2022

Canada Post Corporation

FIRST QUARTER
FINANCIAL REPORT

For the period ended April 2, 2022

Financial Performance

CONTENTS

Management's Discussion and Analysis

Unaudited Interim Condensed Consolidated Financial Statements

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) of the financial condition and results of operations is prepared for the 13-week period (first quarter or Q1) ended April 2, 2022, for Canada Post Corporation (Corporation or Canada Post) and its subsidiaries – Purolator Holdings Ltd. (Purolator), SCI Group Inc. (SCI) and Innovapost Inc. (Innovapost). These companies are collectively referred to as the Canada Post Group of Companies or the Group of Companies. Segments are based on the legal entities, Canada Post, Purolator, SCI and Innovapost.

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. Percentages are adjusted for business or paid days, where applicable. In the first quarter of 2022, there were differences, which varied by company, in business days (extra days result in increased revenue, while fewer days result in decreased revenue) and paid days (extra days result in increased cost of operations, while fewer days result in decreased cost of operations) compared to the same period in 2021. Where these differences were material to our financial results, they have been highlighted in this report.

This discussion should be read in conjunction with the unaudited condensed consolidated financial statements (interim financial statements) for the first quarter of 2022, which were prepared in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and International Accounting Standard (IAS) 34, "Interim Financial Reporting." We also recommend that this information be read in conjunction with the Corporation's annual consolidated financial statements and MD&A for the year ended December 31, 2021.

Management is responsible for the information presented in the interim financial statements and the MD&A. All references to *our* or *we* mean either Canada Post or, collectively, Canada Post and its subsidiaries, as the context may require. The Board of Directors, on the recommendation of its Audit Committee, approved the content of this MD&A and the interim financial statements May 26, 2022.

Forward-looking statements

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

The forward-looking statements included in the interim financial statements and MD&A are made as of May 26, 2022, and the Corporation does not undertake to publicly update these statements to reflect new information, future events or changes in circumstances or for any other reason after this date.

1. Executive Summary

An overview of the Canada Post Group of Companies and summary of Q1 2022 financial results

The Group of Companies is one of Canada's largest employers with over 84,500 people (full-time and part-time employees, including temporary, casual and term employees). Canada Post, the largest segment with revenue of $1.8 billion for the first quarter, is a federal Crown corporation, reporting to Parliament through the Minister of Public Services and Procurement. Under the *Canada Post Corporation Act*, Canada Post has a mandate to provide a standard of postal service that meets the needs of Canadians in a secure and financially self-sustaining manner. Canada Post operates the largest retail network in Canada with almost 6,000 retail post offices across the country.

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

Financial and business highlights

Segment results – Profit (loss) before tax

(in millions of dollars)

			First quarter ended	
	April 2, 2022	April 3, 2021	$ change	% change
Canada Post	(129)	(77)	(52)	(67.7)%
Purolator	28	51	(23)	(45.9)%
SCI	2	6	(4)	(70.3)%
Other	(1)	1	(2)	(117.6)%
Canada Post Group of Companies	**(100)**	**(19)**	**(81)**	**(424.2)%**

The Canada Post Group of Companies' loss before tax was $100 million in the first quarter of 2022, a decline in profitability of $81 million compared to Q1 2021. The Canada Post segment's loss before tax for the first quarter of 2022 of $129 million was partly offset by Purolator's and SCI's profit before tax of $28 million and $2 million, respectively.

Canada Post segment

Financial self-sustainability

The widespread adoption of ecommerce, accelerated by the pandemic, has created a highly competitive parcel delivery landscape. There has been a rise in the gig economy and competition continues to intensify from an increasing number of agile companies, which have asset-light delivery models and significantly lower cost structures compared to traditional carriers. Competitors are also expanding their reach to fulfillment and self-delivery. While revenue from the Parcels line of business is now half of Canada Post's business, in the last five years our market share has decreased.

Canada Post's long-term financial self-sustainability is at risk with structural challenges and inherent risks in its business model, including declining Lettermail™ volumes, financial commitments, capacity constraints, and maintaining success in a highly competitive parcel industry. To address the magnitude and significance of recurring financial losses over the past four years, the Corporation is moving forward with a plan to build capacity, improve service and support small businesses, while investing in our people and protecting the environment. We are also investing to support innovation and grow the business, and are pursuing improved efficiency, productivity and cost competitiveness in our operations.

Revenue by line of business

(in millions of dollars)

	First quarter ended			
	April 2, 2022	April 3, 2021	$ change	% change
Parcels	860	952	(92)	(9.6)%
Transaction Mail	683	719	(36)	(5.0)%
Direct Marketing	234	216	18	8.0%
Other	58	68	(10)	(14.0)%
Total	**1,835**	**1,955**	**(120)**	**(6.1)**%

Parcel volumes decline

Parcels revenue and volume declines of $92 million (-9.6%) and 23 million pieces (-23.1%) in Q1 2022, respectively, compared to Q1 2021, are explained by higher-than-normal volumes in Q1 2021, which occurred after the 2020 holiday season when customers increased their use of ecommerce for post-holiday purchases and returns due to in-person shopping restrictions. Domestic Parcels revenue, the largest product category, decreased by $49 million (-6.6%), while volumes decreased by 18 million pieces (-23.5%). Global supply chain and air capacity issues negatively affected inbound revenue and volumes (-28.4% and -22.2%, respectively).

Transaction Mail volume erosion continues

Transaction Mail revenue decreased in Q1 2022, by $36 million (-5.0%) compared to Q1 2021, while volumes were down 65 million pieces (-9.1%) as our traditional Lettermail service was replaced by digital communications. Revenue for Domestic Lettermail, the largest product category, decreased over Q1 2021 by $34 million (-4.9%), while volumes declined by 64 million pieces (-9.2%) over the same period. Declines due to usage were compounded by the maintenance of regulated stamp prices at 2020 levels due to COVID-19, partially offset by revenue from increases in commercial rates in January 2022.

Continued recovery of Direct Marketing

Direct Marketing revenue and volume increased $18 million (+8.0%), and 66 million pieces (+7.6%), respectively, in Q1 2022 compared to Q1 2021. As COVID-19-restrictions for in-person shopping were reimposed then lifted within the quarter, customers reinstated some marketing campaigns. Despite continued improvement, volumes are not back to pre-pandemic levels.

Decline in costs

The cost of operations decreased by $77 million (-2.3%) in Q1 2022, compared to Q1 2021. These decreases were mainly the result of lower labour and employee benefits. Capacity, processing and delivery costs continue to be affected by the shift in our business from mail to parcels, as it costs more to process and deliver parcels than letters.

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

Market-driven volatility continued to have an impact on the Canada Post Corporation Registered Pension Plan (RPP) and other post-employment and other long-term benefits. Remeasurement gains of $2,456 million, net of tax, were recorded in other comprehensive income for the Group of Companies' defined benefit plans. The actuarially determined pension expense recorded in the statement of comprehensive income and regular payments were not affected by these remeasurements. A remeasurement gain of $14 million was recorded in loss before tax for the Group of Companies' other long-term benefit plans. The gains were mostly the result of an increase in discount rates offset by lower-than-expected asset returns and experience adjustments.

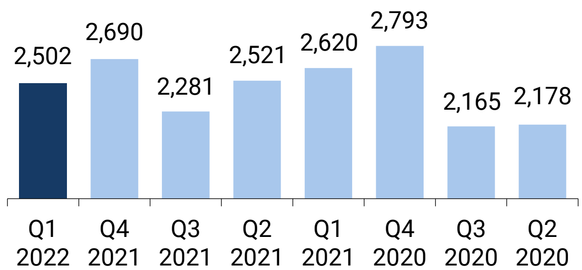
These factors resulted in the solvency deficit (using market value of plan assets) improving to an estimated $400 million from the December 31, 2021, valuation estimate of $2.5 billion. In April 2022, the Government of Canada approved the *Canada Post Corporation Pension Plan Funding Regulations* to provide Canada Post with temporary relief from its solvency funding obligations until December 31, 2024.

Canada Post Group of Companies – 2022

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

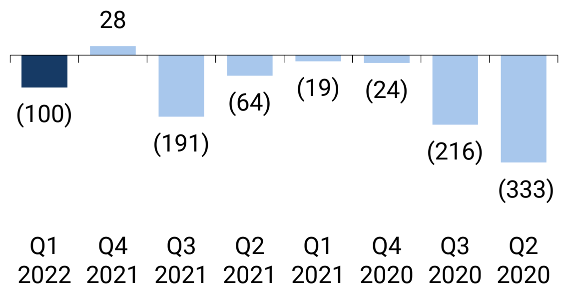
Quarterly consolidated revenue from operations

(in millions of dollars)



Quarterly consolidated profit (loss) before tax

(in millions of dollars)



The following table presents the Group of Companies' consolidated performance for the first quarter of 2022, compared to the same period in the prior year.

(in millions of dollars)

	April 2, 2022	April 3, 2021	$ change	% change	Explanation
Consolidated statement of comprehensive income					Discussed in Section 5 Discussion of Operations.
Revenue from operations	2,502	2,620	(118)	(4.5)%	Mainly due to decline in Parcels revenue in the Canada Post segment.
Cost of operations	2,582	2,625	(43)	(0.1)%	Due to lower labour and employee benefits in the Canada Post segment, partly offset by higher labour in the Purolator segment.
Loss from operations	(80)	(5)	(75)	†	Mainly due to a loss in the Canada Post segment, partially offset by profit in the Purolator and SCI segments.
Loss before tax	(100)	(19)	(81)	(424.2)%	
Tax recovery	(23)	(4)	(19)	(460.5)%	Mainly due to a higher loss before tax in the Group of Companies.
Net loss	(77)	(15)	(62)	(414.2)%	
Comprehensive income	2,339	2,963	(624)	(21.1)%	Remeasurement gains on pension and other post-employment plans decreased due to lower asset returns and experience adjustments slightly offset by higher discount rate increases.
Consolidated statement of cash flows					Discussed in Section 6 Liquidity and Capital Resources.
Cash used in operating activities	(109)	(37)	(72)	(195.3)%	Primarily due to an increase in net loss partially offset by changes in working capital.
Cash used in investing activities	(124)	(238)	114	47.8%	Primarily due to lower acquisitions of securities.
Cash used in financing activities	(32)	(28)	(4)	(14.3)%	No material change.

† Large percentage change.

2. Core Businesses and Strategy

There were no significant changes to our core businesses or strategy during the first quarter of 2022. The Government of Canada expects the Corporation to operate in a manner that is financially self-sustaining. Canada Post continues work to fulfill our overarching purpose, A Stronger Canada – Delivered, which has three pillars: to provide a service all Canadians can count on; meet their heightened expectations for environmental and social leadership; and do the right thing for its employees.

By putting Canadians first, by building capacity and improving service, we're establishing the path to financial self-sustainability.

3. Key Performance Indicators

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

		2022 target	2022 Q1 result
Total injury frequency per 100 employees year-over-year (improvement) deterioration		(10%)	+4%[1]
Fleet with telematics		Over 1,500 to date	1,144 to date
Employee engagement index		75%	Measured annually
Employee diversity[2]	Indigenous Peoples	2.9%	2.9%
	Persons with disabilities	6.8%	6.9%
Greenhouse gas emissions (GHG)	Scopes 1 and 2 for fleet and buildings[3] (in kilotonnes of carbon dioxide equivalent emissions)	142.2	46.9[4]
Procurement spend with Indigenous Peoples (percentage of eligible direct expenditure in Indigenous businesses)		2.7%	2.3%

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

4. Capabilities

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

4.1 Our employees

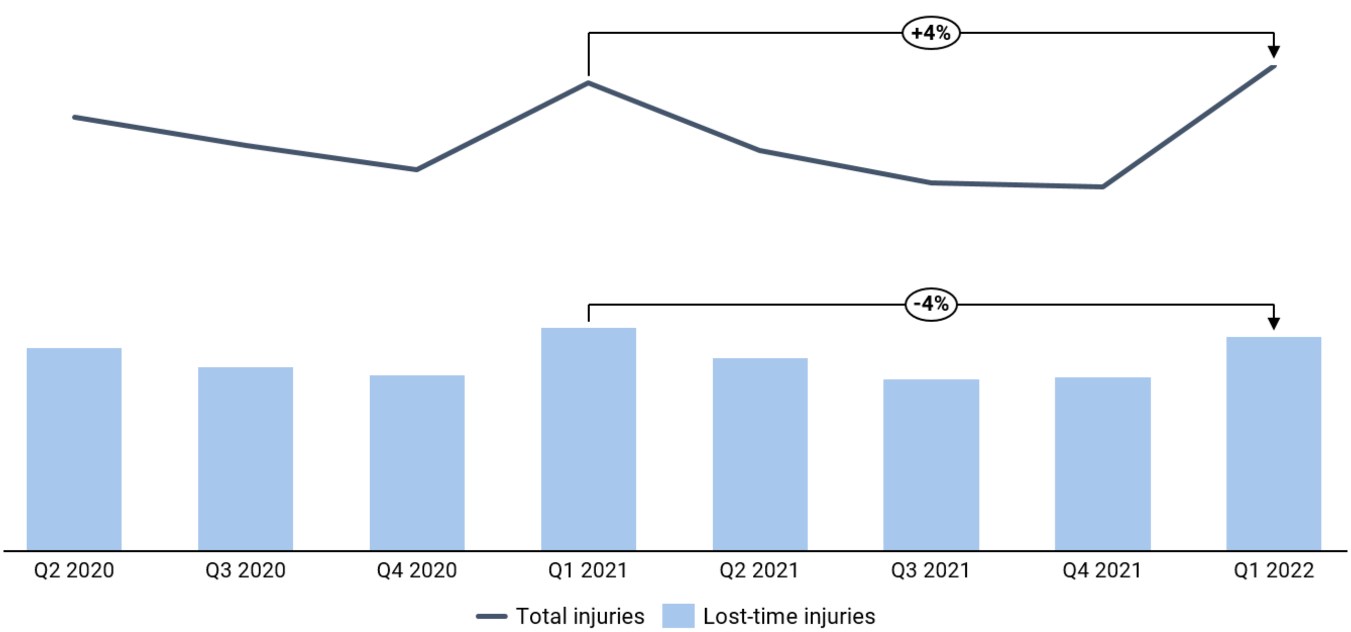
Where significant in the quarter, an update of 2022 health and safety, equity, diversity and inclusion, and labour and employee relations by segment is provided below.

Canada Post segment

Health and safety

The health and safety of our people and all Canadians is our highest priority and we aim to be a leader in workplace health and safety. Despite several years of consecutive improvement, the total injury frequency rate increased by 4% in Q1 2022 over the same period in 2021, while the lost-time injury frequency rate improved by 4%. The prevalence of the Omicron variant of COVID-19 had a negative effect on our injury rates in the first quarter.

Injury frequency (% change)



Following the Board of Director's review of the five-year road safety strategy the Corporation rolled out a number of initiatives to increase regulatory compliance and improve driving behaviour. Among the accomplishments in the first quarter:

- Conducted over 150 on-road observations to identify unsafe driver behaviour, and knowledge and skills gaps allowing for targeted driver training and in-cab evaluations.
- Performed local facility gate checks to engage drivers in safe driving and proper documentation.
- Provided new depot route mobilization support for team leaders and drivers. Areas of focus to support collision reduction were pre-trip and vehicle orientation training and coaching.

- Implemented phase 1 of the driver's licence verification program to manage commercial driver abstract compliance on items related to driver safety performance.
- Delivered road safety orientation training to over 700 employees nationally, including team leader support, safety talks, safe backing up of vehicles, defensive driving and inspections.

COVID-19

In accordance with public health guidance, in early March we resumed phase four of our 10-stage COVID-19 de-escalation plan. The following practices were revised in operations:

- Distancing protocols in certain operations locations were removed, allowing employees to process loose loads with the help of another employee.
- Delivery agents can now use the verbal signature process indoors (in apartment buildings, condos and businesses) while maintaining a two-metre distance from customers.
- Delivery employees can now use taxis, carpooling or public transportation to get to and from their routes.

Mental health

The Corporation believes that employees' mental health and well-being is as important as physical health and safety. In the first quarter, we launched a five-year Mental Health Strategy as part of our 10-year Health and Safety Strategy and ongoing efforts to embed safety into our culture. The new strategy aligns with the National Standard of Canada for Psychological Health and Safety, which is designed to guide organizations in supporting the mental health of their employees and preventing psychological harm. It is one of the ways we are striving to become an employer of choice and "doing right by our people" – a key commitment of our new purpose, A Stronger Canada – Delivered.

The Mental Health Strategy was developed with input from representatives from all areas of the Corporation, our bargaining agents, and an external consulting firm. It includes four pillars:

- Gathering feedback to develop action plans to improve psychological health and safety in the workplace, starting with 10 directorships in 2022 and expanding in subsequent years.
- Strengthening our mental health training for senior executives, team leaders, employees and our health and safety committees to support a workplace that promotes psychological well-being through knowledge, skills, and abilities.
- Establishing measurement mechanisms to identify the mental well-being of our employees.
- Building alignment with bargaining agents by working jointly on shared objectives.

Culture

In 2021, Canada Post adopted and communicated its new plan and overarching purpose, A Stronger Canada – Delivered, to meet Canadians' changing needs for service, such as growth in ecommerce; meet Canadians' heightened expectations for environmental and social leadership; and do the right thing for employees. Along with this new purpose, refreshed corporate values and behaviours were established to build on our cultural aspirations and support our transformation. In Q1, culture sessions were held with executives to help them understand the culture journey. Broader company-wide deployment will occur later in 2022.

Equity, diversity and inclusion

Canadians expect Canada Post to value and strive to ensure the workplace reflects equity, diversity and inclusion (EDI). In the first quarter, the Corporation achieved the following:

- Recognized the achievements, impact and history of Black people in the country and around the world through sharing stories, stamps and a diversity newsletter.
- Awarded $2,000 grants to 25 Indigenous students to celebrate the hard work and determination of First Nations, Métis and Inuit individuals who embraced a renewed pursuit of learning.
- Launched the Black Leadership Academy in partnership with an external consultant to offer tailored leadership development to several directors and approximately 40 managers who identified as Black Canadians and volunteered for this talent development program.
- Acknowledged the humanitarian crisis in Ukraine by illuminating its head office in Ottawa in blue and yellow lights, the colours of Ukraine's flag, from March 11 to March 18, as a symbol of support and desire for peace.
- The Canada Post Community Foundation began accepting grant applications for 2022. Schools, charities and community organizations making a positive impact in the lives of children and youth can apply for grants up to $25,000 or for one of up to three $50,000 Signature Grants.
- In honour of International Day for the Elimination of Racial Discrimination, Canada Post lit up the Ottawa head office building in red from March 18 to March 22.

Labour and employee relations

Building alignment

In the first quarter of 2022:

- In collaboration with the Canadian Union of Postal Workers (CUPW), continued work to assess how to improve employee retention and alleviate pressure on hiring through a new, more flexible staffing model.
- Commenced work with CUPW to develop a new work measurement model for Rural and Suburban Mail Carrier employees to transition that bargaining unit to an hourly rate of pay.
- Continued work with our unions in the Environmental and Equity, Diversity and Inclusion committees to execute social and environmental strategies.
- Commenced the next phase of a job evaluation exercise with the Public Service Alliance of Canada and the Association of Postal Officials of Canada to determine the inclusion of certain jobs in the appropriate bargaining unit.
- Continued to work with our unions to resolve grievances in a number of significant areas with a view to reducing the total number of grievances filed.

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

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

Canadian Postmasters and Assistants Association (CPAA)

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

Association of Postal Officials of Canada (APOC)

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

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

The collective agreement with PSAC/UPCE expires August 31, 2024. PSAC/UPCE represents employees who perform certain administrative, clerical, technical and professional work, including personnel in call centres, pay reporting, and technical employees in areas such as finance and engineering.

Purolator segment

The collective bargaining process for a new agreement to replace the one that expired December 31, 2021, between Purolator and the Canada Council of Teamsters, representing Purolator drivers and warehouse staff, is progressing. The bargaining committees from both organizations have recently completed another round of negotiation meetings (four meetings to date).

Purolator provided a comprehensive offer to the union, which it is presenting to the membership for a ratification vote. Neither party is in a legal-strike or lockout position. In the event that the union members reject Purolator's offer, the parties are expected to meet again in late June to continue negotiations. Purolator remains committed to the bargaining process and has not experienced a labour disruption throughout negotiations with the union in the past.

4.2 Our network and infrastructure

Canada Post segment

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

Service and capacity

To support ecommerce parcel growth through productivity improvements and added capacity, here are some of the enhancements made in the first quarter:

- Continued installation of sorting equipment during the final construction phase of the Ontario East Processing Centre, now the Albert Jackson Processing Centre.
- Added approximately 1,000 indoor parcel lockers in apartment buildings and condominiums.
- Installed nearly 120 outdoor parcel lockers at existing delivery points.
- Added electric and hybrid electric vehicles to our fleet.

Technology

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

- Added over 1,400 personal data terminals (PDTs) as part of a national multi-year program that provides upgraded technology to increase stability and communication range and introduce new features to improve customer service and tracking.
- Launched automatic tracking in Canada Post's Android™ mobile app (following the website and mobile iOS launch in October 2021). Over 130,000 Canadians are registered with the service, which allows them to add parcels automatically to their track list and set default delivery preferences for all parcels delivered by Canada Post.

4.3 Our environmental priorities

Canada Post segment

The Sixth Assessment Report issued by the United Nations Intergovernmental Panel on Climate Change (IPCC) in February 2022 confirmed that the impacts of climate change are larger than previous estimates. The release of this report prompted Canada Post to start re-evaluating its climate strategy.

4.4 Product enhancement and sales channels

Canada Post segment

Product enhancement

In the first quarter, a new Canada Post Smartmail Marketing™ visualization tool launched in February 2022 enables businesses to optimize their direct marketing campaign planning and design by connecting with the right customers with advanced mapping technologies.

Retail

With almost 6,000 post offices across the country, Canadians rely on our extensive retail network for important services, parcel and mail pickup and product returns. There were several developments in our retail network in the first quarter.

Indigenous, northern and rural communities

Our new post office in Membertou, Nova Scotia, opened in March. It is the first post office to serve the local Mi'kmaq community and the second pilot post office to operate under our new community hub model. Services include secure 24-hour parcel drop-off and pickup, parcel lockers and contactless induction, money services including Canada Post MyMoney™ Loan and a TD Bank automated teller machine, an electric-vehicle charging station, and small business support services in partnership with an office supplies retailer.

We continue to work with Indigenous communities to identify areas that are underserved. In addition to new community hubs, we are also working with 12 Indigenous communities to improve postal services in 2022, such as issuing new postal codes for identity and community recognition, upgrading postal boxes and adding new full service and pickup and drop-off locations.

Retail technology modernization

Our multi-year retail technology modernization project to replace the point-of-sale hardware and software in all our approximately 5,570 automated sites progressed in the first quarter, with over 30% of sites using our new technology at the end of the first quarter. Our secondary customer facing screen allows customers to follow along with transactions as they occur in the system and provides an option for anonymous real-time customer satisfaction ratings at the time of purchase. To date, this new solution has provided us with nearly 1.2 million responses, and it is used in over 1,800 locations.

Financial services

After a successful market test in 2021 and Q1 2022, we will be launching a national financial services business offering for Canadians, beginning with the Canada Post MyMoney Loan. The national launch of the MyMoney Loan product will commence over the next several months with a national marketing program anticipated in the fall. This expansion into financial services is an important demonstration of our commitment to deliver more for Canadians and be true to our purpose, A Stronger Canada – Delivered.

4.5 Internal controls and procedures

Changes in internal control over financial reporting

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

5. Discussion of Operations

A detailed discussion of our financial performance

5.1 Consolidated trends

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

(in millions of dollars)

	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Revenue from operations	2,502	2,690	2,281	2,521	2,620	2,793	2,165	2,178
Cost of operations	2,582	2,663	2,457	2,563	2,625	2,801	2,366	2,496
Profit (loss) from operations	**(80)**	**27**	**(176)**	**(42)**	**(5)**	**(8)**	**(201)**	**(318)**
Investing and financing income (expense), net	(20)	1	(15)	(22)	(14)	(16)	(15)	(15)
Profit (loss) before tax	**(100)**	**28**	**(191)**	**(64)**	**(19)**	**(24)**	**(216)**	**(333)**
Tax expense (recovery)	(23)	6	(46)	(15)	(4)	(3)	(52)	(84)
Net profit (loss)	**(77)**	**22**	**(145)**	**(49)**	**(15)**	**(21)**	**(164)**	**(249)**

5.2 Consolidated results from operations

Consolidated results for the first quarter

(in millions of dollars)

	April 2, 2022	April 3, 2021	$ change	% change[1]
Revenue from operations	2,502	2,620	(118)	(4.5)%
Cost of operations	2,582	2,625	(43)	(0.1)%
Loss from operations	**(80)**	**(5)**	**(75)**	†
Investing and financing income (expense), net	(20)	(14)	(6)	(40.9)%
Loss before tax	**(100)**	**(19)**	**(81)**	**(424.2)%**
Tax recovery	(23)	(4)	(19)	(460.5)%
Net loss	**(77)**	**(15)**	**(62)**	**(414.2)%**
Other comprehensive income (loss)	2,416	2,978	(562)	(18.9)%
Comprehensive income (loss)	**2,339**	**2,963**	**(624)**	**(21.1)%**

† Large percentage change.

The Canada Post Group of Companies' Q1 2022 loss before tax of $100 million was $81 million (-424.2%) worse than the loss before tax in Q1 2021. In Q1 2022, for the Group of Companies there was no difference in business days and one less paid day compared to Q1 2021. Fewer paid days result in a decrease in the cost of operations. A detailed discussion by segment is provided in sections 5.4 to 5.6.

Consolidated revenue from operations

Revenue from operations decreased by $118 million (-4.5%) in Q1 2022, compared to Q1 2021, mostly due to declines in Parcels and Transaction Mail in the Canada Post segment as well as declines in the SCI segment, partially offset by growth in the Purolator segment and increases in Direct Marketing in the Canada Post segment.

Consolidated cost of operations

The cost of operations decreased by $43 million (-0.1%) in Q1 2022 compared to Q1 2021, due to lower labour and employee benefits costs in the Canada Post segment, partly offset by higher labour in the Purolator segment.

Consolidated investing and financing income (expense), net

Net investing and financing expenses increased by $6 million (+40.9%) in 2021, due to a decrease in gain on sale of capital assets and assets held for sale.

Consolidated other comprehensive income

The consolidated other comprehensive income of $2,416 million was mainly due to remeasurement gains on pension and other post-employment plans, primarily due to discount rates increases offset by lower-than-expected asset returns and experience adjustments. Fluctuations in the various factors and assumptions used to remeasure these plans causes volatility and had a significant impact on the Group of Companies' other comprehensive income in Q1 2022.

5.3 Operating results by segment

Segmented results – Profit (loss) before tax

(in millions of dollars)

	April 2, 2022	April 3, 2021	$ change	% change
Canada Post	(129)	(77)	(52)	(67.7)%
Purolator	28	51	(23)	(45.9)%
SCI	2	6	(4)	(70.3)%
Other	(1)	1	(2)	(117.6)%
Canada Post Group of Companies	**(100)**	**(19)**	**(81)**	**(424.2)%**

5.4 Canada Post segment

The Canada Post segment's loss before tax of $129 million in Q1 2022 was $52 million worse (-67.7%) than the loss in the first quarter of 2021. A decline in revenue was partly offset by lower costs. In Q1 2022, for the Canada Post segment there was no difference in business days and one less paid day compared to Q1 2021. Fewer paid days result in a decrease in the cost of operations.

Summary of results for the first quarter

(in millions of dollars)

	April 2, 2022	April 3, 2021	$ change	% change
Revenue from operations	1,835	1,955	(120)	(6.1)%
Cost of operations	1,949	2,026	(77)	(2.3)%
Loss from operations	**(114)**	**(71)**	**(43)**	**(61.5)%**
Investing and financing income (expense), net	(15)	(6)	(9)	(138.2)%
Loss before tax	**(129)**	**(77)**	**(52)**	**(67.7)%**

Revenue from operations

In Q1 2022, revenue and volumes for Parcels and Transaction Mail declined compared to the first quarter of 2021 while Direct Marketing continued its partial recovery. Year-over-year comparisons for parcels are influenced by circumstances affecting our revenue a year ago, where post-holiday season parcel volumes were exceeding available capacity. Global supply chain issues that surfaced in the third quarter of 2021 also continued to affect inbound parcel volumes.

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	April 2, 2022	April 3, 2021	$ change	% change	**April 2, 2022**	April 3, 2021	change	% change
Parcels								
Domestic Parcels	693	742	(49)	(6.6)%	59	77	(18)	(23.5)%
Outbound Parcels	77	86	(9)	(10.3)%	3	4	(1)	(18.5)%
Inbound Parcels	85	118	(33)	(28.4)%	13	17	(4)	(22.2)%
Other	5	6	(1)	(14.0)%	–	–	–	–
Total Parcels	**860**	**952**	**(92)**	**(9.6)%**	**75**	**98**	**(23)**	**(23.1)%**
Transaction Mail								
Domestic Lettermail	649	683	(34)	(4.9)%	632	696	(64)	(9.2)%
Outbound Letter-post	21	22	(1)	(5.4)%	10	10	–	(3.9)%
Inbound Letter-post	13	14	(1)	(10.9)%	14	15	(1)	(7.5)%
Total Transaction Mail	**683**	**719**	**(36)**	**(5.0)%**	**656**	**721**	**(65)**	**(9.1)%**
Direct Marketing								
Personalized Mail™	111	103	8	6.8%	188	181	7	3.6%
Neighbourhood Mail™	84	75	9	11.7%	696	637	59	9.3%
Total Smartmail Marketing™	**195**	**178**	**17**	**8.8%**	**884**	**818**	**66**	**8.0%**
Publications Mail™	31	30	1	5.6%	43	42	1	2.6%
Business Reply Mail™ and Other Mail	4	5	(1)	(10.3)%	3	4	(1)	(17.5)%
Other	4	3	1	12.1%	–	–	–	–
Total Direct Marketing	**234**	**216**	**18**	**8.0%**	**930**	**864**	**66**	**7.6%**
Other Revenue	58	68	(10)	(14.0)%	–	–	–	–
Total	**1,835**	**1,955**	**(120)**	**(6.1)%**	**1,661**	**1,683**	**(22)**	**(1.3)%**

Revenue and volumes by line of business

Parcels

Parcels revenue in Q1 decreased by $92 million (-9.6%) compared to the first quarter of 2021. Details by product category were as follows:

- Domestic Parcels revenue and volume declines are the result of higher-than-normal volumes in Q1 2021. These higher prior-year volumes occurred after the 2020 holiday season as customers increased their use of ecommerce for post-holiday purchases and returns when in-person shopping was restricted. The widespread adoption of ecommerce is driving a more competitive delivery market with rapidly evolving consumer expectations, creating pressure for Canada Post's share of domestic ecommerce delivery. We are investing to improve efficiencies in our network and expand processing capacity in certain areas.
- Outbound Parcels revenue (postage revenue collected from domestic customers for parcels destined to foreign postal administrations [posts]) declined compared to the prior year due to the lifting of travel and other COVID-19 restrictions. In Q1 2022, Canadians sent fewer packages to the United States and internationally.

- Inbound Parcels revenue (fees paid to Canada Post by other posts for delivering mail originating outside of Canada) and volume declined due to limited air capacity out of China, increased competition from commercial consolidators and global supply chain issues that began in the third quarter of 2021 and continued into 2022. Volumes from the United States also declined compared to higher-than-normal volumes in Q1 2021.
- Other Parcels revenue, which mostly comprises fees from the Customs Postal Program, decreased due to lower volumes of inbound postal items to be rated for duties and taxes.

Transaction Mail

Transaction Mail revenue in the first quarter of 2022 decreased by $36 million (-5.0%) compared to Q1 2021. Details by product category were as follows:

- Domestic Lettermail revenue and volumes declined in Q1 2022 as our traditional Lettermail™ service continues to be replaced by digital communications. The impact on revenue from volume declines was compounded by the maintenance of regulated stamp prices at 2020 levels due to COVID-19, partially offset by revenue increases due to commercial rate action in January 2022.
- Inbound and Outbound Letter-post revenue and volumes declined in Q1 2022 due to continued restrictions on air transportation, as well as increased use of digital alternatives. Outbound Letter-post revenue is collected from domestic customers for mail destined to other posts and Inbound Letter-post revenue is collected by other posts and shared with Canada Post for delivering mail in Canada.

Direct Marketing

Direct Marketing revenue in Q1 increased by $18 million (+8.0%) compared to the same period in the prior year. Details by product category were as follows:

- Personalized Mail and Neighbourhood Mail revenue and volumes continued to experience a recovery due to the gradual return to in person shopping. Volumes are not yet back to pre-pandemic levels as new COVID-19 restrictions temporarily offset these recoveries as closures and capacity limitations affected business' ability to market.
- Publications Mail revenue and volumes increased slightly due to the timing of mailing campaigns in the quarter, however further declines in paper subscriptions are expected as digital ones are increasingly becoming the preferred method of delivery.
- Business Reply Mail declined, while Other Mail and Other products increased.

Other Revenue

Other Revenue decreased by $10 million (-14.0%) mainly due to lower use of consumer products and services, mostly attributed to a high Q1 2021 base that included logistics services (such as warehousing and transportation) for the 2021 Census.

Cost of operations

In Q1 2022, the Canada Post segment's cost of operations decreased by $77 million (-2.3%) compared to Q1 2021, mainly due to lower labour and employee benefits, which were partly offset by higher transportation and facilities costs, as well as increased spending to sustain our network and improve capacity.

(in millions of dollars)

	April 2, 2022	April 3, 2021	$ change	% change[1]
Labour	946	980	(34)	(2.0)%
Employee benefits	327	412	(85)	(19.3)%
Total labour and employee benefits	**1,273**	**1,392**	**(119)**	(7.1)%
Non-labour collection, processing and delivery	349	350	(1)	(1.1)%
Property, facilities and maintenance	72	63	9	16.4%
Selling, administrative and other	174	143	31	23.7%
Total other operating costs	**595**	**556**	**39**	**8.7%**
Depreciation and amortization	81	78	3	5.7%
Total	**1,949**	**2,026**	**(77)**	**(2.3)%**

Labour

Labour costs in Q1 decreased by $34 million (-2.0%) compared to the first quarter in 2021, mainly due to lower parcel volumes, less reliance on overtime and temporary labour and one less paid day in Q1 2022. Although we continued to incur significant costs for employee special leave relating to COVID-19, the costs were lower in Q1 2022 than in the same period in 2021.

Employee benefits

Employee benefits decreased by $85 million (-19.3%) compared to Q1 2021, primarily due to an increase in discount rates which decreased the non-cash pension and other post-employment expense, decreased labour costs resulting in a decrease in statutory taxes and deductions, and lower health benefit claim costs.

Other operating costs, and depreciation and amortization

Changes in these costs in Q1 2022 were as follows:

- Contracted collection, processing and delivery costs decreased by $1 million (-1.1%) in the first quarter of 2022 compared to the same period in 2021, mainly due to lower parcel volumes, which was partly offset by higher transportation costs.
- The cost of facilities increased by $9 million (+16.4%) for Q1 2022 when compared to Q1 2021, mainly due to ongoing cleaning and maintenance costs related to COVID-19 and higher utilities costs.
- Selling, administrative and other expenses increased by $31 million (+23.7%) for the first quarter in 2022 compared to the first quarter in 2021, mainly due to increased spending on IT services and investments to sustain the network, enhance our services and improve capacity.
- The depreciation and amortization expense increased by $3 million (+5.7%) in Q1 2022 compared to Q1 2021, due to higher investment in capital assets.

5.5 Purolator segment

The Purolator segment's profit before tax decreased by $23 million (-45.9%) in the first quarter of 2022 compared to the same period in 2021. In Q1 2022, for the Purolator segment there was no difference in business days and one less paid day compared to Q1 2021. Fewer paid days result in a decrease in the cost of operations.

Summary of results

(in millions of dollars)

	April 2, 2022	April 3, 2021	$ change	% change
Revenue from operations	638	626	12	1.8%
Cost of operations	607	568	39	8.3%
Profit from operations	**31**	**58**	**(27)**	**(45.6)%**
Investing and financing income (expense), net	(3)	(7)	4	42.7%
Profit before tax	**28**	**51**	**(23)**	**(45.9)%**

Revenue from operations increased by $12 million (+1.8%) in the first quarter of 2022, compared to the first quarter of 2021, due to an increase in yield in the express segment and fuel revenue driven by higher fuel prices. Volume in the express market decreased by 8.5% compared to the same period in the prior year, mainly in the business-to-consumer express market as consumer behaviour shifted more toward in-store shopping with the lifting of COVID-19 measures.

Labour costs increased by $13 million (+6.0%) compared to Q1 2021, due to annual wage increases and COVID-19-related measures. Non-labour costs increased $26 million (+10.6%) compared to Q1 2021 as a result of higher fuel costs and sales and general administration expenses returning to normal spending levels compared to lower spending in the prior year due to COVID-19 restrictions.

5.6 SCI segment

In the first quarter of 2022, SCI's profit before tax decreased by $4 million (-70.3%) compared to the same period in the prior year. For the SCI segment, there was no difference in business or paid days.

We'll make you even better.

Summary of results

(in millions of dollars)

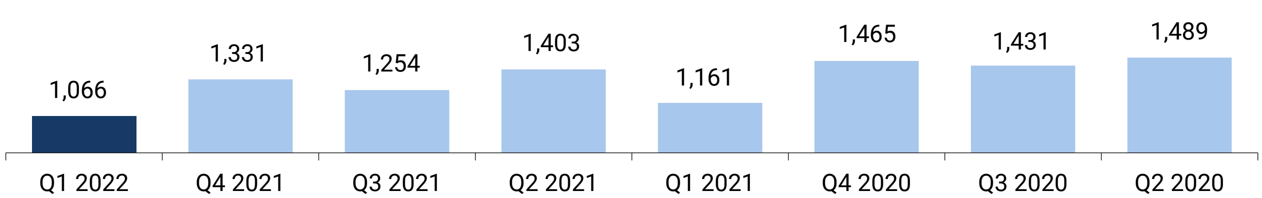
	April 2, 2022	April 3, 2021	$ change	% change
Revenue from operations	74	84	(10)	(11.5)%
Cost of operations	71	77	(6)	(6.9)%
Profit from operations	**3**	**7**	**(4)**	**(63.2)%**
Investing and financing income (expense), net	(1)	(1)	–	4.7%
Profit before tax	**2**	**6**	**(4)**	**(70.3)%**

Customer attrition, partially offset by growth in volumes from existing customers and new business, resulted in a net decrease in revenue from operations of $10 million (-11.5%) compared to Q1 2021. This decrease led to lower salary and occupancy costs; as a result, cost of operations decreased by $6 million (-6.9%) compared to the same period in 2021.

6. Liquidity and Capital Resources

A discussion of our cash flow, liquidity and capital resources

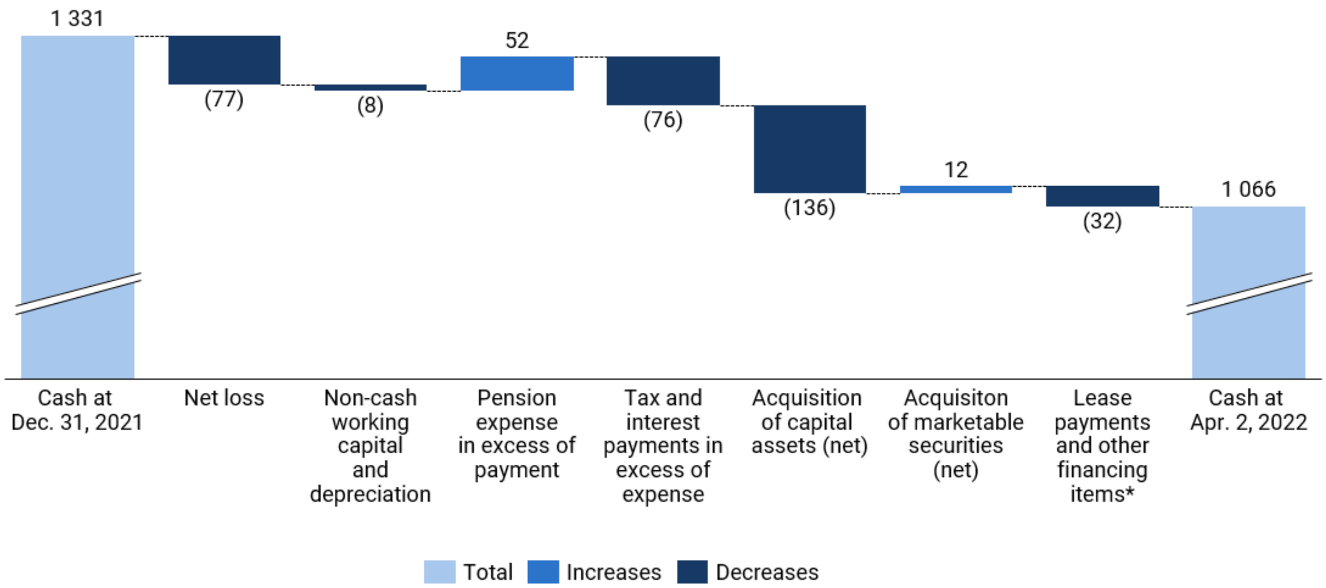
6.1 Cash and cash equivalents



The Group of Companies held cash and cash equivalents of $1,066 million as at April 2, 2022, compared to $1,331 million as at December 31, 2021. The decrease of $265 million (-19.9%) is due to cash used in investing ($124 million), operating ($109 million) and financing ($32 million) activities, as shown below.

Change in cash and cash equivalents for the 13 weeks ended April 2, 2022

(in millions of dollars)



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

Consolidated statement of cash flows

(in millions of dollars)

	April 2, 2022	April 3, 2021	$ change	% change	Explanation
Cash provided by (used in) operating activities	(109)	(37)	(72)	(195.3)%	Cash used in operating activities was $109 million in the first quarter of 2022, compared to $37 million in the same period in 2021. This is primarily due to an increased loss in operations partially offset by improvements in working capital.
Cash used in investing activities	(124)	(238)	114	47.8%	Cash used in investing activities decreased by $114 million in the first quarter of 2022 compared to the same period in 2021, primarily due to lower purchases and higher proceeds from the sale of securities.
Cash used in financing activities	(32)	(28)	(4)	(14.3)%	Mainly due to higher lease repayments in the Canada Post and Purolator segments.

Capital expenditures

(in millions of dollars)

	April 2, 2022	April 3, 2021	$ change	% change
Canada Post	94	81	13	16.3%
Purolator	40	60	(20)	32.8%
SCI	2	1	1	35.8%
Innovapost and intersegment	–	1	(1)	101.2%
Canada Post Group of Companies	136	143	(7)	5.1%

Capital expenditures for the Group of Companies decreased by $7 million in Q1 2022, compared to Q1 2021, due to reduced spending in the Purolator segment which was partially offset by increased spending in the Canada Post segment.

Canada Post segment

The Canada Post segment invested $140 million in Q1 2022, with capital and non-capital investments of $94 million, and $46 million, respectively. Compared to Q1 2021, the capital portion of our investment spending increased by $13 million in Q1 2022, largely due to the acquisition of land in Ottawa and progress toward completion of the final construction phase of the new Ontario East Processing Centre, now the Albert Jackson Processing Centre.

Guided by and aligned with the three pillars of our purpose, A Stronger Canada – Delivered, in the first quarter we implemented new solutions to address immediate capacity challenges, ongoing facility construction and expanded our delivery capacity through installation of parcel lockers and replenished obsolete street furniture modules.

6.2 Canada Post Corporation Registered Pension Plan

In December 2021, the Government of Canada introduced the *Canada Post Corporation Pension Plan Funding Regulations* to provide Canada Post with temporary relief from its solvency funding obligations until December 31, 2024. These proposed regulations have been approved and came into force on April 7, 2022. Without this relief, Canada Post expected to make estimated solvency special payments of $796 million for 2022, as the solvency funding relief available under the *Pension Benefits Standards Act, 1985*, would be fully utilized during the year.

At the end of the quarter, the solvency deficit (using market value of plan assets) of the Canada Post Corporation Registered Pension Plan (RPP) was estimated at $400 million, an improvement of over $2 billion compared to the 2021 year-end estimate, primarily due to a significant discount rate increase offset by lower-than-expected asset returns and experience adjustments. The most recent actuarial valuation for the RPP disclosed a going-concern surplus. The next valuation will be filed in June 2022 for December 31, 2021.

On an accounting basis, a remeasurement gain of $1.9 billion for the RPP, net of tax, was recorded in other comprehensive income, due to a significant discount rate increase, offset by lower-than-expected asset returns and experience adjustments.

Current service contributions amounted to $75 million and $72 million, respectively, in each of the first quarters of 2022 and 2021.

6.3 Liquidity and capital resources

Liquidity

The Canada Post segment had $2,020 million of unrestricted liquid investments on hand as at April 2, 2022, for a net liquidity position of $1,022 million (after outstanding loans and borrowings of $998 million). The segment also had $100 million in lines of credit established under a short-term borrowing authority approved by the Minister of Finance (all undrawn) and will benefit from temporary relief from its solvency funding obligation until December 31, 2024 (see Section 6.2).

The Corporation's subsidiaries had a total of $306 million of unrestricted cash on hand and undrawn credit facilities of $165 million as at April 2, 2022, ensuring sufficient liquidity to support operations for at least the next 12 months.

Access to capital markets

With $998 million of borrowings as at April 2, 2022, the Canada Post segment had $1,502 million of its $2.5 billion external borrowing limit that had not been used. The Corporation funded itself primarily through the use of cash on hand, funds generated from operations during Q1 2022 and the pension plan funding relief permitted by legislation.

7. Changes in Financial Position

A discussion of significant changes in our assets and liabilities between April 2, 2022, and December 31, 2021

(in millions of dollars)

ASSETS	April 2, 2022	Dec. 31, 2021	$ change	% change	Explanation
Cash and cash equivalents	1,066	1,331	(265)	(19.9)%	Refer to Section 6 Liquidity and Capital Resources.
Marketable securities	1,260	1,279	(19)	(1.5)%	Due to maturities and lower purchases of marketable securities.
Trade and other receivables	895	968	(73)	(7.6)%	Mainly due to lower receivables in the Canada Post and Purolator segments.
Other assets	211	200	11	5.9%	Mainly due to higher income tax receivable balances in the Canada Post and Purolator segments partially offset by a decrease in prepaid expenses in the Canada Post segment.
Total current assets	**3,432**	**3,778**	**(346)**	**(9.2)%**	
Marketable securities	85	82	3	3.3%	No material change.
Property, plant and equipment	3,531	3,473	58	1.7%	Mainly due to acquisitions in excess of depreciation.
Intangible assets	172	169	3	1.7%	No material change.
Right-of-use assets	1,360	1,326	34	2.5%	Mainly due to new leases and lease renewals exceeding depreciation in the Canada Post segment.
Segregated securities	438	482	(44)	(9.0)%	Mainly due to unrealized losses in the Canada Post segment recorded in other comprehensive income.
Pension benefit assets	4,081	1,450	2,631	181.5%	Mainly due to remeasurement gains in the Canada Post Registered Pension Plan (RPP) driven by an increase in discount rates offset by lower than expected asset returns and experience adjustments.
Deferred tax assets	2	572	(570)	(99.6)%	Mainly due to a net surplus in post-employment plans, compared to a net deficit in 2021. The net surplus is a result of an increase in discount rates.
Goodwill	130	130	–	–	No change.
Other assets	54	54	–	1.6%	No material change.
Total non-current assets	**9,853**	**7,738**	**2,115**	**27.4%**	
Total assets	**13,285**	**11,516**	**1,769**	**15.4%**	

(in millions of dollars)

LIABILITIES	April 2, 2022	Dec. 31, 2021	$ change	% change	Explanation
Trade and other payables	793	881	(88)	(10.0)%	Due to lower expenses and timing in the Canada Post and Purolator segments.
Salaries and benefits payable and related provisions	596	700	(104)	(14.9)%	Mainly due to lower accrued salaries in the Canada Post segment.
Provisions	56	57	(1)	(3.0)%	No material change.
Income tax payable	–	20	(20)	(100.0)%	Primarily due to a decrease in tax liability for the Purolator segment.
Deferred revenue	173	186	(13)	(6.6)%	Mainly due to reduced Parcel revenue deferrals in the Canada Post segment.
Lease liabilities	122	123	(1)	(0.7)%	No material change.
Other long-term benefit liabilities	62	62	–	0.1%	No material change.
Total current liabilities	**1,802**	**2,029**	**(227)**	**(11.2)%**	
Lease liabilities	1,426	1,391	35	2.6%	Mainly due to new leases and lease renewals in the Canada Post segment net of lease payments.
Loans and borrowings	998	998	–	0.0%	No material change.
Pension, other post-employment and other long-term benefit liabilities	3,377	3,969	(592)	(14.9)%	Mainly due to remeasurement gains resulting from an increase in discount rates on other post-employment plans.
Deferred tax liability	220	11	209	†	Mainly due to a net surplus in post-employment plans, compared to a net deficit in 2021. The net surplus is a result of an increase in discount rates.
Other liabilities	38	33	5	13.6%	No material change.
Total non-current liabilities	**6,059**	**6,402**	**(343)**	**(5.3)%**	
Total liabilities	**7,861**	**8,431**	**(570)**	**(6.7)%**	
EQUITY					
Contributed capital	1,155	1,155	–	–	No change.
Accumulated other comprehensive income	19	59	(40)	(66.9)%	Mainly due to unrealized losses on segregated securities for dental, term life and death benefit plans in the Canada Post segment.
Retained earnings	4,184	1,811	2,373	131.0%	Primarily due to remeasurement gains from significantly higher discount rates.
Equity of Canada	**5,358**	**3,025**	**2,333**	**77.1%**	
Non-controlling interests	66	60	6	9.6%	
Total equity	**5,424**	**3,085**	**2,339**	**75.8%**	
Total liabilities and equity	**13,285**	**11,516**	**1,769**	**15.4%**	

† Large percentage change.

8. Risks and Risk Management

A discussion of Canada Post's key risks and uncertainties inherent in our business and our approach to managing these risks

Management considers risks and opportunities at all levels of decision-making and has implemented a rigorous approach to enterprise risk management (ERM). Where appropriate, Canada Post has recorded provisions for some of the claims disclosed in the 2021 MD&A. Should the ultimate resolution of these actions differ from management's assessments and assumptions, this could result in a material future adjustment to the Corporation's financial position and results of operations.

As disclosed in the 2021 MD&A, uncertainties related to COVID-19 and the impact on our business and the economy remain. There were no developments in our emerging or principal risks in the first quarter of 2022, except as noted below.

Climate change and environmentally sustainable practices

The Sixth Assessment Report issued by the United Nations Intergovernmental Panel on Climate Change (IPCC) in February 2022 confirmed that the impacts of climate change are larger than previous estimates. Canada Post has a considerable environmental impact due to its size and its role in serving this vast northern country. After the release of this report we began re-evaluating risks from climate change and our climate strategy. We will continue to introduce control measures identified in the study, embed climate risk assessments and mitigation strategies into business and decision-making processes throughout the organization, and integrate regular climate risk assessments into the corporate enterprise risk management (ERM) process.

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

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

9.1 Critical accounting estimates

The preparation of the Corporation's consolidated financial statements requires management to make complex or subjective judgments, estimates and assumptions based on existing knowledge that affect reported amounts and disclosures in the consolidated financial statements and accompanying notes. Actual results may differ from the 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 considerable change in reported amounts and disclosures in the consolidated financial statements of future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects current and future periods. Our significant estimates and judgments are described below.

The Group of Companies' critical accounting estimates remain substantially unchanged from the prior year. For additional information, refer to our discussion of critical accounting estimates in the 2021 Annual MD&A and Note 4 Critical Accounting Estimates and Judgments of the 2021 consolidated financial statements in addition to Note 2 Basis of Presentation in this first quarter financial report.

9.2 Adoption of new accounting standards

The following amendments issued by the International Accounting Standards Board (IASB) that required mandatory adoption by the Group of Companies January 1, 2022, resulted in no changes in the Corporation's interim financial statements:

Amendment	Effective for annual periods beginning on or after
Amendments to IFRS 3 "Business Combinations – Reference to the Conceptual Framework"	January 1, 2022
Amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"	
Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"	
Amendments to IFRS 16 "Leases – Lease Incentives"	

9.3 Accounting policy developments

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

Endnotes

1. Percentage changes for revenue, volume and cost of operations in this report are adjusted for differences in business and paid days in the first quarter of 2022, compared to the same period in 2021. Fewer business and paid days result in decreased revenue and volume, and decreased cost of operations, respectively, while the opposite is true for additional days. These days varied by company, as follows:
    - Canada Post Group of Companies consolidated results, Canada Post and Purolator segments – no difference in business days and one less paid day compared to Q1 2021.
    - SCI segment – no difference in business or paid days compared to Q1 2021.

Management's Responsibility for Interim Financial Reporting

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

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

President and Chief Executive Officer

Chief Financial Officer

May 26, 2022

Interim Condensed Consolidated Statement of Financial Position

(Unaudited – in millions of Canadian dollars)

	As at April 2, 2022	As at December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	**1,066**	1,331
Marketable securities	**1,260**	1,279
Trade, other receivables and contract assets	**895**	968
Other assets (Note 4)	**211**	200
Total current assets	**3,432**	3,778
Non-current assets		
Marketable securities	**85**	82
Property, plant and equipment (Note 5)	**3,531**	3,473
Intangible assets (Note 5)	**172**	169
Right-of-use assets (Note 5)	**1,360**	1,326
Segregated securities	**438**	482
Pension benefit assets (Note 6)	**4,081**	1,450
Deferred tax assets	**2**	572
Goodwill	**130**	130
Other assets (Note 4)	**54**	54
Total non-current assets	**9,853**	7,738
Total assets	**13,285**	11,516
Liabilities and equity		
Current liabilities		
Trade and other payables	**793**	881
Salaries and benefits payable and related provisions	**596**	700
Provisions	**56**	57
Income tax payable	**–**	20
Deferred revenue	**173**	186
Lease liabilities (Note 7)	**122**	123
Other long-term benefit liabilities (Note 6)	**62**	62
Total current liabilities	**1,802**	2,029
Non-current liabilities		
Lease liabilities (Note 7)	**1,426**	1,391
Loans and borrowings	**998**	998
Pension, other post-employment and other long-term benefit liabilities (Note 6)	**3,377**	3,969
Deferred tax liabilities	**220**	11
Other liabilities	**38**	33
Total non-current liabilities	**6,059**	6,402
Total liabilities	**7,861**	8,431
Equity		
Contributed capital	**1,155**	1,155
Accumulated other comprehensive income (Note 12)	**19**	59
Accumulated surplus	**4,184**	1,811
Equity of Canada	**5,358**	3,025
Non-controlling interests	**66**	60
Total equity	**5,424**	3,085
Total liabilities and equity	**13,285**	11,516

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

Interim Condensed Consolidated Statement of Comprehensive Income

(Unaudited – in millions of Canadian dollars)

	For the 13 weeks ended April 2, 2022	For the 13 weeks ended April 3, 2021
Revenue from operations (Note 9)	**2,502**	2,620
Cost of operations		
Labour	**1,230**	1,261
Employee benefits	**402**	486
	1,632	1,747
Other operating costs (Note 10)	**837**	769
Depreciation and amortization (Note 5)	**113**	109
Total cost of operations	**2,582**	2,625
Loss from operations	**(80)**	(5)
Investing and financing income (expense)		
Investment and other income (Note 11)	**5**	13
Finance costs and other expense (Note 11)	**(25)**	(27)
Investing and financing expense, net	**(20)**	(14)
Loss before tax	**(100)**	(19)
Tax recovery	**(23)**	(4)
Net loss	**(77)**	(15)
Other comprehensive income (Note 12)		
Items that may subsequently be reclassified to net profit (loss)		
Change in unrealized fair value of financial assets	**(40)**	(35)
Foreign currency translation adjustment	**–**	(2)
Item never reclassified to net profit (loss)		
Remeasurements of defined benefit plans	**2,456**	3,015
Other comprehensive income	**2,416**	2,978
Comprehensive income	**2,339**	2,963
Net profit (loss) attributable to		
Government of Canada	**(78)**	(18)
Non-controlling interests	**1**	3
	(77)	(15)
Comprehensive income attributable to		
Government of Canada	**2,333**	2,954
Non-controlling interests	**6**	9
	2,339	2,963

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 April 2, 2022	Contributed capital	Accumulated other comprehensive income	Accumulated surplus	Equity of Canada	Non-controlling interests	Total equity
Balance at December 31, 2021	**1,155**	**59**	**1,811**	**3,025**	**60**	**3,085**
Net profit (loss)	**–**	**–**	**(78)**	**(78)**	**1**	**(77)**
Other comprehensive income (loss) (Note 12)	**–**	**(40)**	**2,451**	**2,411**	**5**	**2,416**
Comprehensive income (loss)	**–**	**(40)**	**2,373**	**2,333**	**6**	**2,339**
Balance at April 2, 2022	**1,155**	**19**	**4,184**	**5,358**	**66**	**5,424**

For the 13 weeks ended April 3, 2021	Contributed capital	Accumulated other comprehensive income	Accumulated surplus (accumulated deficit)	Equity of Canada	Non-controlling interests	Total equity
Balance at December 31, 2020	1,155	92	(2,166)	(919)	41	(878)
Net profit (loss)	–	–	(18)	(18)	3	(15)
Other comprehensive income (loss) (Note 12)	–	(37)	3,009	2,972	6	2,978
Comprehensive income (loss)	–	(37)	2,991	2,954	9	2,963
Balance at April 3, 2021	1,155	55	825	2,035	50	2,085

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 April 2, 2022	For the 13 weeks ended April 3, 2021
Cash flows from operating activities		
Net loss	**(77)**	(15)
Adjustments to reconcile net profit to cash provided by operating activities:		
Depreciation and amortization (Note 5)	**113**	109
Pension, other post-employment and other long-term benefit expense (Note 6)	**208**	288
Pension, other post-employment and other long-term benefit payments (Note 6)	**(156)**	(154)
Gain on sale of capital assets (Note 11)	**–**	(8)
Tax recovery	**(23)**	(4)
Net interest expense (Note 11)	**15**	16
Change in non-cash operating working capital:		
Decrease in trade and other receivables	**74**	89
Decrease in trade and other payables	**(78)**	(185)
Decrease in salaries and benefits payable and related provisions	**(104)**	(73)
Decrease in provisions	**(2)**	(2)
Net increase in other non-cash operating working capital	**(17)**	(46)
Other income not affecting cash, net	**6**	(3)
Cash (used in) provided by operations before interest and tax	**(41)**	12
Interest received	**5**	7
Interest paid	**(31)**	(31)
Tax paid	**(42)**	(25)
Cash used in by operating activities	**(109)**	(37)
Cash flows from investing activities		
Acquisition of securities	**(270)**	(366)
Proceeds from sale of securities	**282**	261
Acquisition of capital assets	**(136)**	(143)
Proceeds from sale of capital assets	**–**	10
Cash used in investing activities	**(124)**	(238)
Cash flows from financing activities		
Repayments of lease liabilities, net of sublease proceeds	**(32)**	(29)
Other financing activities, net	**–**	1
Cash used in financing activities	**(32)**	(28)
Net decrease in cash and cash equivalents	**(265)**	(303)
Cash and cash equivalents, beginning of period	**1,331**	1,465
Effect of exchange rate changes on cash and cash equivalents	**–**	(1)
Cash and cash equivalents, end of period	**1,066**	1,161

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

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the 13 weeks ended April 2, 2022

1. Incorporation, Business Activities and Directives

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

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

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

2. Basis of Presentation

Statement of compliance • The Corporation has prepared its unaudited interim condensed consolidated financial statements (interim financial statements) in compliance with IAS 34 "Interim Financial Reporting." As permitted under this standard, these interim financial statements do not include all of the disclosures required for annual consolidated financial statements, and they should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2021. These interim financial statements have been prepared based on International Financial Reporting Standards (IFRSs) issued and effective as at the reporting date. They were approved and authorized for issue by the Board of Directors May 26, 2022.

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

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

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

Significant accounting policies • Significant accounting policies used in these interim financial statements are disclosed in Note 3 of the Corporation's annual consolidated financial statements for the year ended December 31, 2021. The accounting policies have been applied consistently to all periods presented, unless otherwise indicated.

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

Critical accounting judgments and key sources of estimation uncertainty • The preparation of the Corporation's interim financial statements requires management to make complex or subjective judgments, estimates and assumptions based on existing knowledge that affect reported amounts and disclosures in the interim financial statements and accompanying notes. Actual results may differ from the judgments, estimates and assumptions. It is reasonably possible that management's reassessments of these and other estimates and assumptions in the near term, as well as actual results, could require a material change in reported amounts and disclosures in the consolidated financial statements of future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if revisions affect only that period, or in the period of revision and future periods if revisions affect both current and future periods. Critical judgments and key sources of estimation uncertainty are disclosed in Note 4 of the Corporation's annual consolidated financial statements for the year ended December 31, 2021. There are no significant changes to these judgments or sources of estimation uncertainty in the 13 weeks ending April 2, 2022.

3. Application of New and Revised International Financial Reporting Standards

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

The following amendments issued by the International Accounting Standards Board (IASB) that required mandatory adoption by the Group of Companies on or after January 1, 2022, resulted in no changes in the Corporation's interim financial statements:

Standard	Subject matter and significance
IFRS 3 "Business Combinations – Reference to the Conceptual Framework"	Amendments replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting, issued in March 2018, without significant changes in requirements. The IASB has included an exception to the recognition principle of IFRS 3 to avoid the possible issue of "day 2" gains or losses arising for liabilities and contingent liabilities within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or IFRIC 21 "Levies" if incurred separately. The IASB also clarified the existing guidance in IFRS 3 for contingent assets, stating that contingent assets do not qualify for recognition at the acquisition date.
IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"	Amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced, while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The meaning of "testing whether an asset is functioning properly" and disclosure requirements were also clarified.
IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"	Amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts.
IFRS 16 "Leases – Lease Incentives"	Amendments remove the illustration of the reimbursement of leasehold improvements by the lessor to resolve any potential confusion regarding the treatment of lease incentives.

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

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

4. Other Assets

(in millions)

	As at April 2, 2022	As at December 31, 2021
Income tax receivable	**83**	66
Prepaid expenses	**136**	141
Assets held for sale	**1**	1
Other receivables	**45**	46
Total other assets	**265**	254
Current other assets	**211**	200
Non-current other assets	**54**	54

As at April 2, 2022, all properties classified as held for sale were from the Canada Post segment. It is anticipated that the carrying amount of the properties will be fully recovered through the sale proceeds.

5. Capital Assets

(a) Property, plant and equipment

(in millions)

	Land	Buildings	Leasehold improvements	Plant equipment	Vehicles	Sales counters, office furniture and equipment	Other equipment	Assets under development	Total
Cost									
December 31, 2021	457	2,339	377	1,215	749	346	1,155	549	7,187
Additions	25	6	2	3	8	3	17	61	125
Reclassified as held for sale	–	(2)	–	–	–	–	–	–	(2)
Retirements	–	–	(1)	(25)	–	(29)	(4)	–	(59)
Transfers	–	1	1	1	–	–	3	(6)	–
April 2, 2022	**482**	**2,344**	**379**	**1,194**	**757**	**320**	**1,171**	**604**	**7,251**
Accumulated depreciation									
December 31, 2021	–	1,303	277	854	447	280	553	–	3,714
Depreciation	–	15	4	17	13	4	13	–	66
Reclassified as held for sale	–	(1)	–	–	–	–	–	–	(1)
Retirements	–	–	(1)	(25)	–	(29)	(4)	–	(59)
April 2, 2022	**–**	**1,317**	**280**	**846**	**460**	**255**	**562**	**–**	**3,720**
Carrying amounts									
December 31, 2021	457	1,036	100	361	302	66	602	549	3,473
April 2, 2022	**482**	**1,027**	**99**	**348**	**297**	**65**	**609**	**604**	**3,531**

(b) Intangible assets

(in millions)

	Software	Software under development	Customer contracts and relationships	Total
Cost				
December 31, 2021	960	38	22	1,020
Additions	1	16	–	17
Transfers	3	(3)	–	–
April 2, 2022	**964**	**51**	**22**	**1,037**
Accumulated amortization				
December 31, 2021	829	–	22	851
Amortization	14	–	–	14
April 2, 2022	**843**	**–**	**22**	**865**
Carrying amounts				
December 31, 2021	131	38	–	169
April 2, 2022	**121**	**51**	**–**	**172**

(c) Right-of-use assets

(in millions)

	Land	Buildings – gross	Buildings – net	Vehicles	Plant equipment	Total
Carrying amounts						
December 31, 2021	116	307	888	13	2	1,326
Additions	–	21	47	–	–	68
Depreciation	(1)	(7)	(24)	(1)	–	(33)
Terminations	–	–	(1)	–	–	(1)
April 2, 2022	**115**	**321**	**910**	**12**	**2**	**1,360**

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

(a) Net defined benefit liability

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

(in millions)

	As at April 2, 2022	As at December 31, 2021
Pension benefit assets	**4,081**	1,450
Pension benefit liabilities	5	6
Other post-employment and other long-term benefit liabilities	3,434	4,025
Total pension, other post-employment and other long-term benefit liabilities	3,439	4,031
Current other long-term benefit liabilities	**62**	62
Non-current pension, other post-employment and other long-term benefit liabilities	**3,377**	3,969

(b) Defined benefit and defined contribution costs

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

(in millions)

	For the 13 weeks ended April 2, 2022			For the 13 weeks ended April 3, 2021		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	161	30	191	201	34	235
Interest cost	227	29	256	232	31	263
Interest income on plan assets	(239)	–	(239)	(210)	–	(210)
Other administration costs	4	–	4	4	–	4
Actuarial gains[1]	–	(14)	(14)	–	(12)	(12)
Defined benefit expense	153	45	198	227	53	280
Defined contribution expense	10	–	10	8	–	8
Total expense	163	45	208	235	53	288
Return on segregated securities	–	(4)	(4)	–	(4)	(4)
Component included in employee benefits expense	**163**	**41**	**204**	**235**	**49**	**284**
Remeasurement (gains) losses:						
Return on plan assets, excluding interest income on plan assets	1,807	–	1,807	390	–	390
Actuarial (gains) losses	(4,484)	(598)	(5,082)	(3,878)	(535)	(4,413)
Component included in other comprehensive income[2,3]	**(2,677)**	**(598)**	**(3,275)**	**(3,488)**	**(535)**	**(4,023)**

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 April 2, 2022, was 4.05% (December 31, 2021 – 2.86%).
2. Amounts presented in this table exclude an income tax expense of $819 million for the 13 weeks ended April 2, 2022 (April 3, 2021 – $1,008 million).
3. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at April 2, 2022, were 4.30% and 4.33% compared to 3.22% and 3.26%, respectively, at December 31, 2021, and 3.41% and 3.53%, respectively, at April 3, 2021, compared to 2.67% and 2.74%, respectively, at December 31, 2020.

(c) Total cash payments and funding relief

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

(in millions)

	For the 13 weeks ended April 2, 2022	For the 13 weeks ended April 3, 2021
Benefits paid directly to beneficiaries for other benefit plans	38	42
Employer regular contributions to pension benefit plans	93	91
Employer special contributions to pension benefit plans	15	13
Cash payments for defined benefit plans	146	146
Contributions to defined contribution plans	10	8
Total cash payments	**156**	**154**

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

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

7. Lease Liabilities

(a) Lease liabilities

(in millions)

	As at April 2, 2022	As at December 31, 2021
Maturity analysis – contractual undiscounted cash flows[1,2]		
Less than one year	161	159
One to five years	567	567
More than five years	1,251	1,240
Total undiscounted lease liabilities	**1,979**	1,966
Lease liabilities in the consolidated statement of financial position	**1,548**	1,514
Current lease liabilities	**122**	123
Non-current lease liabilities	**1,426**	1,391

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

(b) Changes in liabilities arising from financing activities

(in millions)

	December 31, 2021	Payments	Interest	Net lease additions	**April 2, 2022**
Lease liabilities	1,514	(43)	10	67	**1,548**

8. Fair Values and Risk Arising from Financial Instruments

Fair values of financial instruments

The fair values of cash and cash equivalents, marketable securities, segregated securities, trade and other receivables (including derivatives), trade and other payables (including derivatives) and salaries and benefits payable and related provisions are a reasonable approximation of their carrying values as presented on the statement of financial position. Also, these financial instruments are categorized as level 2 in the fair value hierarchy and are applied on a recurring basis. There were no transfers between levels of the fair value hierarchy during the period ended April 2, 2022.

Financial risk factors

The Group of Companies' financial instruments are exposed to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and commodity risk), credit risk and liquidity risk. Unless noted below, these financial risks have not changed significantly since the end of the last reporting period.

(a) Market risk

Foreign exchange risk • Exposure to foreign exchange risk primarily applies to the Canada Post segment where it arises mainly from international settlements with foreign postal administrations and from the redemption of money orders denominated in foreign currencies. The Corporation's obligation to settle with foreign postal administrations is denominated in special drawing rights

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

The Canada Post segment has an economic hedge program to mitigate its exposure to foreign exchange balances and forecasted sales denominated in SDRs. The mark-to-market adjustment on outstanding forward contracts held at April 2, 2022, was not significant.

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

(in millions)

	For the 13 weeks ended April 2, 2022			For the 13 weeks ended April 3, 2021		
	Foreign exchange losses	**Derivative gains**	**Total**	Foreign exchange losses	Derivative gains	Total
Unrealized	(5)	5	–	(4)	5	1
Realized	(1)	–	(1)	(2)	2	–
Total	**(6)**	**5**	(1)	**(6)**	**7**	**1**

(b) Liquidity risk

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they fall due. The Group of Companies manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve-borrowing facilities, by monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus cash is invested into a range of short-term money market securities. The Group of Companies invests in what management believes are high credit quality government or corporate securities, in accordance with policies approved by the Board of Directors.

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

9. Disaggregation of Revenue

(a) Geographic area revenue

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

(in millions)

	For the 13 weeks ended April 2, 2022	For the 13 weeks ended April 3, 2021
Canada	2,394	2,477
United States	69	85
Rest of the world	39	58
Total revenue	**2,502**	2,620

(b) Products and services revenue

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

(in millions)

	For the 13 weeks ended April 2, 2022			For the 13 weeks ended April 3, 2021		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Revenue attributed to products and services						
Parcels	1,556	(45)	1,511	1,643	(45)	1,598
Transaction Mail	526	–	526	541	–	541
Direct Marketing	234	–	234	216	–	216
Other revenue	128	(74)	54	138	(75)	63
	2,444	(119)	2,325	2,538	(120)	2,418
Unattributed revenue						
Stamp postage	73	–	73	91	–	91
Meter postage	104	–	104	111	–	111
	177	–	177	202	–	202
Total	**2,621**	**(119)**	**2,502**	**2,740**	**(120)**	**2,620**

(c) Sales channel revenue

Sales channel revenue is reported for domestic revenue from commercial customers and for domestic retail from sales to consumers. International revenue includes revenue from the United States and the rest of the world as defined in Note 9 (a).

(in millions)

	For the 13 weeks ended April 2, 2022			For the 13 weeks ended April 3, 2021		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic						
Commercial	1,781	(45)	1,736	1,771	(45)	1,726
Retail	658	–	658	750	–	750
	2,439	(45)	2,394	2,521	(45)	2,476
International	108	–	108	143	–	143
Other	74	(74)	–	76	(75)	1
Total	**2,621**	**(119)**	**2,502**	**2,740**	**(120)**	**2,620**

10. Other Operating Costs

(in millions)

	For the 13 weeks ended April 2, 2022	For the 13 weeks ended April 3, 2021
Non-labour collection, processing and delivery	550	532
Property, facilities and maintenance	94	86
Selling, administrative and other	193	151
Other operating costs	**837**	769

11. Investing and Financing Income (Expense)

(in millions)

	For the 13 weeks ended April 2, 2022	For the 13 weeks ended April 3, 2021
Interest income	5	5
Gain on sale of capital assets and assets held for sale	–	8
Investment and other income	**5**	13
Interest expense	(20)	(21)
Other expense	(5)	(6)
Finance costs and other expense	**(25)**	(27)
Investing and financing expense, net	**(20)**	(14)

12. Other Comprehensive Income

(in millions)

	Items that may subsequently be reclassified to net profit (loss)			Item never reclassified to net profit (loss)	
	Change in unrealized fair value of financial assets	Cumulative foreign currency translation adjustment	Accumulated other comprehensive income	Remeasurements of defined benefit plans	Other comprehensive income (loss)
Accumulated balance as at December 31, 2021	56	3	59		
Gains (losses) arising	(52)	–	(52)	3,275	3,223
Income taxes	12	–	12	(819)	(807)
Net	**(40)**	**–**	**(40)**	**2,456**	**2,416**
Accumulated balance as at April 2, 2022	**16**	**3**	**19**		

13. Related Party Transactions

The Corporation is wholly owned by the Government of Canada and is under common control with other government agencies and departments, and Crown corporations. The Group of Companies had the following transactions with related parties in addition to those disclosed elsewhere in these interim financial statements:

(a) Government of Canada, its agencies and other Crown corporations

(in millions)

	For the 13 weeks ended April 2, 2022	For the 13 weeks ended April 3, 2021
Related party revenue	**68**	78
Compensation payments for programs		
Government mail and mailing of materials for persons who are blind	**6**	6
Payments from related parties for premises leased from the Corporation	**2**	2
Related party expenditures	**6**	6

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 April 2, 2022	As at December 31, 2021
Due to/from related parties		
Included in trade and other receivables	**27**	21
Included in trade and other payables	**18**	9
Deferred revenue from related parties	**2**	5

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

In the normal course of business, the Group of Companies may interact with companies whose financial and operating policies are solely or jointly governed by key management personnel (KMP) of the Group of Companies. The affected KMP are required to recuse themselves from all discussions and decisions relating to transactions between the companies. The only significant transactions for the 13 weeks ended April 2, 2022, were between Purolator and a company controlled by one of the Group of Companies' KMP, who is a director and also a minority shareholder of Purolator. This company provided air services to Purolator in the amount of $4 million (April 3, 2021 – $3 million). These transactions had been made at prices and terms comparable to those given to other suppliers of Purolator.

(c) Transactions with the Corporation's pension plans

During the 13 weeks ended April 2, 2022, the Corporation provided administration services to the Canada Post Corporation Registered Pension Plan in the amount of $3 million (April 3, 2021 – $3 million). As at April 2, 2022, $3 million (December 31, 2021 – $4 million) relating to transactions with the Registered Pension Plan is outstanding and included in trade and other receivables. Cash payments, including contributions to the defined benefit plans and defined contribution plans for the Group of Companies, are disclosed in Note 6 (c).

14. Segmented Information

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

As at and for the 13 weeks ended April 2, 2022

(in millions)

	Canada Post	Purolator	SCI	Other	Total
Revenue from external customers	1,810	630	62	–	2,502
Intersegment revenue	25	8	12	(45)	–
Revenue from operations	1,835	638	74	(45)	2,502
Labour and employee benefits	1,273	298	34	27	1,632
Other operating costs	595	287	28	(73)	837
Depreciation and amortization	81	22	9	1	113
Cost of operations	1,949	607	71	(45)	2,582
Profit (loss) from operations	(114)	31	3	–	(80)
Investment and other income	4	1	–	–	5
Finance costs and other expense	(19)	(4)	(1)	(1)	(25)
Profit (loss) before tax	(129)	28	2	(1)	(100)
Tax expense (recovery)	(32)	9	1	(1)	(23)
Net profit (loss)	(97)	19	1	–	(77)
Total assets	11,415	1,883	298	(311)	13,285
Total liabilities	6,910	808	160	(17)	7,861

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

(in millions)

	Canada Post	Purolator	SCI	Other	Total
Revenue from external customers	1,929	616	75	–	2,620
Intersegment revenue	26	10	9	(45)	–
Revenue from operations	1,955	626	84	(45)	2,620
Labour and employee benefits	1,392	284	42	29	1,747
Other operating costs	556	263	25	(75)	769
Depreciation and amortization	78	21	10	–	109
Cost of operations	2,026	568	77	(46)	2,625
Profit (loss) from operations	(71)	58	7	1	(5)
Investment and other income	13	–	–	–	13
Finance costs and other expense	(19)	(7)	(1)	–	(27)
Profit (loss) before tax	(77)	51	6	1	(19)
Tax expense (recovery)	(19)	14	1	–	(4)
Net profit (loss)	(58)	37	5	1	(15)
Total assets	8,583	1,598	281	(311)	10,151
Total liabilities	7,171	748	161	(14)	8,066

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For more information, visit our website at **canadapost.ca.**

Ce rapport est aussi publié en français.