes, portraying the 10 key actions to foster a diversity-safe work environment.

Labour and employee relations

Building alignment

As we move into upcoming negotiations, establishing strong relationships with our bargaining agents is crucial to building a framework for greater flexibility, which is needed to compete.

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. In Q3, the Corporation continued to prepare for this round of collective bargaining, which began November 15, 2023.

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. The Corporation continued to prepare for this round of collective bargaining in Q3, with negotiations set to begin in early 2024.

Purolator segment

The collective bargaining process for new agreements to replace those that expired December 31, 2022, between Purolator and the Public Service Alliance of Canada (PSAC), Unifor and the Canada Council of Teamsters (representing clerical and administrative employees), is progressing. In Q3 2023, agreements with Unifor and two Canada Council of Teamsters locals were ratified, bringing the total renewed agreements to eight out of the nine existing agreements. Negotiations are ongoing between Purolator and PSAC.

4.2 Our network and infrastructure

Canada Post segment

Canada Post manages a vast operational network that demands significant coordination between collection, processing, transportation, and delivery activities. The ecommerce market is projected to double in Canada by 2031, so we are investing in our infrastructure and technology to enhance our ability to serve Canadians and manage this growth now and in the future.

Service and capacity

In the third quarter of 2023, we focused on the following initiatives:

- On September 21, 2023, officially opened the Albert Jackson Processing Centre, a leading-edge parcel sorting facility built to improve service for Canadians and businesses and fuel the increased demand in ecommerce for decades to come.
- Completed a depot expansion in La Tuque, Quebec.
- Added approximately 375 indoor and outdoor parcel lockers to date in 2023, in apartment buildings, condominiums and at existing delivery points.
- Continued to expand the later induction program to selected customers, which enables next day, local delivery to some major cities across Canada.
- Began Saturday deliveries for selected customers in Montréal, aimed at providing enhanced delivery options and increased flexibility.

Technology

In the pursuit of enhancing service quality, tracking capabilities and overall customer experiences, we have made progress in our technology projects during the third quarter:

- Launched photo confirmations to help our customers meet the evolving expectations of consumers. This feature is automatically available for eligible tracked parcel deliveries.
- Deployed the first release of Salesforce (a modern customer relationship management platform that uses process automation and simplification for improved customer and employee experiences) to the Central Sales and Marketing teams, and launched My Care Connect, a new health and safety reporting system for people leaders across the Corporation, as part of the Experience Transformation program.

International end-to-end network

Facilitating the movement of international mail through the postal clearance process was enhanced in the third quarter as the Corporation:

- Continued to install new equipment used for items requiring further inspection in the customs process. Upgrades improve process flows, help with backlog and improve transit time to the end customer. Additional enhancements are planned throughout 2024.

4.3 Our environmental, social and governance priorities

Canada Post segment

As a prominent employer in Canada, there is an expectation for Canada Post to embrace a broader responsibility, extending beyond the services it offers. We continue to integrate all environment, social and governance (ESG) attributes into our decision-making with updates, initiatives and achievements included below.

Climate action and net-zero roadmap

For the greener good, Canada Post is committed to being a leader in environmental sustainability. In Q3 2023, we supported our commitment to sustainability and climate leadership:

- Continued the rollout of our first 100 electric vehicles (EV), with approximately 70 electric delivery vans on the road. We also completed the installation of charging infrastructure at four additional sites in Quebec, resulting in a total of six EV-enabled locations within our network.
- Held the grand opening of the Albert Jackson Processing Center officially unveiling to the public our largest, fastest and greenest parcel sorting facility. It is our second building to receive a Rick Hansen Foundation Accessibility Certified Gold rating.
- Completed two greenhouse gas reduction projects at existing facilities, including the replacement of an HVAC system with a more efficient electric system in Saint-Félicien, Quebec, and the installation of rooftop solar panels in Calgary, Alberta.

Employee and community engagement

Achievement of our ESG goals requires engagement by our employees and the communities we serve. Our Q3 2023 achievements:

- Awarded the first of this year's Community Foundation Signature Grant to a non-profit organization that promotes diversity in gender identity and gender expression in all its forms on a national level through services in the areas of education, health and advocacy.
- Completed the implementation of more than 50 Sustainability Action Fund projects to date in 2023, led by employees across the country, in support of promoting environmental sustainability at work. Projects completed include employee gardens, sustainable hydration solutions, and bike racks to promote zero-carbon commuting.

Governance

Canadians have an expectation for Canada Post to maintain high corporate governance standards that allow it to make sound business decisions and deliver sustainable value for all its stakeholders. We accomplished the following in Q3:

- Proudly celebrated Official Languages Day by providing the opportunity to promote Canada's official languages and pay tribute to the rich linguistic heritage across the country.
- The Official Languages Regulations Reapplication Exercise was officially launched by the Treasury Board Secretariat (TBS) on September 21, 2023, and will unfold in phases in the coming months through 2026. In Q3, we continued our work to further define our action plan in preparation for the rollout.
- Expanded the consent management toolkit to include a third-party solution that enables our website visitors to set their preferences for tracking technologies. Deployment is expected in Q4 2023.

Accessibility

Canada Post is committed to integrating accessibility enhancements throughout the organization for customers and employees. Progress on our Accessibility Strategy includes the following Q3 achievements:

- Began two accessibility construction projects and completed 88 accessibility site audits and one accessibility construction project.
- Completed the external accessibility audits on the end-to-end recruitment and retention process and disability management process, including a national small-scale employee survey on accessibility.
- Began the pilot for corporate mandatory training on disability and accessibility.
- Developed the first corporate accessibility Progress Report against the 2023-25 Accessibility Plan as required by the *Accessible Canada Act*.

4.4 Sales channels and product enhancement

Canada Post segment

Ecommerce product and service enhancements

The ecommerce market is expected to more than double in size, and Canada Post recognizes the need to improve customer satisfaction and stay competitive. To meet evolving demands from ecommerce merchants and consumers, the Corporation continues to invest in innovative products and services. In the third quarter, we conducted customer experience research with consumers and businesses to guide carbon-neutral shipping enhancements and offerings for 2024.

Retail

For most Canadians, the main interaction with Canada Post happens during their retail experience. Our vast network, comprising nearly 5,900 post offices nationwide plays a pivotal role in offering essential services, such as collecting parcels and mail, as well as handling product returns for Canadians. Here's what we achieved this quarter:

- Completed seven retail quick drop-off box expansions to help facilitate consumer parcel deposits and returns.
- Added the carbon-neutral shipping logo to flat rate boxes, available for sale in Q4.
- Updated our plastic bubbled mailers to incorporate more post-industrial recycled content, now at 50% from 23% in 2022, as part of our broader push for more sustainable packaging.

Indigenous, northern and rural communities

During the third quarter, Canada Post progressed in implementing the retail five-year roadmap outlined in its Indigenous and Northern Reconciliation Strategy. As of the end of the quarter, there were 16 Indigenous and northern projects completed or near completion, for example:

- Opened two new full-service post offices in two communities – Sheshatshiu, Newfoundland and Labrador, and Buffalo Lake Métis Settlement, Alberta.
- Added one new pick-and-drop location in Lac Seul (to service Kejick Bay, Frenchman's Head and Whitefish Bay, in Northern Ontario), which automates this remote community, formerly a manual site with weekly postal service and general delivery (no civic addressing).
- Implemented post office improvements in many locations, such as installing community mailboxes and official language signs and training.

Product and service enhancements and promotions

Canada Post is committed to staying up to date with its product and service offerings to better serve Canadians. Our undertakings this quarter:

- Offered Free Shipping Tuesdays with free pickup (where available) to Canada Post Solutions for Small Business™ customers throughout the month of October for those using the Snap Ship™ tool.
- Launched photo confirmation delivery, a free feature allowing customers to view a photo of their package after a safe-drop delivery, even when they're not home. The delivery photo will be available on the Canada Post website and mobile application and can be accessed on the Track a Package dashboard.

Financial services

In the third quarter, Canada Post in partnership with Business Development Bank of Canada launched a pilot loan program for small and medium sized businesses in Alberta. The objective is to help underserved Canadian entrepreneurs get access to funding and advisory services to increase business growth and success.

International cooperation

In Q3, Canada Post and the Postal Union of the Americas, Spain and Portugal (PUASP) jointly hosted the preparatory meeting for the Universal Postal Union (UPU) congress in Riyadh, the global postal forum and meetings of chief executive officers (CEOs), at the head office in Ottawa. The PUASP, comprising 28 member countries (including Canada), promotes regional cooperation under the UPU. Fifty-eight representatives from 18 countries, including 16 CEOs or high-level representatives, were present to discuss topics related to postal transformation and the future of the UPU. The activities are intended to strengthen regional cooperation, improve quality of service and share good practices on accounting, quality measurement and sustainability strategies.

5. Discussion of Operations

A detailed discussion of our financial performance.

5.1 Consolidated results from operations

Consolidated trends

The consolidated results of the Group over the past nine quarters are presented below, emphasizing the seasonal nature of its business. The highest demand for services is observed during the holiday or peak season in the fourth quarter. Subsequently, volumes generally decrease in the following quarters, with the lowest level reached in the third quarter. The Group of Companies' significant fixed costs do not vary in the short term.

(in millions of dollars)

	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Revenue from operations	2,265	2,340	2,501	2,802	2,373	2,465	2,502	2,690	2,281
Cost of operations	2,485	2,508	2,560	2,786	2,498	2,512	2,582	2,663	2,457
Profit (loss) from operations	**(220)**	**(168)**	**(59)**	**16**	**(125)**	**(47)**	**(80)**	**27**	**(176)**
Investing and financing income (expense), net	3	1	1	(8)	(11)	(17)	(20)	1	(15)
Profit (loss) before tax	**(217)**	**(167)**	**(58)**	**8**	**(136)**	**(64)**	**(100)**	**28**	**(191)**
Tax expense (recovery)	(54)	(40)	(13)	9	(35)	(15)	(23)	6	(46)
Net profit (loss)	**(163)**	**(127)**	**(45)**	**(1)**	**(101)**	**(49)**	**(77)**	**22**	**(145)**

Consolidated results for the third quarter and YTD

(in millions of dollars)

	Q3 2023	Q3 2022	$ change	% change	YTD 2023	YTD 2022	$ change	% change
Revenue from operations	2,265	2,373	(108)	(4.5)%	7,106	7,340	(234)	(3.7)%
Cost of operations	2,485	2,498	(13)	(0.5)%	7,553	7,592	(39)	(0.5)%
Loss from operations	**(220)**	**(125)**	**(95)**	**(75.1)%**	**(447)**	**(252)**	**(195)**	**(77.2)%**
Investing and financing income (expense), net	3	(11)	14	129.4%	5	(48)	53	111.7%
Loss before tax	**(217)**	**(136)**	**(81)**	**(58.8)%**	**(442)**	**(300)**	**(142)**	**(47.1)%**
Tax recovery	(54)	(35)	(19)	(52.1)%	(107)	(73)	(34)	(44.9)%
Net loss	**(163)**	**(101)**	**(62)**	**(61.1)%**	**(335)**	**(227)**	**(108)**	**(47.8)%**
Other comprehensive income (loss)	342	(423)	765	181.0%	(121)	2,766	(2,887)	(104.4)%
Comprehensive income (loss)	**179**	**(524)**	**703**	**134.2%**	**(456)**	**2,539**	**(2,995)**	**(118.0)%**

The Canada Post Group of Companies' Q3 2023 and YTD 2023 loss before tax of $217 million and $442 million, respectively, was $81 million and $142 million worse than for the same periods in 2022. Compared to Q3 and YTD of 2022:

- Revenue from operations was lower due to declines in the Canada Post and Purolator segments, partially offset by revenue increases in the SCI segment.
- The cost of operations declined as lower employee benefits were partly offset by higher labour costs in the Canada Post and SCI segments, increased non-capital investment in the Canada Post segment and higher depreciation expense.
- Net investing and financing income improved due to an increase in interest income.
- The other comprehensive income for the third quarter was mainly due to remeasurement gains on pension and other post-employment plans due to discount rate increases, offset by lower-than-expected asset returns and experience adjustments. Other comprehensive losses for the YTD period were mainly due to lower-than-expected asset returns for the year and experience adjustments offset by discount rate increases.

A detailed discussion by segment is provided in sections 5.3 to 5.5.

5.2 Operating results by segment

Segmented results – Profit (loss) before tax

(in millions of dollars)

	Q3 2023	Q3 2022	$ change	% change	YTD 2023	YTD 2022	$ change	% change
Canada Post	(290)	(227)	(63)	(27.4)%	(651)	(516)	(135)	(26.0)%
Purolator	68	84	(16)	(19.8)%	201	203	(2)	(1.2)%
SCI	5	6	(1)	(17.6)%	8	12	(4)	(33.7)%
Other	–	1	(1)	(73.6)%	–	1	(1)	(61.7)%
Canada Post Group of Companies	**(217)**	**(136)**	**(81)**	**(58.8)%**	**(442)**	**(300)**	**(142)**	**(47.1)%**

5.3 Canada Post segment

For Q3 and YTD 2023, the Canada Post segment's loss before tax widened by $63 million (-27.4%) and $135 million (-26.0%), respectively, compared to losses in the same periods of 2022. Revenue declines, higher labour, non-capital investment and depreciation costs were partly offset by lower employee benefits and higher interest income.

Summary of results for the third quarter and YTD

(in millions of dollars)

	Q3 2023	Q3 2022	$ change	% change	**YTD 2023**	YTD 2022	$ change	% change
Revenue from operations	1,587	1,631	(44)	(2.7)%	5,035	5,189	(154)	(3.5)%
Cost of operations	1,878	1,852	26	1.4%	5,697	5,674	23	0.4%
Loss from operations	**(291)**	**(221)**	**(70)**	**(31.4)%**	**(662)**	**(485)**	**(177)**	**(36.4)%**
Investing and financing income (expense), net	1	(6)	7	126.9%	11	(31)	42	136.0%
Loss before tax	**(290)**	**(227)**	**(63)**	**(27.4)%**	**(651)**	**(516)**	**(135)**	**(26.0)%**

Revenue from operations

In Q3 and YTD 2023, total revenue declined (-2.7% and -3.5%, respectively) over the same period in 2022. Growing competition in the ecommerce parcel delivery sector, combined with declining fuel rates and reduced consumer spending contributed to these results.

	Revenue (in millions of dollars)				**Volume** (in millions of pieces)			
	Q3 2023	Q3 2022	$ change	% change	**Q3 2023**	Q3 2022	Change	% change
Parcels								
Domestic Parcels	641	653	(12)	(1.8)%	57	50	7	13.1%
Outbound Parcels	67	69	(2)	(1.6)%	2	2	–	11.5%
Inbound Parcels	75	68	7	9.4%	11	11	–	7.4%
Other	10	6	4	71.3%	–	–	–	–
Total Parcels	**793**	**796**	**(3)**	**(0.3)%**	**70**	**63**	**7**	**12.1%**
Transaction Mail								
Domestic Lettermail	492	534	(42)	(7.9)%	479	518	(39)	(7.7)%
Outbound Letter-post	14	16	(2)	(8.9)%	6	7	(1)	(8.6)%
Inbound Letter-post	12	11	1	2.7%	12	12	–	(0.5)%
Total Transaction Mail	**518**	**561**	**(43)**	**(7.7)%**	**497**	**537**	**(40)**	**(7.5)%**
Direct Marketing								
Personalized Mail™	100	101	(1)	(0.7)%	167	170	(3)	(2.0)%
Neighbourhood Mail™	88	78	10	12.0%	705	655	50	7.6%
Total Smartmail Marketing™	188	179	9	4.9%	872	825	47	5.6%
Publications Mail™	30	31	(1)	(3.5)%	41	44	(3)	(5.9)%
Business Reply Mail and Other Mail	4	5	(1)	(22.6)%	2	3	(1)	(22.3)%
Other	3	3	–	21.8%	–	–	–	–
Total Direct Marketing	**225**	**218**	**7**	**3.3%**	**915**	**872**	**43**	**4.9%**
Other revenue	**51**	**56**	**(5)**	**(9.4)%**	**–**	**–**	**–**	**–**
Total	**1,587**	**1,631**	**(44)**	**(2.7)%**	**1,482**	**1,472**	**10**	**0.7%**

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	YTD 2023	YTD 2022	$ change	% change	**YTD 2023**	YTD 2022	Change	% change
Parcels								
Domestic Parcels	1,976	2,027	(51)	(3.0)%	170	162	8	4.5%
Outbound Parcels	210	216	(6)	(3.4)%	8	8	–	1.9%
Inbound Parcels	233	234	(1)	(1.3)%	32	36	(4)	(10.5)%
Other	26	15	11	75.3%	–	–	–	–
Total Parcels	**2,445**	**2,492**	**(47)**	**(2.4)%**	**210**	**206**	**4**	**1.8%**
Transaction Mail								
Domestic Lettermail	1,663	1,745	(82)	(5.2)%	1,614	1,689	(75)	(5.0)%
Outbound Letter-post	48	52	(4)	(8.2)%	22	24	(2)	(8.0)%
Inbound Letter-post	38	35	3	7.8%	37	38	(1)	(3.1)%
Total Transaction Mail	**1,749**	**1,832**	**(83)**	**(5.0)%**	**1,673**	**1,751**	**(78)**	**(5.0)%**
Direct Marketing								
Personalized Mail	301	310	(9)	(3.5)%	503	529	(26)	(5.3)%
Neighbourhood Mail	269	266	3	0.5%	2,186	2,218	(32)	(2.0)%
Total Smartmail Marketing	570	576	(6)	(1.6)%	2,689	2,747	(58)	(2.6)%
Publications Mail	92	94	(2)	(2.5)%	126	131	(5)	(4.4)%
Business Reply Mail and Other Mail	12	14	(2)	(9.1)%	8	8	–	(12.1)%
Other	11	11	–	3.9%	–	–	–	–
Total Direct Marketing	**685**	**695**	**(10)**	**(1.8)%**	**2,823**	**2,886**	**(63)**	**(2.7)%**
Other revenue	**156**	**170**	**(14)**	**(9.2)%**	**–**	**–**	**–**	**–**
Total	**5,035**	**5,189**	**(154)**	**(3.5)%**	**4,706**	**4,843**	**(137)**	**(3.3)%**

Revenue and volumes by line of business

Parcels

Parcels revenue in Q3 2023 and YTD 2023 decreased by $3 million (-0.3%) and $47 million (-2.4%), respectively, compared to the same periods in 2022. We expect ecommerce growth to remain strong; by 2031, the market in Canada is expected to double, and represents an opportunity for Canada Post. To gain additional share in the parcels market and enhance our value proposition, we are working to address competitive pressures with a focus on service performance, increased consumer expectations, growth in the returns business, and delivering on evolving consumer and customer expectations for environmental sustainability. Details by product category were as follows:

- Domestic Parcels volume experienced growth in Q3 2023 and YTD 2023, compared to the same periods last year due to increased competitive offerings resulting in growth from existing as well as new ecommerce customers. This growth is tied to improved service performance, the rollout of late induction to major markets, including the Greater Toronto Area, and our carbon-neutral shipping offering for ground shipments. Volume from online shopping returns also positively impacted results, especially in Q3.
  A decrease in fuel surcharges, which are tied to market fluctuations, contributed to revenue declines year-over-year for Q3 and YTD. Revenue was negatively impacted by aggressive competition from market disruptors and customers reducing their spending through rate shopping. Revenue declines were also due to a change in product mix, with more local and lightweight items moving through our network.

- Outbound Parcels volumes were relatively unchanged in Q3 2023 and YTD 2023 compared to the same periods in 2022. Revenue (postage revenue collected from domestic customers for parcels destined to foreign postal administrations [posts]) decreased compared to the prior year in Q3 and YTD 2023 as a result of the negative impact by sales channel and country mix.
- Inbound Parcels revenue (fees paid to Canada Post by other posts for delivering mail originating outside of Canada) increased in Q3 2023, compared to the prior year, mainly due to recoveries from posts. Increasingly, commercial consolidators are being used compared to the traditional inbound postal network. This migration of volumes from inbound to domestic channels has contributed to YTD declines and partially offset Q3 gains.
- Other Parcels revenue is primarily derived from fees related to the Customs Postal Inbound Program, increased due to an increase in the number of inbound postal items requiring customs and duties collection, for which we earn an administration fee per item.

Transaction Mail

Transaction Mail revenue in Q3 2023 and YTD 2023 decreased by $43 million (-7.7%) and by $83 million (-5.0%), respectively, compared to the same periods in 2022.

- **Domestic Lettermail** revenue and volumes experienced a decline in Q3 2023 and YTD 2023, compared to the same periods last year, as a result of the ongoing transition from our traditional Lettermail™ service to digital communications and in the absence of volumes for municipal and provincial elections. Keeping regulated stamp prices at 2020 levels has prevented the Corporation from mitigating revenue impacts from declining volumes in this eroding line of business.
- **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. Volumes for both streams declined in 2023 due to increased use of digital alternatives. Inbound Letter-post revenue benefited from favourable exchange rates and product mix.

Direct Marketing

Direct Marketing revenue in Q3 2023 increased by $7 million (+3.3%), while YTD 2023 revenue decreased by $10 million (-1.8%), compared to the same periods in 2022. Volumes continue to be below pre-pandemic levels as the advertising industry is undergoing a structural shift, with new players and new technologies such as artificial intelligence (AI) being used by marketers. Details by product category were as follows:

- **Personalized Mail** revenue and volumes decreased in Q3 2023 and YTD 2023, compared to 2022, as a result of the adverse effects of economic uncertainty and high inflation. Declines were partially offset by new campaigns and volume recoveries from existing customers.
- **Neighbourhood Mail** revenue in Q3 2023 and YTD 2023 increased due to new customer relationships, product developments, expanded distribution of existing campaigns to more points of call and increase in volume from existing customers.
- **Publications Mail** revenue and volumes declined year over year in Q3 2023 and YTD 2023, compared to the same periods in 2022. Digital publications continued to gain preference over paper-based subscriptions and campaigns. The impact of these declines

were partially mitigated by some customers shifting from Smartmail Marketing products to Publications.

- **Business Reply Mail and Other Mail**, and **Other products** declined slightly compared to 2022, which included revenue from electoral events. Other products benefited from the increase in data products subscriptions.

Other revenue

Other revenue decreased by $5 million (-9.4%) in Q3 2023 and by $14 million (-9.2%) for YTD 2023, compared to the same periods in 2022, mainly due to foreign currency exchange losses, the reduced use of consumer products and services, such as mail forwarding, a product tied to the Canadian real estate market and continued softness in sales of philatelic products.

Cost of operations

The Canada Post segment's cost of operations increased by $26 million (+1.4%) in Q3 2023 and by $23 million (+0.4%) for YTD 2023, compared to the same periods in 2022. The increase was mainly due to higher labour costs and non-capital investment expenses, offset by lower employee benefits.

(in millions of dollars)

	Q3 2023	Q3 2022	$ change	% change	**YTD 2023**	YTD 2022	$ change	% change
Labour	967	887	80	9.1%	2,917	2,737	180	6.6%
Employee benefits	223	329	(106)	(32.5)%	701	987	(286)	(29.0)%
Total labour and employee benefits	**1,190**	**1,216**	**(26)**	**(2.2)%**	**3,618**	**3,724**	**(106)**	**(2.9)%**
Non-labour collection, processing and delivery	320	297	23	7.8%	979	969	10	1.1%
Property, facilities and maintenance	60	59	1	1.7%	196	196	–	0.0%
Selling, administrative and IT	131	121	10	8.0%	399	374	25	6.1%
Non-capital investment expense	88	80	8	10.6%	244	171	73	42.5%
Total other operating costs	**599**	**557**	**42**	**7.6%**	**1,818**	**1,710**	**108**	**6.3%**
Depreciation and amortization	89	79	10	12.5%	261	240	21	8.7%
Total cost of operations	**1,878**	**1,852**	**26**	**1.4%**	**5,697**	**5,674**	**23**	**0.4%**

Labour

Labour costs increased in the third quarter of 2023 by $80 million (+9.1%), and $180 million (+6.6%) for the YTD, compared to the same periods in 2022, mainly due to wage increases, new leave entitlements and cost of living adjustments.

Employee benefits

Employee benefits decreased in Q3 and YTD 2023 by $106 million (-32.5%) and $286 million (-29.0%), respectively, compared to Q3 and YTD 2022, primarily due to an increase in discount rates compared to the prior year, which decreased the non-cash pension and other post-employment expense. Declines were partially offset by higher health benefit claim costs and increased statutory taxes and deductions due to increased labour costs.

Other operating costs, depreciation and amortization

Changes in these costs in Q3 and YTD 2023 compared to the same periods in 2022 were as follows:

- Non-labour collection, processing and delivery costs increased by $23 million (+7.8%) in Q3 2023, and $10 million (+1.1%) for the YTD, mainly due to higher international settlements, ground transportation costs and dealer fees, partially offset by lower fuel expense and YTD air transportation costs.
- Selling, administrative and IT expenses increased by $10 million (+8.0%) and $25 million (+6.1%) in Q3 and YTD 2023, mainly due to higher IT and consulting services, and the return to business-essential travel.
- Non-capital investment expenses increased by $8 million (+10.6%) and $73 million (+42.5%) in Q3 and YTD 2023, due to investments such as the upgrade and enhancement of our end-of-life enterprise resource planning (ERP) system through the Experience Transformation initiative.
- The depreciation and amortization expense increased by $10 million (+12.5%) in Q3 2023 and $21 million (+8.7%) for the YTD, mainly due to capital asset investments for the new Albert Jackson Processing Centre.

5.4 Purolator segment

The Purolator segment's profit before tax decreased in Q3 2023 and YTD 2023 by $16 million (-19.8%) and $2 million (-1.2%), respectively, compared to Q3 2022 and YTD 2022.

Summary of results

(in millions of dollars)

	Q3 2023	Q3 2022	$ change	% change	**YTD 2023**	YTD 2022	$ change	% change
Revenue from operations	627	708	(81)	(11.5)%	1,934	2,055	(121)	(6.4)%
Labour and employee benefits	276	292	(16)	(5.3)%	854	876	(22)	(2.5)%
Other operating costs	258	303	(45)	(15.0)%	796	893	(97)	(10.9)%
Depreciation and amortization	27	23	4	16.5%	79	67	12	17.5%
Cost of operations	561	618	(57)	(9.2)%	1,729	1,836	(107)	(5.9)%
Profit from operations	**66**	**90**	**(24)**	**(27.2)%**	**205**	**219**	**(14)**	**(6.5)%**
Investing and financing income (expense), net	2	(6)	8	154.2%	(4)	(16)	12	77.4%
Profit before tax	**68**	**84**	**(16)**	**(19.8)%**	**201**	**203**	**(2)**	**(1.2)%**

Revenue from operations decreased in Q3 and YTD of 2023, compared 2022 due to softness in ecommerce volumes attributed to general economic uncertainty and high inflation, partially offset by price increases, changes in product mix and sales initiatives. With the softening market demand and ecommerce volumes, Purolator continuously adjusted its network to new volume expectations, leading to a decline in labour and transportation costs. A decrease in fuel rates, which are tied to market fluctuations, resulted in revenue and cost declines.

5.5 SCI segment

We'll make you even better.

In the third quarter and first three quarters of 2023, SCI's profit before tax decreased by $1 million (-17.6%) and $4 million (-33.7%), respectively, compared to the same periods in the prior year.

Summary of results

(in millions of dollars)

	Q3 2023	Q3 2022	$ change	% change	**YTD 2023**	YTD 2022	$ change	% change
Revenue from operations	88	84	4	7.0%	252	240	12	5.2%
Labour and employee benefits	38	36	2	9.5%	112	104	8	8.1%
Other operating costs	32	34	(2)	(4.0)%	94	96	(2)	(1.3)%
Depreciation and amortization	13	9	4	44.7%	36	27	9	31.3%
Cost of operations	83	79	4	7.7%	242	227	15	7.0%
Profit from operations	**5**	**5**	**–**	**(5.0)%**	**10**	**13**	**(3)**	**(24.6)%**
Investing and financing income (expense), net	–	1	(1)	(177.4)%	(2)	(1)	(1)	(39.6)%
Profit before tax	**5**	**6**	**(1)**	**(17.6)%**	**8**	**12**	**(4)**	**(33.7)%**

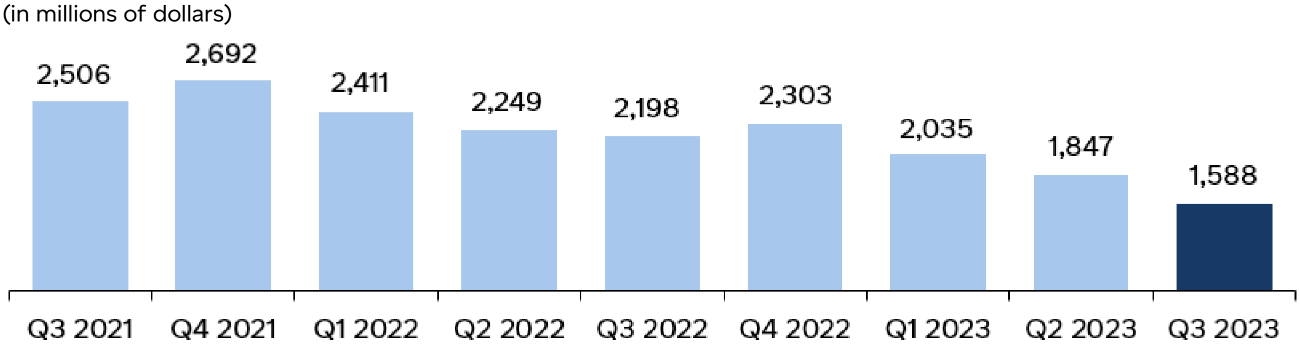
In Q3 2023 and YTD 2023, revenue from operations increased due to higher volumes from existing customers and new business, compared to the same periods in 2022. This growth was accompanied by higher labour and facility occupancy costs, and start-up costs related to new customer implementations, partly offset by declines in transportation costs. Depreciation and amortization costs increased, due to higher lease rates on new and renewed right-of-use facility leases.

6. Liquidity and Capital Resources

A discussion of our cash flow, liquidity and capital resources.

6.1 Cash, cash equivalents and marketable securities

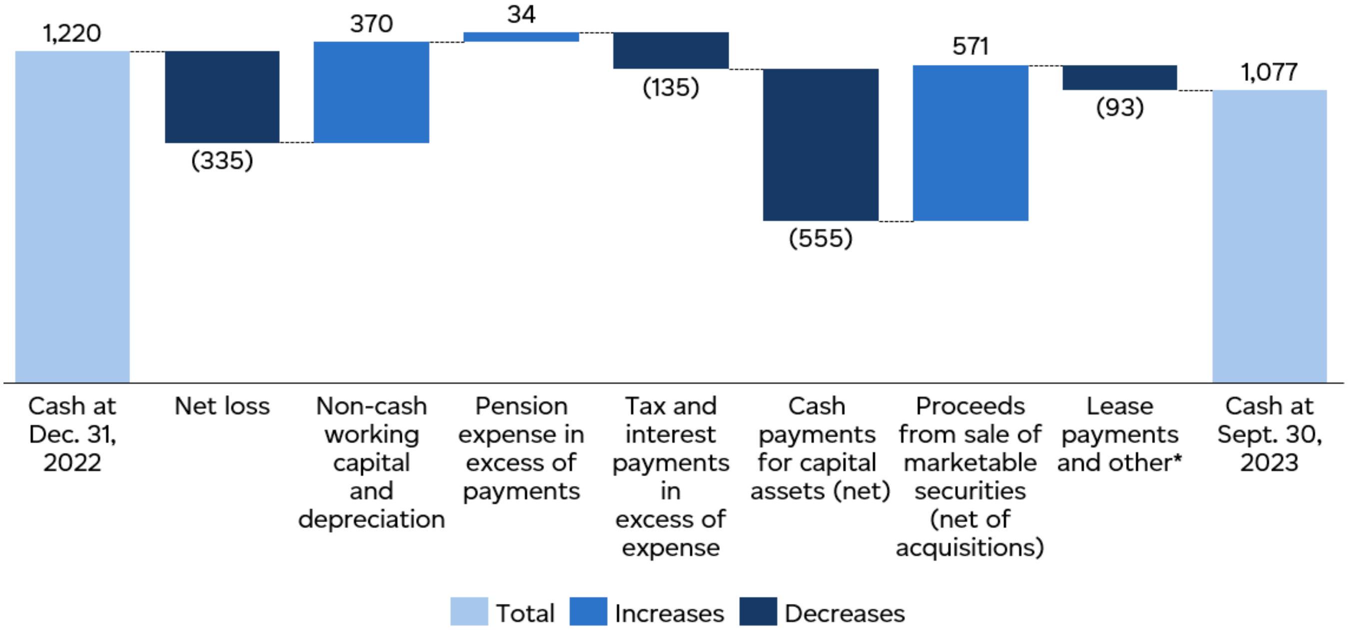
(in millions of dollars)



The Group held cash, cash equivalents and marketable securities of $1,588 million as at September 30, 2023, compared to $2,303 million as at December 31, 2022. The decline of $715 million is due to operating losses in the Canada Post segment and the acquisition of capital assets to expand capacity and maintain the network.

Change in cash and cash equivalents (excluding marketable securities) for the 2023 YTD.

(in millions of dollars)



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

The decrease of cash and cash equivalents of $143 million (-11.7%) is due to cash used in financing (-$96 million) and operating (-$66 million) activities partially offset by cash provided by investing (+$18 million) activities, as shown below.

Consolidated statement of cash flows

(in millions of dollars)

	Q3 2023	Q3 2022	$ change	% change	**YTD 2023**	YTD 2022	$ change	% change	Explanation of significant variances
Cash provided by (used in) operating activities	(35)	123	(158)	(127.9)%	(66)	57	(123)	(216.7)%	Increase in net losses, lower pension expense in excess of payments, and changes in working capital.
Cash provided by (used in) investing activities	(58)	(49)	(9)	(17.5)%	18	(195)	213	109.3%	YTD: Higher proceeds (net of acquisitions) of securities partially offset by higher payments for capital assets.
Cash used in financing activities	(32)	(31)	(1)	(5.5)%	(96)	(94)	(2)	(2.6)%	Payments for lease liabilities are relatively unchanged.

Capital expenditures

(in millions of dollars)*

	Q3 2023	Q3 2022	$ change	% change	YTD 2023	YTD 2022	$ change	% change
Canada Post	100	125	(25)	(20.2)%	281	333	(52)	(15.5)%
Purolator	33	22	11	49.6%	128	114	14	12.0%
SCI	4	3	1	59.0%	11	7	4	54.8%
Canada Post Group of Companies	**137**	**150**	**(13)**	**(8.8)%**	**420**	**454**	**(34)**	**(7.6)%**

* Capital expenditures include assets purchased but not yet paid for; they differ from the amount presented as cash payments for capital assets on the Consolidated Statement of Cash Flows.

Capital expenditures for the Group decreased by $13 million in Q3 2023 and by $34 million for the first three quarters of 2023, compared to Q3 and YTD 2022, mainly due to decreased spending in the Canada Post segment, partially offset by increased spending in the Purolator segment.

Canada Post segment

(in millions of dollars)*

	Q3 2023	Q3 2022	$ change	% change	YTD 2023	YTD 2022	$ change	% change
Capital expenditures	100	125	(25)	(20.2)%	281	333	(52)	(15.5)%
Non-capital investment expense	88	80	8	10.6%	244	171	73	42.5%
Total investment	**188**	**205**	**(17)**	(8.3)%	**525**	**504**	**21**	4.2%

* Capital expenditures include assets purchased but not yet paid for; they differ from the amount presented as cash payments for capital assets on the Consolidated Statement of Cash Flows.

In the third quarter and YTD of 2023 as compared to 2022, Canada Post segment investments decreased by $17 million and increased by $21 million, respectively, with increases in non-capital investments and declines in the capital portion. Capital purchases declined compared to 2022, which included spending on the now-operational Albert Jackson Processing Centre.

Guided by and aligned with the three pillars of our purpose, A Stronger Canada – Delivered, in the third quarter of 2023 we focused on the following:

- Upgraded our enterprise resource planning (ERP) system, bringing modernized technical platforms to various business processes.
- Replenished our fleet and continued exploring clean energy alternatives.
- Increased capacity by investing in delivery programs and sortation.
- Replenished outdated street furniture modules and parcel lockers.
- Modernized our applications, infrastructure and customer-facing platforms.

6.2 Canada Post Corporation Registered Pension Plan

Funding status and solvency relief

As the December 31, 2022, going-concern ratio and solvency ratio (using market value of plan assets) exceeded legislative thresholds, Canada Post is required to make mandatory use of the surplus and is not permitted to make further employer current service contributions for 2023. This position will be reassessed when the December 31, 2023, valuation is completed in 2024. Also, under the *Canada Post Corporation Pension Plan Funding Regulations*, Canada Post has temporary relief from its solvency funding obligations until December 31, 2024.

Remeasurements

On an accounting basis, for the Registered Pension Plan (RPP), net of tax, a remeasurement gain of $158 million for Q3 2023 and a remeasurement loss of $254 million for YTD 2023, respectively, were recorded in other comprehensive income. The Q3 2023 gain was due to a discount rate increase, offset by lower-than-expected asset returns for the quarter and experience adjustments. The YTD 2023 loss was due to lower-than-expected asset returns for the year and experience adjustments, offset by a discount rate increase.

Contributions

Current service contributions were not required in Q3 2023 (Q3 2022 – $72 million), and contributions of $69 million were made for YTD 2023 (YTD 2022 – $231 million).

6.3 Liquidity and capital resources

Liquidity

The Canada Post segment had $1,125 million of unrestricted liquid investments on hand as at September 30, 2023, for a net liquidity position of $127 million (2022 – $923 million), after outstanding loans and borrowings of $998 million (2022 – $998 million). The segment's net liquidity position worsened by $796 million due to continued operating losses and increased costs associated with expanding capacity and maintaining the network. The Corporation is carefully managing discretionary costs and investment spending to preserve cash.

The segment holds $100 million in lines of credit, which were established under a short-term borrowing authority approved by the Minister of Finance (all undrawn).

The Corporation's subsidiaries had a total of $463 million of unrestricted cash on hand and undrawn credit facilities of $155 million as at September 30, 2023, ensuring sufficient liquidity to support operations for at least the next 12 months.

Access to capital markets

With $998 million of borrowings as at September 30, 2023, the Canada Post segment had $1,502 million of its $2.5 billion external borrowing limit that had not been used.

7. Changes in Financial Position

A discussion of significant changes in our assets and liabilities between September 30, 2023, and December 31, 2022.

(in millions of dollars)

ASSETS	**Sept 30, 2023**	Dec. 31, 2022	$ change	% change	Explanation of significant variances
Cash and cash equivalents	1,077	1,220	(143)	(11.7)%	Refer to Section 6 Liquidity and Capital Resources.
Marketable securities	511	1,025	(514)	(50.2)%	Maturities and lower purchases of marketable securities due to lower surplus cash.
Trade and other receivables and contract assets	881	1,053	(172)	(16.4)%	Lower receivables in all segments.
Income tax receivable	9	42	(33)	(77.9)%	Lower tax receivable balance in the Canada Post and SCI segments.
Other assets	150	139	11	8.0%	Higher prepaid expenses in the Canada Post and SCI segment partially offset by a decrease in the Purolator segment.
Total current assets	**2,628**	**3,479**	**(851)**	**(24.5)%**	
Marketable securities	–	58	(58)	(100.0)%	Bonds maturing within the year.
Property, plant and equipment	3,904	3,779	125	3.3%	Acquisitions in excess of depreciation.
Intangible assets	222	196	26	13.2%	Increase in software under development.
Right-of-use assets	1,440	1,384	56	4.1%	New leases and lease renewals exceeding depreciation mainly in the SCI segment.
Segregated securities	363	373	(10)	(2.6)%	Unrealized losses in the Canada Post segment recorded in other comprehensive income.
Pension benefit assets	4,693	4,933	(240)	(4.9)%	Remeasurement losses in the Canada Post RPP.
Deferred tax assets	4	3	1	46.5%	
Goodwill	130	130	–	–	
Other assets	55	52	3	6.5%	
Total non-current assets	**10,811**	**10,908**	**(97)**	**(0.9)%**	
Total assets	**13,439**	**14,387**	**(948)**	**(6.6)%**	

(in millions of dollars)

LIABILITIES	Sept 30, 2023	Dec. 31, 2022	$ change	% change	Explanation of significant variances
Trade and other payables	771	1,015	(244)	(24.1)%	Timing and lower consolidated operating expenses.
Salaries and benefits payable and related provisions	593	651	(58)	(9.0)%	Lower accrued salaries and benefits in all segments.
Provisions	60	55	5	10.5%	Increased provisions in all segments.
Income tax payable	–	2	(2)	(100.0)%	
Deferred revenue	166	166	–	(0.2)%	
Lease liabilities	134	129	5	4.4%	
Other long-term benefit liabilities	56	56	–	0.1%	
Total current liabilities	**1,780**	**2,074**	**(294)**	**(14.2)%**	
Lease liabilities	1,518	1,454	64	4.4%	New leases and lease renewals net of lease payments, mainly in the SCI segment.
Loans and borrowings	998	998	–	–	
Pension, other post-employment and other long-term benefit liabilities	2,785	2,847	(62)	(2.2)%	Remeasurement gains in other post-employment plans.
Deferred tax liabilities	335	536	(201)	(37.4)%	Changes in temporary differences due to a higher loss before tax.
Other liabilities	47	46	1	1.9%	
Total non-current liabilities	**5,683**	**5,881**	**(198)**	**(3.4)%**	
Total liabilities	**7,463**	**7,955**	**(492)**	**(6.2)%**	
EQUITY					
Contributed capital	1,155	1,155	–	–	
Accumulated other comprehensive loss	(23)	(10)	(13)	(130.9)%	Unrealized losses on segregated securities for dental, term life, and death benefit plans in the Canada Post segment.
Retained earnings	4,757	5,214	(457)	(8.8)%	Operating losses and pension remeasurement losses.
Equity of Canada	**5,889**	**6,359**	**(470)**	**(7.4)%**	
Non-controlling interests	87	73	14	18.8%	
Total equity	**5,976**	**6,432**	**(456)**	**(7.1)%**	
Total liabilities and equity	**13,439**	**14,387**	**(948)**	**(6.6)%**	

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.

In the 2022 annual MD&A, we provided a detailed review of the risks that could materially affect our business. An overarching risk is a mandate from the Government of Canada (our single shareholder) to fund our operations with revenue from the sale of products and services, rather than with taxpayer dollars, and to conduct operations on a financially self-sustaining basis. On October 27, 2023, we submitted to the Government of Canada our Corporate Plan that illustrates our challenges, significant recurring financial losses and deteriorating liquidity position. It is critical that discussions between Canada Post and the shareholder continue to align on solutions for financial self-sustainability.

In Q2 2023, COVID-19 was removed as an emerging risk. Other than these two items, there were no new developments in our emerging or principal risks for the first nine months of 2023.

Management considers risks and opportunities at all levels of decision-making and has implemented a rigorous approach to enterprise risk management (ERM). Where appropriate, Canada Post has recorded provisions for claims, grievances and non-litigated disputes. Should the ultimate resolution of these actions differ from management's assessments and assumptions, this could result in a material future adjustment to the Corporation's financial position and results of operations.

9. Critical Accounting Policies and Estimates and Internal Controls

A review of critical accounting estimates and changes in accounting policies in 2023 and future years.

9.1 Critical accounting policies and estimates

Information on Canada Post's accounting policies are provided in notes 2 and 3 of the Unaudited Interim Condensed Consolidated Financial Statements for the third quarter of 2023.

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 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.

The Group's critical accounting estimates remain substantially unchanged from the prior year. For additional information, refer to our discussion of critical accounting estimates in the 2022 Annual MD&A and Note 4 Critical Accounting Estimates and Judgments of the 2022 consolidated financial statements in addition to Note 2 Basis of Presentation in this third quarter financial report.

9.2 Internal controls

During the first three quarters of 2023, 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.

Management's Responsibility for Interim Financial Reporting

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

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

President and Chief Executive Officer

Chief Financial Officer

November 23, 2023

Interim Condensed Consolidated Statement of Financial Position

(Unaudited – in millions of Canadian dollars)

	As at September 30, 2023	As at December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	**1,077**	1,220
Marketable securities	**511**	1,025
Trade, other receivables and contract assets	**881**	1,053
Income tax receivable	**9**	42
Other assets (Note 4)	**150**	139
Total current assets	**2,628**	3,479
Non-current assets		
Marketable securities	**–**	58
Property, plant and equipment (Note 5)	**3,904**	3,779
Intangible assets (Note 5)	**222**	196
Right-of-use assets (Note 5)	**1,440**	1,384
Segregated securities	**363**	373
Pension benefit assets (Note 6)	**4,693**	4,933
Deferred tax assets	**4**	3
Goodwill	**130**	130
Other assets (Note 4)	**55**	52
Total non-current assets	**10,811**	10,908
Total assets	**13,439**	14,387
Liabilities and equity		
Current liabilities		
Trade and other payables	**771**	1,015
Salaries and benefits payable and related provisions	**593**	651
Provisions	**60**	55
Income tax payable	**–**	2
Deferred revenue	**166**	166
Lease liabilities (Note 7)	**134**	129
Other long-term benefit liabilities (Note 6)	**56**	56
Total current liabilities	**1,780**	2,074
Non-current liabilities		
Lease liabilities (Note 7)	**1,518**	1,454
Loans and borrowings	**998**	998
Pension, other post-employment and other long-term benefit liabilities (Note 6)	**2,785**	2,847
Deferred tax liabilities	**335**	536
Other liabilities	**47**	46
Total non-current liabilities	**5,683**	5,881
Total liabilities	**7,463**	7,955
Equity		
Contributed capital	**1,155**	1,155
Accumulated other comprehensive loss (Note 11)	**(23)**	(10)
Retained earnings	**4,757**	5,214
Equity of Canada	**5,889**	6,359
Non-controlling interests	**87**	73
Total equity	**5,976**	6,432
Total liabilities and equity	**13,439**	14,387

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

Interim Condensed Consolidated Statement of Comprehensive Income

(Unaudited – in millions of Canadian dollars)

	For the 13 weeks ended		For the 39 weeks ended	
	September 30, 2023	October 1, 2022	**September 30, 2023**	October 1, 2022
Revenue from operations (Note 8)	**2,265**	2,373	**7,106**	7,340
Cost of operations				
Labour	**1,252**	1,169	**3,782**	3,589
Employee benefits	**282**	400	**893**	1,196
	1,534	1,569	**4,675**	4,785
Other operating costs (Note 9)	**821**	817	**2,500**	2,471
Depreciation and amortization (Note 5)	**130**	112	**378**	336
Total cost of operations	**2,485**	2,498	**7,553**	7,592
Loss from operations	**(220)**	(125)	**(447)**	(252)
Investing and financing income (expense)				
Investment and other income (Note 10)	**26**	12	**77**	24
Finance costs and other expense (Note 10)	**(23)**	(23)	**(72)**	(72)
Investing and financing income (expense), net	**3**	(11)	**5**	(48)
Loss before tax	**(217)**	(136)	**(442)**	(300)
Tax recovery	**(54)**	(35)	**(107)**	(73)
Net loss	**(163)**	(101)	**(335)**	(227)
Other comprehensive income (Note 11)				
Items that may subsequently be reclassified to net profit (loss)				
Change in unrealized fair value of financial assets	**(20)**	1	**(13)**	(69)
Foreign currency translation adjustment	**1**	1	**–**	1
Item never reclassified to net profit (loss)				
Remeasurements of defined benefit plans	**361**	(425)	**(108)**	2,834
Other comprehensive income (loss)	**342**	(423)	**(121)**	2,766
Comprehensive income (loss)	**179**	(524)	**(456)**	2,539
Net profit (loss) attributable to				
Government of Canada	**(167)**	(106)	**(346)**	(238)
Non-controlling interests	**4**	5	**11**	11
	(163)	(101)	**(335)**	(227)
Comprehensive income (loss) attributable to				
Government of Canada	**173**	(528)	**(470)**	2,523
Non-controlling interests	**6**	4	**14**	16
	179	(524)	**(456)**	2,539

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 September 30, 2023	Contributed capital	Accumulated other comprehensive loss	Retained earnings	Equity of Canada	Non-controlling interests	Total equity
Balance at July 1, 2023	**1,155**	**(4)**	**4,565**	**5,716**	**81**	**5,797**
Net profit (loss)	**–**	**–**	**(167)**	**(167)**	**4**	**(163)**
Other comprehensive income (loss) (Note 11)	**–**	**(19)**	**359**	**340**	**2**	**342**
Comprehensive income (loss)	**–**	**(19)**	**192**	**173**	**6**	**179**
Balance at September 30, 2023	**1,155**	**(23)**	**4,757**	**5,889**	**87**	**5,976**

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

For the 39 weeks ended September 30, 2023	Contributed capital	Accumulated other comprehensive loss	Retained earnings	Equity of Canada	Non-controlling interests	Total equity
Balance at December 31, 2022	**1,155**	**(10)**	**5,214**	**6,359**	**73**	**6,432**
Net profit (loss)	**–**	**–**	**(346)**	**(346)**	**11**	**(335)**
Other comprehensive income (loss) (Note 11)	**–**	**(13)**	**(111)**	**(124)**	**3**	**(121)**
Comprehensive income (loss)	**–**	**(13)**	**(457)**	**(470)**	**14**	**(456)**
Balance at September 30, 2023	**1,155**	**(23)**	**4,757**	**5,889**	**87**	**5,976**

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

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

Interim Condensed Consolidated Statement of Cash Flows

(Unaudited – in millions of Canadian dollars)

	For the 13 weeks ended		For the 39 weeks ended	
	September 30, 2023	October 1, 2022	**September 30, 2023**	October 1, 2022
Cash flows from operating activities				
Net loss	**(163)**	(101)	**(335)**	(227)
Adjustments to reconcile to cash (used in) provided by operating activities:				
Depreciation and amortization (Note 5)	**130**	112	**378**	336
Pension, other post-employment and other long-term benefit expense (Note 6)	**91**	230	**288**	648
Pension, other post-employment and other long-term benefit payments (Note 6)	**(49)**	(144)	**(254)**	(469)
(Gain) loss on sale of capital assets (Note 10)	**(1)**	–	**(1)**	1
Tax recovery and other items affecting net income tax receivable	**(54)**	(35)	**(107)**	(73)
Net interest expense (income) (Note 10)	**1**	9	**(3)**	38
Change in non-cash operating working capital:				
Decrease in trade and other receivables	**43**	54	**173**	70
Increase (decrease) in trade and other payables	**30**	45	**(97)**	23
Decrease in salaries and benefits payable and related provisions	**(65)**	(74)	**(59)**	(186)
(Decrease) increase in provisions	**–**	(3)	**3**	(9)
Net decrease (increase) in other non-cash operating working capital	**3**	5	**(11)**	(38)
Other income not affecting cash, net	**(8)**	(4)	**(16)**	(2)
Cash (used in) provided by operating activities before interest and tax	**(42)**	94	**(41)**	112
Interest received	**24**	12	**76**	30
Interest paid	**(33)**	(31)	**(77)**	(72)
Tax received (paid)	**16**	48	**(24)**	(13)
Cash (used in) provided by operating activities	**(35)**	123	**(66)**	57
Cash flows from investing activities				
Acquisition of securities	**(169)**	(134)	**(474)**	(450)
Proceeds from sale of securities	**303**	233	**1,045**	703
Cash payments for capital assets	**(194)**	(150)	**(556)**	(454)
Proceeds from sale of capital assets and assets held for sale	**1**	–	**1**	2
Other investing activities, net	**1**	2	**2**	4
Cash (used in) provided by investing activities	**(58)**	(49)	**18**	(195)
Cash flows from financing activities				
Payments of lease liabilities	**(32)**	(31)	**(96)**	(94)
Cash used in financing activities	**(32)**	(31)	**(96)**	(94)
Net (decrease) increase in cash and cash equivalents	**(125)**	43	**(144)**	(232)
Cash and cash equivalents, beginning of period	**1,200**	1,057	**1,220**	1,331
Effects of exchange rate changes on cash and cash equivalents	**2**	4	**1**	5
Cash and cash equivalents, end of period	**1,077**	1,104	**1,077**	1,104

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

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the 39 weeks ended September 30, 2023

1. Incorporation, Business Activities and Directives

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

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

Under the *Canada Post Corporation Act*, the Corporation has the sole and exclusive privilege (with some exceptions) of collecting, transmitting and delivering letters to the addressee thereof within Canada. The Corporation is also subject to directives issued pursuant to section 89 of the *Financial Administration Act* as described in Note 1 to the Corporation's annual consolidated financial statements for the year ended December 31, 2022. There is no change to the status of these directives.

2. Basis of Presentation

Statement of compliance • The Corporation has prepared its unaudited interim condensed consolidated financial statements (interim financial statements) in compliance with IAS 34 "Interim Financial Reporting" of the International Financial Reporting Standards (IFRSs), and the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports. As permitted under this standard, these interim financial statements do not include all of the disclosures required for annual consolidated financial statements, and they should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2022. They were approved and authorized for issue by the Board of Directors November 23, 2023.

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. The interim financial statements and notes to the interim financial statements are prepared for the 13-week period (third quarter or Q3) and 39-week period (first three quarters or year to date [YTD]) ended September 30, 2023 (comparative period ended October 1, 2022). 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, 2022. 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, 2022. There are no significant changes to these judgments or sources of estimation uncertainty in the YTD period of 2023.

3. Application of New and Revised International Financial Reporting Standards

(a) New standards, amendments and interpretations effective January 1, 2023

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

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

In addition to those disclosed in Note 5 (b) of the Corporation's annual consolidated financial statements for the year ended December 31, 2022, and in Note 3 (b) the 2023 Second Quarter Financial Report there were no other new standards, amendments or interpretations issued by the IASB or the Interpretations Committee that would have a possible effort on the Group in the future.

4. Other Assets

(in millions)

	As at September 30, 2023	As at December 31, 2022
Prepaid expenses	**164**	147
Assets held for sale	**1**	1
Other receivables	**40**	43
Total other assets	**205**	191
Current other assets	**150**	139
Non-current other assets	**55**	52

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, 2022	482	2,520	397	1,413	820	340	1,292	409	7,673
Additions	–	65	8	38	133	18	73	21	356
Reclassified as held for sale	–	(1)	–	–	–	–	–	–	(1)
Retirements	–	–	(2)	(22)	(8)	(23)	(1)	–	(56)
Transfers	–	91	20	125	–	2	–	(238)	–
September 30, 2023	**482**	**2,675**	**423**	**1,554**	**945**	**337**	**1,364**	**192**	**7,972**
Accumulated depreciation									
December 31, 2022	–	1,355	292	897	480	269	601	–	3,894
Depreciation	–	48	14	63	46	14	46	–	231
Reclassified as held for sale	–	(1)	–	–	–	–	–	–	(1)
Retirements	–	–	(2)	(22)	(8)	(23)	(1)	–	(56)
September 30, 2023	**–**	**1,402**	**304**	**938**	**518**	**260**	**646**	**–**	**4,068**
Carrying amounts									
December 31, 2022	482	1,165	105	516	340	71	691	409	3,779
September 30, 2023	**482**	**1,273**	**119**	**616**	**427**	**77**	**718**	**192**	**3,904**

(b) Intangible assets

(in millions)

	Software	Software under development	Customer contracts and relationships	Total
Cost				
December 31, 2022	979	92	22	1,093
Additions	4	60	–	64
Transfers	39	(39)	–	–
September 30, 2023	**1,022**	**113**	**22**	**1,157**
Accumulated amortization				
December 31, 2022	875	–	22	897
Amortization	38	–	–	38
September 30, 2023	**913**	**–**	**22**	**935**
Carrying amounts				
December 31, 2022	104	92	–	196
September 30, 2023	**109**	**113**	**–**	**222**

(c) Right-of-use assets

(in millions)

	Land	Buildings – gross	Buildings – net	Vehicles	Plant equipment	Total
Carrying amounts						
December 31, 2022	113	316	945	8	2	1,384
Additions	1	18	151	–	1	171
Terminations	(5)	–	(1)	–	–	(6)
Depreciation	(2)	(22)	(80)	(4)	(1)	(109)
September 30, 2023	**107**	**312**	**1,015**	**4**	**2**	**1,440**

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

(a) Net defined benefit asset/liability

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

(in millions)

	As at September 30, 2023	As at December 31, 2022
Pension benefit assets	**4,693**	4,933
Pension benefit liabilities	3	3
Other post-employment and other long-term benefit liabilities	2,838	2,900
Total pension, other post-employment and other long-term benefit liabilities	2,841	2,903
Current other long-term benefit liabilities	**56**	56
Non-current pension, other post-employment and other long-term benefit liabilities	**2,785**	2,847

(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)

			Q3 2023			Q3 2022
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	93	20	113	159	30	189
Interest cost	334	39	373	228	29	257
Interest income on plan assets	(400)	–	(400)	(240)	–	(240)
Other administration costs	4	–	4	4	–	4
Actuarial gains[1]	–	(6)	(6)	–	–	–
Loss from plan amendment[2]	1	–	1	11	–	11
Defined benefit expense	32	53	85	162	59	221
Defined contribution expense	6	–	6	9	–	9
Total expense	38	53	91	171	59	230
Return on segregated securities	–	(3)	(3)	–	(3)	(3)
Component included in employee benefits expense	**38**	**50**	**88**	171	56	227
Remeasurement (gains) losses:						
Return on plan assets, excluding interest income on plan assets	1,693	–	1,693	(9)	–	(9)
Actuarial (gains) losses	(1,974)	(200)	(2,174)	498	74	572
Component included in other comprehensive income[3,4]	**(281)**	**(200)**	**(481)**	489	74	563

1. Remeasurements for other long-term benefit 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 Q3 2023 was 5.77%, compared to 5.23% at Q4 2022 (due to the immaterial change in the discount rate compared to prior measurement date, the Canada Post segment other long-term benefit plans were not remeasured at Q3 2022).
2. Ratification of the new collective agreement in the Purolator segment resulted in a $1 million pension plan amendment loss in Q3 2023 (loss of $11 million in Q3 2022).
3. Amounts presented in this table exclude income tax expense of $120 million for the 13 weeks ended September 30, 2023 (October 1, 2022 – $138 million).
4. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at Q3 2023, were 5.63% and 5.60% compared to 4.98% and 4.97%, respectively, at Q2 2023 (5.13% at Q3 2022 compared to 5.31% and 5.34%, respectively, at Q2 2022).

(in millions)

	YTD 2023			YTD 2022		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	280	59	339	481	90	571
Interest cost	1,003	112	1,115	682	87	769
Interest income on plan assets	(1,200)	–	(1,200)	(718)	–	(718)
Other administration costs	12	–	12	12	–	12
Actuarial gains[1]	–	(6)	(6)	–	(25)	(25)
Loss from plan amendment[2]	1	–	1	11	–	11
Defined benefit expense	96	165	261	468	152	620
Defined contribution expense	27	–	27	28	–	28
Total expense	123	165	288	496	152	648
Return on segregated securities	–	(11)	(11)	–	(11)	(11)
Component included in employee benefits expense	**123**	**154**	**277**	496	141	637
Remeasurement (gains) losses:						
Return on plan assets, excluding interest income on plan assets	1,102	–	1,102	4,444	–	4,444
Actuarial gains	(859)	(99)	(958)	(7,263)	(965)	(8,228)
Component included in other comprehensive income[3,4]	**243**	**(99)**	**144**	(2,819)	(965)	(3,784)

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 Q3 2023 was 5.77%, compared to 5.23% at Q4 2022 (5.13% at Q2 2022, compared to 2.86% at Q4 2021).
2. Ratification of the new collective agreement in the Purolator segment resulted in a $1 million pension plan amendment loss in Q3 2023 (loss of $11 million in Q3 2022).
3. Amounts presented in this table exclude income tax recovery of $36 million for the 2023 YTD (2022 YTD – expense of $950 million).
4. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at Q3 2023, were 5.63% and 5.60% compared to 5.27% and 5.28%, respectively, at Q4 2022 (5.13% at Q3 2022, compared to 3.22% and 3.26%, respectively, at Q4 2021).

(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)

	Q3 2023	Q3 2022	**YTD 2023**	YTD 2022
Benefits paid directly to beneficiaries for other benefit plans	42	37	128	114
Employer regular contributions to pension benefit plans	1	87	93	283
Employer special contributions to pension benefit plans	–	11	6	44
Cash payments for defined benefit plans	43	135	227	441
Contributions to defined contribution plans	6	9	27	28
Total cash payments	**49**	144	**254**	469

As the December 31, 2022, going-concern ratio and solvency ratio (using market value of plan assets) exceed legislative thresholds, Canada Post is required to make mandatory use of the surplus and is not permitted to make further employer current service contributions for 2023. This position will be reassessed when the December 31, 2023, valuation is completed in 2024.

Also, under the *Canada Post Corporation Pension Plan Funding Regulations*, Canada Post has temporary relief from its solvency funding obligations until December 31, 2024.

7. Lease Liabilities

(a) Lease liabilities

(in millions)

	As at September 30, 2023	As at December 31, 2022
Maturity analysis – contractual undiscounted cash flows[1,2]		
Less than one year	**159**	149
One to five years	**658**	632
More than five years	**1,538**	1,320
Total undiscounted lease liabilities	**2,355**	2,101
Lease liabilities in the consolidated statement of financial position	**1,652**	1,583
Current lease liabilities	**134**	129
Non-current lease liabilities	**1,518**	1,454

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 $21 million for premises used in postal operations (December 31, 2022 – $27 million).
2. Leases that have not yet commenced, but which have been committed to as at September 30, 2023, have future cash outflows of $229 million that are included in the above maturity analysis, but they are excluded from the measurement of lease liabilities (December 31, 2022 – $71 million).

(b) Changes in liabilities arising from financing activities

(in millions)

	December 31, 2022	Payments	Interest	Net lease additions	September 30, 2023
Lease liabilities	1,583	(131)	35	165	**1,652**

8. 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)

	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Canada	2,169	2,282	6,803	7,037
United States	53	57	177	195
Rest of the world	43	34	126	108
Total revenue	**2,265**	2,373	**7,106**	7,340

(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)

	Q3 2023			Q3 2022		
	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	1,503	(36)	1,467	1,575	(50)	1,525
Transaction Mail	384	–	384	417	–	417
Direct Marketing	226	(1)	225	218	–	218
Other revenue	144	(93)	51	140	(82)	58
	2,257	(130)	2,127	2,350	(132)	2,218
Unattributed revenue						
Stamp postage	56	–	56	66	–	66
Meter postage	82	–	82	89	–	89
	138	–	138	155	–	155
Total	**2,395**	**(130)**	**2,265**	2,505	(132)	2,373

(in millions)

	YTD 2023			YTD 2022		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Revenue attributed to products and services						
Parcels	4,616	(113)	4,503	4,745	(142)	4,603
Transaction Mail	1,320	(1)	1,319	1,396	(1)	1,395
Direct Marketing	686	(1)	685	694	(1)	693
Other revenue	424	(274)	150	403	(236)	167
	7,046	(389)	6,657	7,238	(380)	6,858
Unattributed revenue						
Stamp postage	178	–	178	198	–	198
Meter postage	271	–	271	284	–	284
	449	–	449	482	–	482
Total	**7,495**	**(389)**	**7,106**	7,720	(380)	7,340

(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 8 (a). Revenue earned by Innovapost, the information technology (IT) business unit, is eliminated on consolidation. Foreign exchange gains (losses) are presented as "Other".

(in millions)

	Q3 2023			Q3 2022		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic						
Commercial	1,671	(37)	1,634	1,698	(50)	1,648
Retail	533	–	533	629	–	629
	2,204	(37)	2,167	2,327	(50)	2,277
International	97	–	97	90	–	90
Other	94	(93)	1	88	(82)	6
Total	**2,395**	**(130)**	**2,265**	2,505	(132)	2,373

(in millions)

	YTD 2023			YTD 2022		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic						
Commercial	5,220	(115)	5,105	5,242	(144)	5,098
Retail	1,700	–	1,700	1,931	–	1,931
	6,920	(115)	6,805	7,173	(144)	7,029
International	303	–	303	302	–	302
Other	272	(274)	(2)	245	(236)	9
Total	**7,495**	**(389)**	**7,106**	7,720	(380)	7,340

9. Other Operating Costs

(in millions)

	Q3 2023	Q3 2022	**YTD 2023**	YTD 2022
Non-labour collection, processing and delivery	500	510	1,526	1,597
Property, facilities and maintenance	78	77	260	256
Selling, administrative and IT	155	151	470	447
Non-capital investment expense	88	79	244	171
Other operating costs	**821**	817	**2,500**	2,471

10. Investing and Financing Income (Expense)

(in millions)

	Q3 2023	Q3 2022	**YTD 2023**	YTD 2022
Interest income	21	11	70	24
Gain (loss) on sale of capital assets and assets held for sale	1	–	1	(1)
Other income	4	1	6	1
Investment and other income	**26**	12	**77**	24
Interest expense	(22)	(20)	(67)	(62)
Other expense	(1)	(3)	(5)	(10)
Finance costs and other expense	**(23)**	(23)	**(72)**	(72)
Investing and financing income (expense), net	**3**	(11)	**5**	(48)

11. Other Comprehensive Income

(in millions)

	Items that may subsequently be reclassified to net profit (loss)			Item never reclassified to net profit (loss)	
	Change in unrealized fair value of financial assets	Cumulative foreign currency translation adjustment	Accumulated other comprehensive income (loss)	Remeasurements of defined benefit plans	Other comprehensive income (loss)
Accumulated balance as at December 31, 2022	(14)	4	(10)		
Gains (losses) arising	(17)	–	(17)	(144)	(161)
Income taxes	4	–	4	36	40
Net	**(13)**	–	**(13)**	**(108)**	**(121)**
Accumulated balance as at September 30, 2023	**(27)**	**4**	**(23)**		

12. 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)

	Q3 2023	Q3 2022	**YTD 2023**	YTD 2022
Related party revenue	**74**	65	**239**	188
Compensation payments for programs				
Government mail and mailing of materials for persons who are blind	**6**	6	**17**	17
Payments from related parties for premises leased from the Corporation	**3**	2	**5**	5
Related party expenditures	**3**	2	**8**	10

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 September 30, 2023	As at December 31, 2022
Due to/from related parties		
Included in trade and other receivables	**19**	20
Included in trade and other payables	**13**	14
Deferred revenue from related parties	**1**	1

(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 YTD 2023 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 $12 million for the Q3 and YTD 2023 periods, respectively (2022 – nil and $8 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 Q3 and YTD 2023, the Corporation provided administration services to the Canada Post Corporation Registered Pension Plan in the amount of $4 million and $11 million, respectively (2022 – $4 million and $11 million, respectively). As at September 30, 2023, $10 million (December 31, 2022 – $12 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).

13. 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 Q3 2023

(in millions)

	Canada Post	Purolator	SCI	Innovapost and elimination of intercompany	Total
Revenue from external customers	1,568	618	79	–	2,265
Intersegment revenue	19	9	9	(37)	–
Revenue from operations	1,587	627	88	(37)	2,265
Labour and employee benefits	1,190	276	38	30	1,534
Other operating costs	599	258	32	(68)	821
Depreciation and amortization	89	27	13	1	130
Cost of operations	1,878	561	83	(37)	2,485
Profit (loss) from operations	(291)	66	5	–	(220)
Investment and other income	18	7	1	–	26
Finance costs and other expense	(17)	(5)	(1)	–	(23)
Profit (loss) before tax	(290)	68	5	–	(217)
Tax expense (recovery)	(73)	17	2	–	(54)
Net profit (loss)	(217)	51	3	–	(163)
Total assets	11,067	2,303	385	(316)	13,439
Total liabilities	6,338	911	239	(25)	7,463

As at and for Q3 2022

(in millions)

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

As at and for YTD 2023

(in millions)

	Canada Post	**Purolator**	**SCI**	**Innovapost and elimination of intercompany**	**Total**
Revenue from external customers	4,973	1,906	227	–	7,106
Intersegment revenue	62	28	25	(115)	–
Revenue from operations	5,035	1,934	252	(115)	7,106
Labour and employee benefits	3,618	854	112	91	4,675
Other operating costs	1,818	796	94	(208)	2,500
Depreciation and amortization	261	79	36	2	378
Cost of operations	5,697	1,729	242	(115)	7,553
Profit (loss) from operations	(662)	205	10	–	(447)
Investment and other income	60	14	3	–	77
Finance costs and other expense	(49)	(18)	(5)	–	(72)
Profit (loss) before tax	(651)	201	8	–	(442)
Tax expense (recovery)	(163)	54	2	–	(107)
Net profit (loss)	(488)	147	6	–	(335)
Total assets	11,067	2,303	385	(316)	13,439
Total liabilities	6,338	911	239	(25)	7,463

As at and for YTD 2022

(in millions)

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

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