2019

CANADA POST CORPORATION

Third Quarter Financial Report

For the period ended September 28, 2019

CANADA POST
POSTES CANADA

Contents

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) provides a discussion of the consolidated financial results and operational changes for the 13-week period (third quarter or Q3) and 39-week period (first three quarters or year to date) ended September 28, 2019, for Canada Post Corporation (Corporation or Canada Post) and its subsidiaries – Purolator Holdings Ltd. (Purolator), SCI Group Inc. (SCI or Logistics) and Innovapost Inc. (Innovapost). These companies are collectively referred to as the Canada Post Group of Companies or the Group of Companies. Segments are based on the legal entities, Canada Post, Purolator, SCI and Innovapost.

Financial results reported in the MD&A were prepared using International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). As required by IFRS, we adopted IFRS 16 "Leases" effective January 1, 2019, and chose to follow the full retrospective approach. This represents a significant accounting policy change that required a restatement of previously published results for the comparative period. Amounts are presented in Canadian dollars rounded to the nearest million, while related percentages are based on numbers rounded to the nearest thousand. The information in this MD&A is current to November 21, 2019, unless otherwise noted.

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

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

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Caution regarding forward-looking statements

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

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

Readers are urged to consider these factors carefully when evaluating these forward-looking statements. In light of these assumptions and risks, the events predicted in these forward-looking statements may not occur. The Group of Companies cannot assure that projected results or events will be achieved. Accordingly, readers are cautioned not to place undue reliance on the forward-looking statements.

The forward-looking statements included in the interim financial statements and MD&A are made as of November 21, 2019, and the Corporation does not undertake to publicly update these statements to reflect new information, future events or changes in circumstances or for any other reason after this date.

1 Executive Summary

An overview of the Canada Post Group of Companies and a summary of financial performance

The Group of Companies is one of Canada's largest employers providing jobs to over 67,000 people. Canada Post, the largest segment with revenue of $4.8 billion for the year to date (75.6% after excluding intersegment revenue), is a federal Crown corporation, reporting to Parliament through the Minister of Public Services and Procurement and Accessibility. Pursuant to the *Canada Post Corporation Act*, Canada Post has a mandate to provide a standard of postal service that meets the needs of Canadians in a secure and financially self-sustaining manner. Canada Post operates the largest retail network in Canada with over 6,100 retail post offices in the country.

1.1 Significant changes and business developments

Canada Post segment

There were no significant changes to our strategy during the third quarter of 2019. We remain focused on growing our Parcels line of business by supporting Canadians' changing postal needs and ensuring we meet our service commitments. However, while there was continued growth in Parcels of $22 million in the third quarter of 2019, this growth did not offset declines in revenue from our core Lettermail™ and Direct Marketing lines of business of $49 million and $14 million, respectively.

Labour matters

Labour negotiations

Arbitration to replace expired collective agreements with the Canadian Union of Postal Workers – Urban Postal Operations (CUPW-UPO) and Rural and Suburban Mail Carriers (CUPW-RSMC) was ongoing in the third quarter of 2019. There is continued financial impact from our 2018 labour disruption and the related ongoing uncertainty, causing some customers to diversify, using a variety of carriers.

Health and safety

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

1.2 Financial highlights

Segment results for the third quarter and the year to date

	Third quarter ended				Year to date ended			
(in millions of dollars)	Sept. 28, 2019	Sept. 29, 2018[1]	Change	%	Sept. 28, 2019	Sept. 29, 2018[1]	Change	%
Profit (loss) before tax								
Canada Post Group of Companies	**(87)**	**(49)**	**(38)**	**(79.6)**	**(37)**	**(146)**	**109**	**74.5**
Canada Post	(135)	(95)	(40)	(41.0)	(162)	(270)	108	40.0
Purolator	41	41	–	(2.4)	105	107	(2)	(2.0)
Logistics	5	6	(1)	–	14	16	(2)	(8.8)
Other	2	(1)	3	*	6	1	5	220.6

* The calculation is not mathematically meaningful.

The Canada Post Group of Companies lost $87 million before tax, which was $38 million worse than the same period in 2018, resulting from a loss before tax of $135 million in the Canada Post segment that was partly offset by Purolator's profit before tax of $41 million. For the year to date, the Group of Companies reported a loss before tax of $37 million in 2019, an improvement of $109 million compared to 2018. Similar to the results for the quarter, the year-to-date loss is attributable to a loss in the Canada Post segment, which was offset in large part by profit in the Purolator sector.

The 2018 labour disruption continued to affect the Canada Post segment's revenue, which was lower in the third quarter and the year to date compared to the same periods in 2018, as some customers are using other carriers to meet their shipping needs. For the third quarter and the year to date, the impact of Canada Post's lower revenue was lessened by lower labour and employee benefits costs compared to the same periods in 2018, which included one-time costs resulting from the CUPW-RSMC pay equity ruling.

Canada Post segment

Canada Post segment revenue	Third quarter ended				Year to date ended			
(in millions of dollars)	Sept. 28, 2019	Sept. 29, 2018	Change	%	Sept. 28, 2019	Sept. 29, 2018	Change	%[2]
Transaction Mail	597	646	(49)	(7.5)	2,019	2,115	(96)	(4.0)
Parcels	619	597	22	3.9	1,870	1,797	73	4.7
Direct Marketing	247	261	(14)	(5.4)	775	817	(42)	(4.6)
Other	54	57	(3)	(7.5)	169	175	(6)	(3.7)
Total	**1,517**	**1,561**	**(44)**	**(2.8)**	**4,833**	**4,904**	**(71)**	**(0.9)**

Revenue in the Canada Post segment in the third quarter of 2019 was $44 million lower than the same quarter in the prior year as Transaction Mail and Direct Marketing continued to decline. Growth of 3.9% in Parcels partly offset those declines. Similar trends for the year to date resulted in revenue declining by $71 million compared to 2018.

Transaction Mail revenue was $49 million and $96 million lower in the third quarter and year to date, respectively, than in 2018, partly the result of provincial and municipal elections that contributed to higher revenue and volumes in the first three quarters of 2018. Offsetting the declines in year-to-date 2019 revenue was a regulated rate increase early in the first quarter for Domestic Lettermail items, International Letter-post items, and special services and fees.

Parcels revenue grew $22 million in the third quarter and $73 million in the year to date of 2019. This growth has underperformed compared to 2018 and is not keeping pace with general e-commerce trends in this highly competitive Canadian e-commerce delivery market. Customers now have a choice of a variety of carriers offering competitive services. This decline in growth rates can be traced back to the 2018 labour disruption, which caused some customers to resort to alternative delivery service providers, as well as a softer economy in Q1 and Q2 2019.

Direct Marketing revenue declined by $14 million and $42 million, respectively, in the third quarter and the year to date of 2019, compared to the prior year. Revenue performance has been softer for certain customer segments since the 2018 labour disruption.

The cost of operations in the Canada Post segment decreased by $13 million in the third quarter of 2019 compared to Q3 2018. Year-to-date decreases over the prior year were $174 million. Higher one-time labour and employee benefit costs in 2018 resulting from the CUPW-RSMC pay equity ruling were partially offset by increased collection, processing and delivery costs attributed to Parcels growth in 2019.

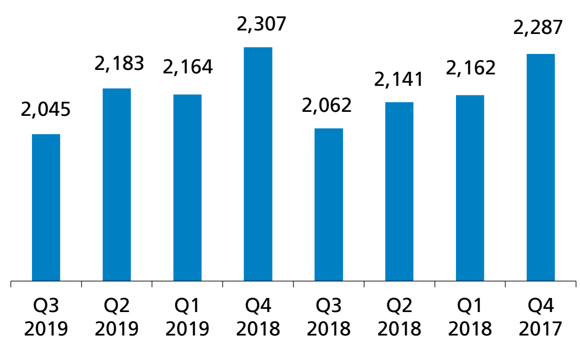
Special solvency payments related to the substantial obligations of the Canada Post Corporation Registered Pension Plan will be required beginning in the first quarter of 2020. Securing temporary relief from making these payments is the Corporation's preferred short-term solution, and Canada Post is working with its shareholder, the Government of Canada, to explore short-term options. Defined benefit plan members, as well as Communications and Consultation Group representatives and Pension Advisory Council members, have also been asked to provide their input regarding short-term options. The solvency deficit (using market value of plan assets) was estimated at $6.7 billion at the end of the third quarter and continues to be affected by low discount rates, partially offset by positive investment returns. Remeasurement gains due to positive investment returns partially offset by low discount rates were recorded in other comprehensive income for the Group of Companies' defined benefit plans of $63 million, net of tax, compared to remeasurement gains of $625 million in the third quarter of 2018. Year-to date remeasurement losses of $1,714 million, net of tax, were recorded due to lower discount rates, partially offset by positive investment returns, compared to remeasurement gains of $1,393 million in 2018. Discount rates continue to be at a historical low level compared to rates experienced over the lives of the plans.

Group of Companies

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

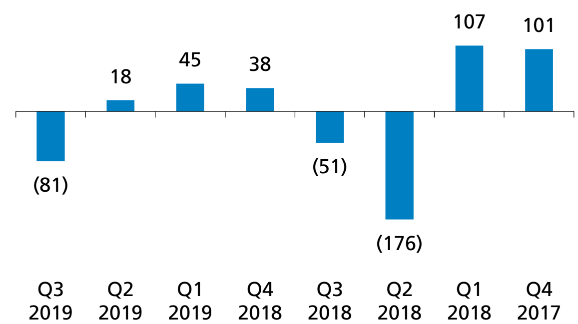
Quarterly consolidated revenue from operations[1]

(in millions of dollars)



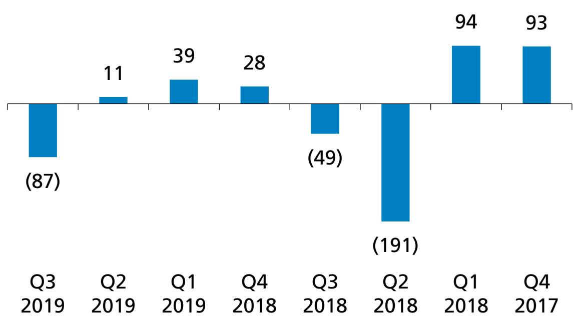
Quarterly consolidated profit (loss) from operations[1]

(in millions of dollars)



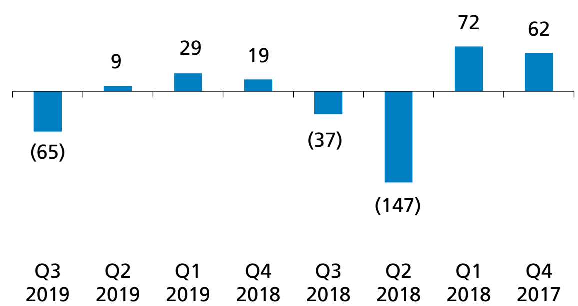
Quarterly consolidated profit (loss) before tax[1]

(in millions of dollars)



Quarterly consolidated net profit (loss)[1]

(in millions of dollars)



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

(in millions of dollars)	**Third quarter ended**				**Year to date ended**				
	Sept. 28, 2019	Sept. 29, 2018[1]	Change	%	Sept. 28, 2019	Sept. 29, 2018[1]	Change	%	Explanation of change
Consolidated statement of comprehensive income									Highlights, as discussed in Section 5 Discussion of Operations.
Revenue from operations	2,045	2,062	(17)	(0.8)	6,392	6,365	27	1.0[2]	Growth in the Purolator and Logistics segments, and Parcels growth in the Canada Post segment, offset by declines due to continued erosion from Transaction Mail and Direct Marketing in the Canada Post segment.
Cost of operations	2,126	2,113	13	0.6	6,410	6,485	(75)	(0.6)[2]	Higher expenses in the Purolator and Logistics segments due to volume growth, mostly offset by one-time costs in the Canada Post segment recorded in 2018 for the CUPW-RSMC pay equity ruling.
Loss from operations	(81)	(51)	(30)	(58.8)	(18)	(120)	102	85.2	Mainly due to results in the Canada Post segment.
Loss before tax	(87)	(49)	(38)	(79.6)	(37)	(146)	109	74.5	
Net loss	(65)	(37)	(28)	(74.1)	(27)	(112)	85	75.7	
Comprehensive income (loss)	2	575	(573)	(99.5)	(1,711)	1,265	(2,976)	*	In Q3, mainly due to remeasurement gains on pension and other post-employment plans from positive investment returns partially offset by a decrease in discount rates. For the year to date, mainly due to remeasurement losses on pension and other post-employment plans resulting from a decrease in discount rates, partially offset by positive investment returns.
Consolidated statement of cash flows									Highlights, as discussed in Section 6 Liquidity and Capital Resources.
Cash provided by operating activities	217	340	(123)	(35.9)	233	774	(541)	(69.8)	Primarily driven by changes in non-cash working capital, partially offset by lower income taxes paid.
Cash provided by (used in) investing activities	54	(177)	231	*	(101)	(684)	583	85.1	Mainly due to increased proceeds from sales of securities in the Canada Post segment, partially offset by higher acquisitions of capital assets in the Canada Post and Purolator segments.
Cash used in financing activities	(26)	(26)	–	0.3	(81)	(78)	(3)	(4.4)	No material change

* The calculation is not mathematically meaningful.

2 Core Businesses and Strategy

A discussion of Canada Post's business and strategy

During the third quarter of 2019, we continued to focus on reviewing our risks and adjusting our strategy. On August 30, Canada Post and its four bargaining agents released a statement acknowledging a shared interest and joint responsibility to reduce Canada Post's environmental impact as it fulfills its mandate to serve all Canadians. The statement sets out six guiding principles as well as a Q1 2020 objective to jointly publish ambitious environmental targets for 2020-30 and an accompanying 2020-22 action plan. Initial actions will focus on the Corporation's top environmental impacts, which include greenhouse gas emissions, waste and single-use disposable plastics.

As of September 2019, several actions have been taken to enhance and promote the delivery accommodation program, such as revising the accommodation request forms and letters so that they are easier to understand, reviewing and streamlining the process for program eligibility and launching a webpage to increase awareness, visibility and improve customer access to the program. In the coming year, Canada Post will continue to work with the Advisory Panel to enhance outreach and communications around the Program, and ensure that relevant documents are available on multiple platforms.

3 Key Performance Drivers

A discussion of our key achievements in 2019

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

4 Capabilities

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

4.1 Our employees

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

Health and safety

Canada Post segment

During the first three quarters of 2019, our metrics, total injury frequency and lost-time injury frequency, improved by 8.7% and 10.3%, respectively, compared to the first three quarters of 2018. Commencing in the fourth quarter, we are focusing our attention on being prepared for peak and winter delivery, specifically supporting our employees for whom this will be their first time delivering during this season. Additionally we continue to focus on addressing issues identified in locations where we experience high injuries.

On September 23, 2019, the *Keep wellness in mind* program supporting mental health was launched. This program is grounded on the principle that the psychological health and safety of our employees and their families is as important as their physical health and safety. Through *Keep wellness in mind*, we have organized information into three levels of care – prevention, concern and urgent – with a call to action for all employees and the Corporation as a whole to focus more on prevention in order to avoid levels of concern and urgency. Through this program we recognize the need to better support the psychological health and safety of our employees.

Labour relations

Canada Post segment

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

The collective agreements for CUPW-UPO and CUPW-RSMC expired January 31, 2018, and December 31, 2017, respectively. Arbitration continued throughout the third quarter, with further meetings scheduled in the fourth quarter of 2019. CUPW completed the presentation of its case in July and Canada Post began presenting its case in August. The union has the right to reply with more evidence when the Corporation completes its case. The arbitrator's mandate will expire on December 31, 2019. However, under the 2018 back-to-work legislation (Bill C-89) for the resumption and continuation of postal services, the mediation-arbitration process can continue for any period that the Minister allows.

Canadian Postmasters and Assistants Association (CPAA)

The collective agreement with the CPAA, which provides for final offer selection, expired December 31, 2018. This collective agreement remains in effect and discussions are ongoing between the parties. The CPAA represents rural post office postmasters and assistants.

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

Non-binding mediation continued in October between PSAC and Canada Post regarding PSAC's application to the Canada Industrial Relations Board (CIRB) seeking a determination that certain jobs should have been included within its bargaining unit. The Association of Postal Officials of Canada is participating under intervenor status granted by the CIRB. The parties reached a settlement in mediation, whereby they agreed to a process for the evaluation of jobs, followed by binding arbitration if consensus cannot be achieved. PSAC has withdrawn its application to the CIRB.

Canada Labour Code – Amendments to Part III

On September 1, 2019, changes to the *Canada Labour Code* that reflect the realities of a modern workforce came into effect. Canada Post has updated its employment policies to fully comply with the amendments under Bill C-63 and Bill C-86. These amendments include flexible working arrangements, personal and other leaves and rights to refuse overtime. Other amendments will come into force in 2020 or later.

Purolator segment

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

4.2 Internal controls and procedures

Changes in internal control over financial reporting

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

5 Discussion of Operations

A detailed discussion of our financial performance

5.1 Summary of quarterly results

Consolidated results by quarter

The Group of Companies' consolidated results for the last eight quarters are presented below, highlighting the seasonal nature of our 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, additional business (trading) days result in increased revenue, while additional paid days result in increased cost of operations. In the third quarter of 2019, there was no difference in the number of business days or paid days compared to the third quarter in 2018, except for the Logistics segment, which had one additional business day and one additional paid day compared to the third quarter in 2018. For the year-to-date period of 2019, there was one less business day and one less paid day compared to the same period in 2018, except for the Logistics segment, which had the same number of business days and paid days compared to the same period in 2018. These are timing differences that will be eliminated by the end of 2019.

(in millions of dollars)	Q3 2019	Q2 2019	Q1 2019	Q4 2018[1]	Q3 2018[1]	Q2 2018[1]	Q1 2018[1]	Q4 2017[1]
Revenue from operations	2,045	2,183	2,164	2,307	2,062	2,141	2,162	2,287
Cost of operations	2,126	2,165	2,119	2,269	2,113	2,317	2,055	2,186
Profit (loss) from operations	**(81)**	**18**	**45**	**38**	**(51)**	**(176)**	**107**	**101**
Investing and financing income (expense), net	(6)	(7)	(6)	(10)	2	(15)	(13)	(8)
Profit (loss) before tax	**(87)**	**11**	**39**	**28**	**(49)**	**(191)**	**94**	**93**
Tax expense (recovery)	(22)	2	10	9	(12)	(44)	22	31
Net profit (loss)	**(65)**	**9**	**29**	**19**	**(37)**	**(147)**	**72**	**62**

5.2 Consolidated results from operations

Consolidated results for the third quarter and the year to date

	Third quarter ended				Year to date ended			
(in millions of dollars)	Sept. 28, 2019	Sept. 29, 2018[1]	Change	%	Sept. 28, 2019	Sept. 29, 2018[1]	Change	%
Revenue from operations	2,045	2,062	(17)	(0.8)	6,392	6,365	27	1.0[2]
Cost of operations	2,126	2,113	13	0.6	6,410	6,485	(75)	(0.6)[2]
Loss from operations	**(81)**	**(51)**	**(30)**	**(58.8)**	**(18)**	**(120)**	**102**	**85.2**
Investing and financing income (expense), net	(6)	2	(8)	*	(19)	(26)	7	26.2
Loss before tax	**(87)**	**(49)**	**(38)**	**(79.6)**	**(37)**	**(146)**	**109**	**74.5**
Tax expense (recovery)	(22)	(12)	(10)	(97.9)	(10)	(34)	24	70.6
Net loss	**(65)**	**(37)**	**(28)**	**(74.1)**	**(27)**	**(112)**	**85**	**75.7**
Other comprehensive income (loss)	67	612	(545)	(89.0)	(1,684)	1,377	(3,061)	*
Comprehensive income (loss)	**2**	**575**	**(573)**	**(99.5)**	**(1,711)**	**1,265**	**(2,976)**	*

* The calculation is not mathematically meaningful.

The Canada Post Group of Companies' loss before tax worsened by $38 million for the third quarter of 2019 as a result of an increased loss in the Canada Post segment, compared to Q3 2018. For the year to date, the loss before tax improved by $109 million compared to last year, driven primarily by lower losses before tax in the Canada Post segment.

Consolidated revenue from operations

For the third quarter of 2019, revenue from operations decreased by $17 million when compared to Q3 in the prior year. The 2018 labour disruption continued to have a negative impact on revenue in the Canada Post segment, however, this decline was partially offset by growth in the Purolator and Logistics segments. For the year to date, growth in the Purolator and Logistics segments exceeded declines in the Canada Post segment, resulting in a revenue increase of $27 million compared to 2018.

Consolidated cost of operations

The cost of operations increased by $13 million in the third quarter of 2019 as a result of volume growth in the Purolator and Logistics segments, partly offset by lower costs for Canada Post when compared to 2018, which included the pay equity ruling for CUPW-RSMC employees. For the year to date, the decrease of $75 million in cost of operations compared to 2018 was related to one-time costs in the Canada Post segment in the prior year for CUPW-RSMC employees resulting from the pay equity ruling, net of higher labour costs and operating expenses in 2019 resulting from volume growth in the Purolator and Logistics segments.

Consolidated tax expense (recovery)

The consolidated tax recovery increased by $10 million in the third quarter of 2019 as a result of an increased loss before tax compared with 2018. For the year to date, the tax recovery decreased by $24 million compared to the prior year due to a decrease in the loss before tax for the Group of Companies.

Consolidated other comprehensive income (loss)

The consolidated other comprehensive income of $67 million for the third quarter was mainly due to remeasurement gains on pension and other post-employment plans as a result of positive investment returns partially offset by a decrease in discount rates. For the year to date, the consolidated other comprehensive loss amounted to $1,684 million mainly due to remeasurement losses on pension and other post-employment plans resulting from a decrease in discount rates, partially offset by positive investment returns.

5.3 Operating results by segment

Segmented results – Profit (loss) before tax

	Third quarter ended				Year to date ended			
(in millions of dollars)	Sept. 28, 2019	Sept. 29, 2018[1]	Change	%	Sept. 28, 2019	Sept. 29, 2018[1]	Change	%
Canada Post	(135)	(95)	(40)	(41.0)	(162)	(270)	108	40.0
Purolator	41	41	–	(2.4)	105	107	(2)	(2.0)
Logistics	5	6	(1)	–	14	16	(2)	(8.8)
Other	2	(1)	3	*	6	1	5	220.6
Canada Post Group of Companies	**(87)**	**(49)**	**(38)**	**(79.6)**	**(37)**	**(146)**	**109**	**74.5**

* The calculation is not mathematically meaningful.

5.4 Canada Post segment

The Canada Post segment's loss before tax increased by $40 million in the third quarter of 2019, compared to the third quarter of 2018 as a result of falling revenue. For the year to date, the loss before tax decreased by $108 million compared to last year. The higher losses in 2018 were mainly due to costs related to the CUPW-RSMC pay equity ruling.

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

	Third quarter ended				Year to date ended			
(in millions of dollars)	Sept. 28, 2019	Sept. 29, 2018[1]	Change	%	Sept. 28, 2019	Sept. 29, 2018[1]	Change	%
Revenue from operations	1,517	1,561	(44)	(2.8)	4,833	4,904	(71)	(0.9)[2]
Cost of operations	1,651	1,664	(13)	(0.9)	4,988	5,162	(174)	(2.9)[2]
Loss from operations	**(134)**	**(103)**	**(31)**	**(28.5)**	**(155)**	**(258)**	**103**	**40.0**
Investing and financing income (expense), net	(1)	8	(9)	(120.2)	(7)	(12)	5	40.5
Loss before tax	**(135)**	**(95)**	**(40)**	**(41.0)**	**(162)**	**(270)**	**108**	**40.0**
Tax expense (recovery)	(34)	(23)	(11)	(43.8)	(41)	(66)	25	38.3
Net loss	**(101)**	**(72)**	**(29)**	**(40.1)**	**(121)**	**(204)**	**83**	**40.6**

Revenue from operations

Canada Post's revenue from operations decreased by $44 million in the third quarter of 2019, and by $71 million for the year to date compared to the same periods in 2018. Ongoing mail erosion was only partially offset by growth in Parcels.

Revenue and volumes by line of business for the third quarter

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	Sept. 28, 2019	Sept. 29, 2018[1]	Change	%	Sept. 28, 2019	Sept. 29, 2018	Change	%
Transaction Mail								
Domestic Lettermail	561	608	(47)	(7.7)	598	674	(76)	(11.3)
Outbound Letter-post	19	20	(1)	(2.8)	9	10	(1)	(7.0)
Inbound Letter-post	17	18	(1)	(4.3)	22	25	(3)	(14.4)
Total Transaction Mail	**597**	**646**	**(49)**	**(7.5)**	**629**	**709**	**(80)**	**(11.3)**
Parcels								
Domestic Parcels	464	446	18	4.2	49	46	3	6.9
Outbound Parcels	54	55	(1)	(2.9)	3	2	1	(2.4)
Inbound Parcels	95	87	8	9.5	21	21	–	5.2
Other	6	9	(3)	(27.9)	–	–	–	–
Total Parcels	**619**	**597**	**22**	**3.9**	**73**	**69**	**4**	**6.1**
Direct Marketing								
Personalized Mail™	112	123	(11)	(7.4)	206	221	(15)	(6.9)
Neighbourhood Mail™	94	96	(2)	(2.9)	807	820	(13)	(1.6)
Total Smartmail Marketing™	**206**	**219**	**(13)**	**(5.4)**	**1,013**	**1,041**	**(28)**	**(2.7)**
Publications Mail™	33	34	(1)	(5.9)	48	51	(3)	(7.3)
Business Reply Mail™ and Other Mail	5	5	–	(0.5)	3	4	(1)	(3.0)
Other	3	3	–	(8.0)	–	–	–	–
Total Direct Marketing	**247**	**261**	**(14)**	**(5.4)**	**1,064**	**1,096**	**(32)**	**(2.9)**
Other Revenue	54	57	(3)	(7.5)	–	–	–	–
Total	**1,517**	**1,561**	**(44)**	**(2.8)**	**1,766**	**1,874**	**(108)**	**(5.8)**

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

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	Sept. 28, 2019	Sept. 29, 2018[1]	Change	%[2]	Sept. 28, 2019	Sept. 29, 2018	Change	%[2]
Transaction Mail								
Domestic Lettermail	1,897	1,981	(84)	(3.7)	2,004	2,189	(185)	(8.0)
Outbound Letter-post	67	72	(5)	(5.7)	32	35	(3)	(8.7)
Inbound Letter-post	55	62	(7)	(10.9)	67	82	(15)	(17.7)
Total Transaction Mail	**2,019**	**2,115**	**(96)**	**(4.0)**	**2,103**	**2,306**	**(203)**	**(8.3)**
Parcels								
Domestic Parcels	1,408	1,318	90	7.4	151	137	14	10.5
Outbound Parcels	168	175	(7)	(3.7)	7	7	–	(2.9)
Inbound Parcels	277	280	(3)	(0.2)	60	63	(3)	(3.5)
Other	17	24	(7)	(29.2)	–	–	–	–
Total Parcels	**1,870**	**1,797**	**73**	**4.7**	**218**	**207**	**11**	**5.8**
Direct Marketing								
Personalized Mail	350	371	(21)	(4.9)	640	677	(37)	(5.0)
Neighbourhood Mail	294	308	(14)	(4.2)	2,529	2,653	(124)	(4.2)
Total Smartmail Marketing	**644**	**679**	**(35)**	**(4.6)**	**3,169**	**3,330**	**(161)**	**(4.3)**
Publications Mail	107	113	(6)	(5.4)	157	170	(13)	(7.1)
Business Reply Mail and Other Mail	15	15	–	(2.3)	11	12	(1)	(5.6)
Other	9	10	(1)	(2.0)	–	–	–	–
Total Direct Marketing	**775**	**817**	**(42)**	**(4.6)**	**3,337**	**3,512**	**(175)**	**(4.5)**
Other Revenue	169	175	(6)	(3.7)	–	–	–	–
Total	**4,833**	**4,904**	**(71)**	**(0.9)**	**5,658**	**6,025**	**(367)**	**(5.6)**

Transaction Mail

While revenue and volume declines resulting from the use of digital alternatives continued, these declines for the year to date of 2019 were partially explained by higher revenue and volumes in the first three quarters of 2018 for provincial and municipal elections. However, erosion for the full year is expected to improve in the fourth quarter due to additional volumes from the federal election. Partly offsetting the 2019 declines was the impact of a regulated rate increase for Lettermail™ items, International Letter-post items and special services and fees in the first quarter.

Parcels

Parcels growth rates in 2019 were considerably less than the growth rates in 2018. Contributing factors were a softer economy in the first half of 2019, the continued impact from the 2018 labour disruption and competitive offerings. Additionally, some Domestic Parcels growth was due to migration from Inbound Parcels as some international customers have been increasing their use of consolidators to induct their mailings directly into the Domestic Parcels stream during 2019.

Direct Marketing

The declines in Direct Marketing revenue and volumes resulted from customers reducing marketing expenditures or redirecting them to digital, other mailers or media channels. Revenue performance has also softened in certain customer segments since the 2018 labour disruption.

Other revenue

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

Cost of operations

Cost of operations for the Canada Post segment decreased by $13 million in the third quarter and by $174 million for the year to date, compared to the same periods last year, mainly due to one-time labour and employee benefits costs in the prior year for CUPW-RSMC employees as a result of the 2018 pay equity ruling, partly offset by increased costs due to Parcels growth.

	Third quarter ended				**Year to date ended**			
(in millions of dollars)	Sept. 28, 2019	Sept. 29, 2018[1]	Change	%	Sept. 28, 2019	Sept. 29, 2018[1]	Change	%[2]
Labour	827	869	(42)	(4.9)	2,496	2,533	(37)	(1.0)
Employee benefits	329	325	4	1.3	997	1,160	(163)	(13.6)
Total labour and employee benefits	**1,156**	**1,194**	**(38)**	**(3.2)**	**3,493**	**3,693**	**(200)**	**(4.9)**
Non-labour collection, processing and delivery	239	231	8	3.5	734	724	10	2.0
Property, facilities and maintenance	47	43	4	6.8	148	144	4	2.6
Selling, administrative and other	132	121	11	8.3	383	377	6	1.9
Total other operating costs	**418**	**395**	**23**	**5.3**	**1,265**	**1,245**	**20**	**2.0**
Depreciation and amortization	77	75	2	4.5	230	224	6	3.6
Total	**1,651**	**1,664**	**(13)**	**(0.9)**	**4,988**	**5,162**	**(174)**	**(2.9)**

Labour

Labour costs decreased by $42 million in the third quarter and by $37 million for the year to date of 2019 compared to the same periods in the previous year, primarily due to non-recurring retroactive adjustments in 2018 for CUPW-RSMC employees as a result of the pay equity ruling, partially offset by labour cost increases due to network growth and inflation. For the year to date, the positive impact of one less paid day also contributed to lower labour costs.

Employee benefits

Benefit costs increased by $4 million in the third quarter compared to 2018. For the year to date benefit costs decreased by $163 million compared to the same period in 2018, mostly due to the one-time CUPW-RSMC pay equity costs related to prior years recorded in the third quarter of 2018. Benefits for psychological coverage were increased under the extended health care plan, resulting in a plan amendment loss of $8 million recorded to net loss in Q3.

Non-labour collection, processing and delivery

Contracted collection, processing and delivery costs increased by $8 million and $10 million compared to the third quarter and the year to date in 2018, respectively as a result of higher maintenance and repairs, automotive services and transportation expenses.

Property, facilities and maintenance

The cost of facilities increased slightly by $4 million in both the third quarter and for the year to date of 2019 when compared to the same periods in 2018, mainly due to higher operating expenditures.

Selling, administrative and other

Selling, administrative and other expenses increased by $11 million and $6 million, for the third quarter and the year to date, respectively, when compared to the same periods in 2018, mainly due to higher spending on program expenses, customer service and IT costs, with year-to-date results partly offset by non-recurring commodity taxes related to continuous inbound freight in the prior year.

Depreciation and amortization

Depreciation and amortization expenses increased by $2 million and $6 million, respectively, in the third quarter and the year to date compared to 2018, due to higher investment in capital assets.

5.5 Purolator segment

The Purolator segment's profit before tax was unchanged for the quarter and decreased by $2 million for the year to date of 2019, compared to the same periods in the prior year.

Purolator results for the third quarter and the year to date

	Third quarter ended				**Year to date ended**			
(in millions of dollars)	Sept. 28, 2019	Sept. 29, 2018[1]	Change	%	Sept. 28, 2019	Sept. 29, 2018[1]	Change	%
Revenue from operations	473	448	25	5.4	1,399	1,318	81	6.6[2]
Labour and employee benefits	215	200	15	7.9	653	604	49	8.8[2]
Non-labour	213	202	11	5.4	631	594	37	6.6[2]
Cost of operations	428	402	26	6.7	1,284	1,198	86	7.7[2]
Profit from operations	**45**	**46**	**(1)**	**(5.5)**	**115**	**120**	**(5)**	**(4.6)**
Investing and financing income (expense), net	(4)	(5)	1	30.0	(10)	(13)	3	26.1
Profit before tax	**41**	**41**	**–**	**(2.4)**	**105**	**107**	**(2)**	**(2.0)**
Tax expense (recovery)	11	10	1	–	28	28	–	(2.6)
Net profit	**30**	**31**	**(1)**	**(1.9)**	**77**	**79**	**(2)**	**(1.7)**

Revenue from operations

Purolator's revenue from operations increased by $25 million in the third quarter of 2019, and by $81 million for the year to date, compared to the same periods in 2018, mainly due to increased volumes from new and existing business primarily in the business-to-consumer market.

Cost of operations

Total labour costs

Annual salary increases and business growth caused labour costs to increase by $15 million and $49 million in Q3 2019 and the year to date, respectively, over the same periods in 2018.

Total non-labour costs

Non-labour costs increases of $11 million in the third quarter of 2019, and of $37 million for the year to date, compared to the same periods in the prior year, were driven primarily by business growth.

5.6 Logistics segment

The Logistics segment's profit before tax decreased by $1 million and $2 million for the third quarter and the year to date of 2019, respectively, compared to 2018.

Logistics results for the third quarter and the year to date

	Third quarter ended				Year to date ended			
(in millions of dollars)	Sept. 28, 2019	Sept. 29, 2018[1]	Change	%	Sept. 28, 2019	Sept. 29, 2018[1]	Change	%
Revenue from operations	86	82	4	4.3[2]	251	227	24	10.9
Cost of operations	79	75	4	3.7[2]	234	210	24	11.8
Profit from operations	**7**	**7**	**–**	**14.6**	**17**	**17**	**–**	**(0.8)**
Investing and financing income (expense), net	(2)	(1)	(1)	(97.3)	(3)	(1)	(2)	(118.8)
Profit before tax	**5**	**6**	**(1)**	**–**	**14**	**16**	**(2)**	**(8.8)**
Tax expense (recovery)	1	1	–	9.3	3	4	(1)	(9.2)
Net profit	**4**	**5**	**(1)**	**–**	**11**	**12**	**(1)**	**(8.7)**

Revenue from operations

SCI's revenue from operations increased by $4 million and $24 million in the third quarter of 2019, and the year to date, respectively, compared to 2018, primarily as a result of growth in volumes and new business.

Cost of operations

Total cost of operations in the third quarter of 2019 increased by $4 million and for the year to date by $24 million compared to the same periods last year, primarily as a result of growth in volumes and new business.

5.7 Corporate Plan

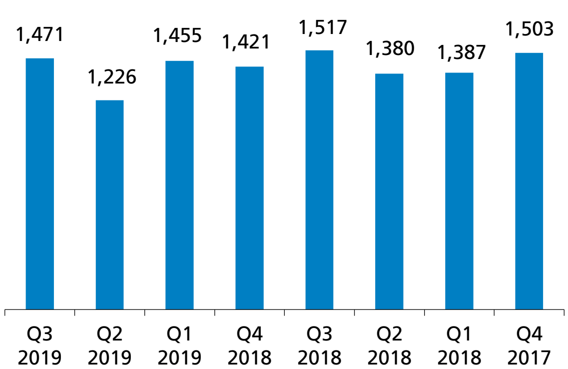
The Corporation's 2019-23 Corporate Plan was approved by the Governor in Council January 31, 2019. We submitted the 2020-24 Corporate Plan on November 6, 2019.

6 Liquidity and Capital Resources

A discussion of our cash flow, liquidity and capital resources

6.1 Cash and cash equivalents

(in millions of dollars)



The Group of Companies held cash and cash equivalents of $1,471 million as at September 28, 2019 – an increase of $50 million compared to December 31, 2018, mainly due to cash provided by operating activities, mostly because of pension, other post-employment and long-term benefit expenses exceeding payments, partially offset by acquisition of capital assets and repayments of lease liabilities.

6.2 Operating activities

	Third quarter ended			Year to date ended		
(in millions of dollars)	Sept. 28, 2019	Sept. 29, 2018[1]	Change	Sept. 28, 2019	Sept. 29, 2018[1]	Change
Cash provided by operating activities	217	340	(123)	233	774	(541)

Cash provided by operations in the third quarter of 2019 decreased by $123 million compared to the same period in 2018. The negative change in 2019 cash flow was primarily due to changes in non-cash operating working capital, partially offset by taxes received. Year to date, cash provided by operating activities decreased by $541 million mainly due to changes in non-cash operating working capital, including CUPW-RSMC pay equity payments made in June 2019, as well as lower pension, other post-employment and other long-term benefit expense adjustments, partially offset by lower tax payments.

6.3 Investing activities

	Third quarter ended			Year to date ended		
(in millions of dollars)	Sept. 28, 2019	Sept. 29, 2018	Change	Sept. 28, 2019	Sept. 29, 2018	Change
Cash provided by (used in) investing activities	54	(177)	231	(101)	(684)	583

Cash from investing activities improved by $231 million in the third quarter of 2019 compared to the same period in 2018, mainly due to higher proceeds from the sale of securities in the Canada Post segment. Year to date, cash used in investing activities improved by $583 million, compared to the same period in 2018, mainly due to higher proceeds from the sale of securities in the Canada Post segment, partially offset by higher acquisitions of capital assets in the Canada Post and Purolator segments in 2019.

Capital expenditures

	Third quarter ended			Year to date ended		
(in millions of dollars)	Sept. 28, 2019	Sept. 29, 2018	Change	Sept. 28, 2019	Sept. 29, 2018	Change
Canada Post	90	96	(6)	252	185	67
Purolator	26	11	15	76	22	54
Logistics	4	11	(7)	19	24	(5)
Innovapost and intersegment	2	2	–	2	2	–
Canada Post Group of Companies	**122**	**120**	**2**	**349**	**233**	**116**

Capital expenditures for the Group of Companies were $122 million in the third quarter, which was relatively stable compared to the same period in 2018. Year to date, capital expenditures were $349 million, an increase of $116 million when compared to the same period in 2018. The increase in 2019 was mainly due to increased spending on infrastructure capacity in the Canada Post and Purolator segments.

6.4 Financing activities

(in millions of dollars)	Third quarter ended Sept. 28, 2019	Sept. 29, 2018[1]	Change	Year to date ended Sept. 28, 2019	Sept. 29, 2018[1]	Change
Cash used in financing activities	(26)	(26)	–	(81)	(78)	(3)

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

6.5 Canada Post Corporation Registered Pension Plan

At the end of the third quarter, the solvency deficit (using market value of plan assets) of the Canada Post Corporation Registered Pension Plan (RPP) was estimated at $6.7 billion. As in the second quarter, the deficit continued to be affected by low discount rates partially offset by positive investment returns. Canada Post will not have to make special solvency payments in 2019. However, payments will be required beginning in the first quarter of 2020. In the short term, Canada Post is working with its shareholder, the Government of Canada, to consider short-term options, the preferred being temporary relief. In addition, feedback on short-term options was requested of all defined benefit plan members as well as Communications and Consultation Group representatives and Pension Advisory Council members.

Current service contributions amounted to $66 million in each of the third quarters of 2019 and 2018. As well, retroactive contributions of $19 million related to the CUPW-RSMC pay equity ruling were made during the third quarter of 2019.

Canada Post recorded remeasurement gains of $94 million for the RPP, net of tax, in other comprehensive income for the third quarter of 2019, due to positive investment returns and remeasurement losses of $1,225 million for the year to date of 2019, due to a decrease in discount rates, partially offset by positive investment returns. Discount rates remained consistent with the lows experienced in the second quarter.

6.6 Liquidity and capital resources

Liquidity

The Canada Post segment had $2,309 million of unrestricted liquid investments on hand as at September 28, 2019, and $100 million of lines of credit.

Canada Post does not expect to make solvency special payments in 2019. However, payments will be required beginning in the first quarter of 2020. The Corporation believes it has sufficient liquidity and authorized borrowing capacity to support operations for at least the next 12 months.

The Corporation's subsidiaries had a total of $316 million of unrestricted cash on hand and undrawn credit facilities of $116 million as at September 28, 2019, ensuring sufficient liquidity to support their operations for at least the next 12 months.

Access to capital markets

Borrowings for the Canada Post segment as at September 28, 2019, amounted to $997 million. For more information on liquidity and access to capital markets, refer to Section 6.6 Liquidity and capital resources of the 2018 Annual MD&A.

7 Changes in Financial Position

A discussion of significant changes in our assets and liabilities between September 28, 2019, and December 31, 2018

(in millions of dollars)

ASSETS	Sept. 28, 2019	Dec. 31, 2018[1]	Change	%	Explanation of change
Cash and cash equivalents	1,471	1,421	50	3.5	Refer to Section 6 Liquidity and Capital Resources.
Marketable securities	1,154	1,338	(184)	(13.7)	Due to maturity of corporate bonds.
Trade and other receivables	898	979	(81)	(8.3)	Mainly due to lower trade receivables in all segments, partially offset by higher international trade settlement receivables in the Canada Post segment.
Other assets	233	103	130	125.3	Mainly due to higher expected income tax receivable balances, as well as higher prepaid expenses, in the Canada Post and Purolator segments.
Total current assets	**3,756**	**3,841**	**(85)**	**(2.2)**	
Marketable securities	49	132	(83)	(63.0)	Due to maturity of corporate bonds.
Property, plant and equipment	2,790	2,687	103	3.8	Mainly due to acquisitions in excess of depreciation.
Intangible assets	121	106	15	14.2	Mainly due to acquisitions in the Logistics and Other segments.
Right-of-use assets	1,081	982	99	10.1	Mainly due to acquisitions (new leases and lease renewals) exceeding depreciation in the Canada Post, Purolator and Logistics segments.
Segregated securities	553	495	58	11.9	Mainly due to unrealized gains in the Canada Post segment recorded in other comprehensive income.
Pension benefit assets	49	95	(46)	(48.5)	Mainly due to remeasurement losses resulting from a decrease in discount rates partially offset by positive investment returns.
Deferred tax assets	2,213	1,680	533	31.7	Mainly due to the increase of temporary differences related to Canada Post's Registered Pension Plan and other post-employment benefits.
Goodwill	130	130	–	–	No change.
Other assets	68	63	5	7.9	Mainly due to a long-term receivable related to a change in the timing of when CUPW employees were paid.
Total non-current assets	**7,054**	**6,370**	**684**	**10.7**	
Total assets	**10,810**	**10,211**	**599**	**5.9**	

(in millions of dollars)

LIABILITIES	Sept. 28, 2019	Dec. 31, 2018[1]	Change	%	Explanation of change
Trade and other payables	536	648	(112)	(17.2)	Mainly due to lower trade and other payables in the Canada Post and Purolator segments.
Salaries and benefits payable and related provisions	827	988	(161)	(16.4)	Mainly due to CUPW-RSMC pay equity payments made in June 2019, in the Canada Post segment.
Provisions	57	61	(4)	(4.7)	No material change.
Income tax payable	–	8	(8)	(100.0)	Primarily due to the payment of a tax liability for the Purolator segment.
Deferred revenue	144	153	(9)	(5.9)	Mainly related to lower deferred stamp revenue and customer credit balances in the Canada Post segment.
Lease liabilities	113	109	4	3.0	No material change.
Other long-term benefit liabilities	67	68	(1)	(2.3)	No material change.
Total current liabilities	**1,744**	**2,035**	**(291)**	**(14.3)**	
Lease liabilities	1,153	1,054	99	9.4	Mainly due to acquisitions (new leases and lease renewals) in the Canada Post, Purolator and Logistics segments net of lease payments.
Loans and borrowings	997	997	–	–	No change.
Pension, other post-employment and other long-term benefit liabilities	8,780	6,277	2,503	39.9	Mainly due to remeasurement losses resulting from a decrease in discount rates, partially offset by positive investment returns.
Other liabilities	21	22	(1)	(3.1)	No material change.
Total non-current liabilities	**10,951**	**8,350**	**2,601**	**31.2**	
Total liabilities	**12,695**	**10,385**	**2,310**	**22.3**	
EQUITY					
Contributed capital	1,155	1,155	–	–	No change.
Accumulated other comprehensive income	73	43	30	71.0	Mainly due to unrealized gains on segregated securities for dental, term life and death benefit plans in the Canada Post segment.
Accumulated deficit	(3,149)	(1,408)	(1,741)	(123.9)	Mainly driven by remeasurement losses in the Canada Post segment.
Equity of Canada	**(1,921)**	**(210)**	**(1,711)**	**(820.6)**	
Non-controlling interests	36	36	–	(1.9)	
Total equity	**(1,885)**	**(174)**	**(1,711)**	**(991.6)**	
Total liabilities and equity	**10,810**	**10,211**	**599**	**5.9**	

8 Risks and Risk Management

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

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

Labour agreements

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

CPAA pay equity complaint

On May 12, 2019, the Canadian Postmasters and Assistants Association (CPAA) and Canada Post reached an agreement regarding the CPAA's complaint under the *Canadian Human Rights Act* alleging gender-based pay discrimination for the period 1992-97. The agreement was subsequently approved by the Canadian Human Rights Commission. An implementation committee with representatives from Canada Post and the CPAA has been formed and implementation of the settlement is under way.

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

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

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

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

9 Critical Accounting Estimates and Accounting Policy Developments

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

9.1 Critical accounting estimates and estimation uncertainties

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

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

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

9.2 Accounting pronouncements

(a) New standards, amendments and interpretations

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

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

The quantitative impact includes the following:

- Recognition, as at January 1, 2018, of right-of-use assets of $944 million and lease liabilities of $1,102 million for leases previously classified as operating leases under IAS 17 and other contracts assessed as containing a lease under IFRS 16 that were previously expensed to other operating costs.
- Vehicles and plant equipment of $38 million held under finance lease arrangements previously recognized as property, plant and equipment, which will be presented with right-of-use assets as at January 1, 2018. The lease liability on leases previously classified as financing leases under IAS 17 and previously presented within loans and borrowings of $41 million will be presented with lease liabilities.
- A restatement of the statement of comprehensive income for the year to date, including a decrease in other operating costs of $97 million since IFRS 16 replaces operating lease expenses with a depreciation charge of $75 million for the right-of-use asset and an interest expense of $26 million on the lease liability. This will result in a net increase to loss before tax of $6 million.
- An increase in cash used in financing activities of $69 million for the year to date because payments for the principal component will be presented as a financing outflow; payments under operating leases under IAS 17 were presented as an operating outflow.

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

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

Endnotes

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

Management's Responsibility for Interim Financial Reporting

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

D. Ettinger

President and CEO

W. G. Cheeseman

Chief Financial Officer

November 21, 2019

Interim Condensed Consolidated Statement of Financial Position

As at (Unaudited – in millions of Canadian dollars)	Notes	September 28, 2019	December 31, 2018 (Restated – Note 3)	January 1, 2018 (Restated – Note 3)
Assets				
Current assets				
Cash and cash equivalents		**$ 1,471**	$ 1,421	$ 1,503
Marketable securities		**1,154**	1,338	821
Trade and other receivables		**898**	979	946
Other assets	4	**233**	103	125
Total current assets		**3,756**	3,841	3,395
Non-current assets				
Marketable securities		**49**	132	–
Property, plant and equipment	5	**2,790**	2,687	2,589
Intangible assets	5	**121**	106	119
Right-of-use assets	5	**1,081**	982	944
Segregated securities		**553**	495	526
Pension benefit assets	6	**49**	95	116
Deferred tax assets		**2,213**	1,680	1,605
Goodwill	9	**130**	130	130
Other assets	4	**68**	63	11
Total non-current assets		**7,054**	6,370	6,040
Total assets		**$ 10,810**	$ 10,211	$ 9,435
Liabilities and equity				
Current liabilities				
Trade and other payables		**$ 536**	$ 648	$ 579
Salaries and benefits payable and related provisions		**827**	988	600
Provisions		**57**	61	77
Income tax payable		**–**	8	38
Deferred revenue		**144**	153	135
Lease liabilities	7	**113**	109	106
Other long-term benefit liabilities	6	**67**	68	63
Total current liabilities		**1,744**	2,035	1,598
Non-current liabilities				
Lease liabilities	7	**1,153**	1,054	996
Loans and borrowings	7	**997**	997	997
Pension, other post-employment and other long-term benefit liabilities	6	**8,780**	6,277	6,297
Other liabilities		**21**	22	23
Total non-current liabilities		**10,951**	8,350	8,313
Total liabilities		**12,695**	10,385	9,911
Equity				
Contributed capital		**1,155**	1,155	1,155
Accumulated other comprehensive income	8	**73**	43	54
Accumulated deficit		**(3,149)**	(1,408)	(1,713)
Equity of Canada		**(1,921)**	(210)	(504)
Non-controlling interests		**36**	36	28
Total equity		**(1,885)**	(174)	(476)
Total liabilities and equity		**$ 10,810**	$ 10,211	$ 9,435
Contingent liabilities	11			

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the		13 weeks ended		39 weeks ended	
(Unaudited – in millions of Canadian dollars)	Notes	**September 28, 2019**	September 29, 2018 (Restated – Note 3)	**September 28, 2019**	September 29, 2018 (Restated – Note 3)
Revenue from operations	**16**	**$ 2,045**	$ 2,062	**$ 6,392**	$ 6,365
Cost of operations					
Labour		**1,061**	1,088	**3,199**	3,181
Employee benefits		**379**	373	**1,156**	1,314
		1,440	1,461	**4,355**	4,495
Other operating costs	**13**	**577**	551	**1,735**	1,682
Depreciation and amortization	**5**	**109**	101	**320**	308
Total cost of operations		**2,126**	2,113	**6,410**	6,485
Loss from operations		**(81)**	(51)	**(18)**	(120)
Investing and financing income (expense)					
Investment and other income	**14**	**18**	25	**52**	44
Finance costs and other expense	**14**	**(24)**	(23)	**(71)**	(70)
Investing and financing expense, net		**(6)**	2	**(19)**	(26)
Loss before tax		**(87)**	(49)	**(37)**	(146)
Tax recovery		**(22)**	(12)	**(10)**	(34)
Net loss		**$ (65)**	$ (37)	**$ (27)**	$ (112)
Other comprehensive income (loss)					
Items that may be reclassified subsequently to net profit (loss)					
Change in unrealized fair value of financial assets		**$ 4**	$ (12)	**$ 37**	$ (16)
Foreign currency translation adjustment		**–**	(1)	**–**	–
Reclassification adjustments for gains included in net profit (loss)		**–**	–	**(7)**	–
Items that will not be reclassified to net profit (loss)					
Remeasurements of defined benefit plans	**6**	**63**	625	**(1,714)**	1,393
Other comprehensive income (loss)	**8**	**67**	612	**(1,684)**	1,377
Comprehensive income (loss)		**$ 2**	$ 575	**$ (1,711)**	$ 1,265
Net profit (loss) attributable to					
Government of Canada		**$ (67)**	$ (40)	**$ (33)**	$ (118)
Non-controlling interests		**2**	3	**6**	6
		$ (65)	$ (37)	**$ (27)**	$ (112)
Comprehensive income (loss) attributable to					
Government of Canada		**$ (1)**	$ 571	**$ (1,711)**	$ 1,255
Non-controlling interests		**3**	4	**–**	10
		$ 2	$ 575	**$ (1,711)**	$ 1,265

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

Interim Condensed Consolidated Statement of Changes in Equity

For the 13 weeks ended September 28, 2019 (Unaudited – in millions of Canadian dollars)	Contributed capital	Accumulated other comprehensive income	Accumulated deficit	Equity of Canada	Non-controlling interests	Total equity
Balance at June 29, 2019	**$ 1,155**	**$ 69**	**$ (3,144)**	**$ (1,920)**	**$ 33**	**$ (1,887)**
Net profit (loss)	**–**	**–**	**(67)**	**(67)**	**2**	**(65)**
Other comprehensive income	**–**	**4**	**62**	**66**	**1**	**67**
Comprehensive income (loss)	**–**	**4**	**(5)**	**(1)**	**3**	**2**
Balance at September 28, 2019	**$ 1,155**	**$ 73**	**$ (3,149)**	**$ (1,921)**	**$ 36**	**$ (1,885)**

For the 13 weeks ended September 29, 2018 (Unaudited – in millions of Canadian dollars)	Contributed capital	Accumulated other comprehensive income	Accumulated deficit	Equity of Canada	Non-controlling interests	Total equity
Balance at June 30, 2018, as previously reported	$ 1,155	$ 51	$ (921)	$ 285	$ 38	$ 323
Effects of adopting new standards (Note 3)	–	–	(105)	(105)	(4)	(109)
Balance at June 30, 2018, as restated	1,155	51	(1,026)	180	34	214
Net profit (loss)	–	–	(40)	(40)	3	(37)
Other comprehensive income (loss)	–	(13)	624	611	1	612
Comprehensive income (loss)	–	(13)	584	571	4	575
Balance at September 29, 2018	$ 1,155	$ 38	$ (442)	$ 751	$ 38	$ 789

For the 39 weeks ended September 28, 2019 (Unaudited – in millions of Canadian dollars)	Contributed capital	Accumulated other comprehensive income	Accumulated deficit	Equity of Canada	Non-controlling interests	Total equity
Balance at December 31, 2018, as previously reported	**$ 1,155**	**$ 43**	**$ (1,300)**	**$ (102)**	**$ 40**	**$ (62)**
Effects of adopting new standards (Note 3)	**–**	**–**	**(108)**	**(108)**	**(4)**	**(112)**
Balance as at December 31, 2018, as restated	**1,155**	**43**	**(1,408)**	**(210)**	**36**	**(174)**
Net profit (loss)	**–**	**–**	**(33)**	**(33)**	**6**	**(27)**
Other comprehensive income (loss) (Note 8)	**–**	**30**	**(1,708)**	**(1,678)**	**(6)**	**(1,684)**
Comprehensive income (loss)	**–**	**30**	**(1,741)**	**(1,711)**	**–**	**(1,711)**
Balance at September 28, 2019	**$ 1,155**	**$ 73**	**$ (3,149)**	**$ (1,921)**	**$ 36**	**$ (1,885)**

For the 39 weeks ended September 29, 2018 (Unaudited – in millions of Canadian dollars)	Contributed capital	Accumulated other comprehensive income	Accumulated deficit	Equity of Canada	Non-controlling interests	Total equity
Balance at December 31, 2017, as previously reported	$ 1,155	$ 54	$ (1,611)	$ (402)	$ 32	$ (370)
Effects of adopting new standards (Note 3)	–	–	(102)	(102)	(4)	(106)
Balance at beginning of the year, as restated	1,155	54	(1,713)	(504)	28	(476)
Net profit (loss)	–	–	(118)	(118)	6	(112)
Other comprehensive income (loss) (Note 8)	–	(16)	1,389	1,373	4	1,377
Comprehensive income (loss)	–	(16)	1,271	1,255	10	1,265
Balance at September 29, 2018	$ 1,155	$ 38	$ (442)	$ 751	$ 38	$ 789

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

Interim Condensed Consolidated Statement of Cash Flows

For the		13 weeks ended		39 weeks ended	
(Unaudited – in millions of Canadian dollars)	Notes	**September 28, 2019**	September 29, 2018 (Restated – Note 3)	**September 28, 2019**	September 29, 2018 (Restated – Note 3)
Cash flows from operating activities					
Net loss		**$ (65)**	$ (37)	**$ (27)**	$ (112)
Adjustments to reconcile net profit to cash provided by operating activities:					
Depreciation and amortization	**5**	**109**	101	**320**	308
Pension, other post-employment and other long-term benefit expense	**6**	**239**	231	**697**	892
Pension, other post-employment and other long-term benefit payments	**6**	**(155)**	(131)	**(436)**	(397)
Loss (gain) on sale of capital assets and assets held for sale	**14**	**–**	2	**(1)**	4
Tax recovery		**(22)**	(12)	**(10)**	(34)
Net interest expense	**14**	**6**	6	**13**	24
Change in non-cash operating working capital:					
Decrease in trade and other receivables		**26**	85	**83**	93
(Decrease) increase in trade and other payables		**(1)**	20	**(100)**	(44)
Increase (decrease) in salaries and benefits payable and related provisions		**41**	147	**(164)**	242
Increase (decrease) in provisions		**2**	(2)	**(2)**	21
Net change in other non-cash operating working capital		**5**	(5)	**(59)**	(11)
Other income not affecting cash, net		**(4)**	(5)	**(20)**	(16)
Cash provided by operations before interest and tax		**181**	400	**294**	970
Interest received		**17**	12	**58**	39
Interest paid		**(30)**	(29)	**(71)**	(69)
Tax received (paid)		**49**	(43)	**(48)**	(166)
Cash provided by operating activities		**217**	340	**233**	774
Cash flows from investing activities					
Acquisition of securities		**(426)**	(371)	**(1,442)**	(1,394)
Proceeds from sale of securities		**602**	312	**1,697**	985
Acquisition of capital assets		**(122)**	(120)	**(349)**	(233)
Other investing activities, net		**–**	2	**(7)**	(42)
Cash provided by (used in) investing activities		**54**	(177)	**(101)**	(684)
Cash flows from financing activities					
Repayments of lease liabilities, net of sublease proceeds		**(26)**	(26)	**(81)**	(78)
Other financing activities, net		**–**	–	**–**	–
Cash used in financing activities		**(26)**	(26)	**(81)**	(78)
Net increase in cash and cash equivalents		**245**	137	**51**	12
Cash and cash equivalents, beginning of period		**1,226**	1,380	**1,421**	1,503
Effect of exchange rate changes on cash and cash equivalents		**–**	–	**(1)**	2
Cash and cash equivalents, end of period		**$ 1,471**	$ 1,517	**$ 1,471**	$ 1,517

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

Notes to Interim Condensed Consolidated Financial Statements

For the 13 and 39 weeks ended September 28, 2019
(Unaudited – in millions of Canadian dollars, unless otherwise indicated)

1 Incorporation, Business Activities and Directives

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

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

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

2 Basis of Presentation

Statement of compliance • The Corporation has prepared its interim condensed consolidated financial statements (interim financial statements) in compliance with IAS 34 "Interim Financial Reporting." As permitted under this standard, these interim condensed consolidated financial statements do not include all of the disclosures required for annual consolidated financial statements, and should be read in conjunction with the Corporation's audited consolidated financial statements for its fiscal year ended December 31, 2018. These interim financial statements have been prepared based on International Financial Reporting Standards (IFRS) issued and effective as at the reporting date. They were approved and authorized for issue by the Board of Directors November 21, 2019.

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

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

Significant accounting policies • Significant accounting policies used in these interim financial statements are disclosed in Note 3 of the Corporation's annual consolidated financial statements for the year ended December 31, 2018, except for the application of new standards, amendments and interpretations effective January 1, 2019, disclosed in Note 3 of the Corporation's interim financial statements for the quarter ended March 30, 2019. The accounting policies have been applied consistently to all periods presented.

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

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if revisions affect only that period, or in the period of revision and future periods if revisions affect both current and future periods. Critical judgments and key sources of estimation uncertainty are disclosed in Note 4 of the Corporation's annual consolidated financial statements for the year ended December 31, 2018, except for the application of new standards, amendments and interpretations effective January 1, 2019, disclosed in Note 4 of the Corporations' interim financial statements for the quarter ended March 30, 2019.

3 Application of New and Revised International Financial Reporting Standards

(a) New standards, amendments and interpretations

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

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

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

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

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

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

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

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

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

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

Consolidated statement of financial position

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

Consolidated statement of financial position

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

Consolidated statement of comprehensive income

For the 13 weeks ended September 29, 2018 (in millions)	As previously reported	IFRS 16 impact	Restated
Revenue from operations	$ 2,063	$ (1)	$ 2,062
Other operating costs	585	(34)	551
Depreciation and amortization	75	26	101
Finance costs and other expense	(13)	(10)	(23)
Loss before tax	(46)	(3)	(49)
Tax recovery	(10)	(2)	(12)
Net loss	(36)	(1)	(37)

Consolidated statement of comprehensive income

For the 39 weeks ended September 29, 2018 (in millions)	As previously reported	IFRS 16 impact	Restated
Revenue from operations	$ 6,367	$ (2)	$ 6,365
Other operating costs	1,779	(97)	1,682
Depreciation and amortization	233	75	308
Finance costs and other expense	(44)	(26)	(70)
Loss before tax	(140)	(6)	(146)
Tax recovery	(32)	(2)	(34)
Net loss	(108)	(4)	(112)

Consolidated statement of cash flows

For the 13 weeks ended September 29, 2018 (in millions)	As previously reported	IFRS 16 impact	Restated
Cash provided by operating activities	$ 317	$ 23	$ 340
Cash used in financing activities	(3)	(23)	(26)

Consolidated statement of cash flows

For the 39 weeks ended September 29, 2018 (in millions)	As previously reported	IFRS 16 impact	Restated
Cash provided by operating activities	$ 705	$ 69	$ 774
Cash used in financing activities	(9)	(69)	(78)

The impact of adopting IFRS 16 is included in notes 4, 7, 13, 14, 15 and 16, and resulting comparative subtotals and totals of the IFRS 16 restatement are included in the restated consolidated financial statements.

The quantitative assessment of the accounting impact included the following:

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

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

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

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

4 Other Assets

As at (in millions)	**September 28, 2019**	December 31, 2018 (Restated – Note 3)
Income tax receivable	$ 85	$ 5
Prepaid expenses	148	98
Assets held for sale	1	1
Finance lease receivable	15	19
Other receivables	52	43
Total other assets	**$ 301**	$ 166
Current other assets	**$ 233**	$ 103
Non-current other assets	**68**	63

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

As at (in millions)	**September 28, 2019**	December 31, 2018 (Restated – Note 3)
Contractual undiscounted cash flows		
Less than one year	$ 5	$ 5
One to five years	10	14
Total undiscounted finance lease receivable	**$ 15**	$ 19

5 Capital Assets

(a) Property, plant and equipment

(in millions)	Land	Buildings	Leasehold improvements	Plant equipment	Vehicles	Sales counters, office furniture and equipment	Other equipment	Assets under development	Total
Cost									
Restated balance at December 31, 2018	$ 347	$ 2,138	$ 318	$ 1,177	$ 503	$ 354	$ 1,058	$ 103	$ 5,998
Additions	15	39	21	27	61	17	62	64	306
Reclassified as held for sale	–	(2)	–	–	–	–	–	–	(2)
Retirements	–	–	(1)	(7)	(2)	–	(2)	–	(12)
Transfers	–	19	2	2	–	3	33	(59)	–
September 28, 2019	**$ 362**	**$ 2,194**	**$ 340**	**$ 1,199**	**$ 562**	**$ 374**	**$ 1,151**	**$ 108**	**$ 6,290**
Accumulated depreciation									
Restated balance at December 31, 2018	$ –	$ 1,171	$ 241	$ 723	$ 317	$ 275	$ 584	$ –	$ 3,311
Depreciation	–	45	12	54	34	22	35	–	202
Reclassified as held for sale	–	(2)	–	–	–	–	–	–	(2)
Retirements	–	–	(1)	(6)	(2)	–	(2)	–	(11)
September 28, 2019	**$ –**	**$ 1,214**	**$ 252**	**$ 771**	**$ 349**	**$ 297**	**$ 617**	**$ –**	**$ 3,500**
Carrying amounts									
Restated balance at December 31, 2018	$ 347	$ 967	$ 77	$ 454	$ 186	$ 79	$ 474	$ 103	$ 2,687
September 28, 2019	**$ 362**	**$ 980**	**$ 88**	**$ 428**	**$ 213**	**$ 77**	**$ 534**	**$ 108**	**$ 2,790**

(b) Intangible assets

(in millions)	Software	Software under development	Customer contracts and relationships	Total
Cost				
December 31, 2018	$ 818	$ 9	$ 23	$ 850
Additions	5	41	–	46
Transfers	2	(2)	–	–
September 28, 2019	**$ 825**	**$ 48**	**$ 23**	**$ 896**
Accumulated amortization				
December 31, 2018	$ 722	$ –	$ 22	$ 744
Amortization	31	–	–	31
September 28, 2019	**$ 753**	**$ –**	**$ 22**	**$ 775**
Carrying amounts				
December 31, 2018	$ 96	$ 9	$ 1	$ 106
September 28, 2019	**$ 72**	**$ 48**	**$ 1**	**$ 121**

(c) Right-of-use assets

(in millions)	Land	Buildings – gross	Buildings – net	Vehicles	Plant equipment	Total
Carrying amounts						
Restated balance at December 31, 2018	$ 118	$ 230	$ 597	$ 34	$ 3	$ 982
Additions	–	49	135	1	1	186
Depreciation	(2)	(19)	(54)	(10)	(2)	(87)
September 28, 2019	**$ 116**	**$ 260**	**$ 678**	**$ 25**	**$ 2**	**$ 1,081**

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

(a) Net defined benefit liability

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

As at (in millions)	**September 28, 2019**	December 31, 2018
Pension benefit assets	**$ 49**	$ 95
Pension benefit liabilities	$ 4,631	$ 2,701
Other post-employment and other long-term benefit liabilities	4,216	3,644
Total pension, other post-employment and other long-term benefit liabilities	$ 8,847	$ 6,345
Current other long-term benefit liabilities	**$ 67**	$ 68
Non-current pension, other post-employment and other long-term benefit liabilities	**$ 8,780**	$ 6,277

(b) Defined benefit and defined contribution costs

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

For the 13 weeks ended (in millions)	**September 28, 2019**			September 29, 2018		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	$ 132	$ 30	$ 162	$ 142	$ 31	$ 173
Interest cost	270	35	305	259	35	294
Interest income on plan assets	(244)	–	(244)	(235)	–	(235)
Actuarial losses[1]	–	–	–	–	3	3
Plan amendments	–	8	8	(13)	3	(10)
Other administration costs	3	–	3	4	–	4
Defined benefit expense	161	73	234	157	72	229
Defined contribution expense	5	–	5	2	–	2
Total expense	166	73	239	159	72	231
Return on segregated securities	–	(4)	(4)	–	(5)	(5)
Component included in employee benefits expense	**$ 166**	**$ 69**	**$ 235**	$ 159	$ 67	$ 226
Remeasurement (gains) losses:						
(Return) loss on plan assets, excluding interest income on plan assets	$ (193)	$ –	$ (193)	$ 137	$ –	$ 137
Actuarial (gains) losses	59	48	107	(895)	(77)	(972)
Component included in other comprehensive (income) loss[2,3]	**$ (134)**	**$ 48**	**$ (86)**	$ (758)	$ (77)	$ (835)

1. Remeasurement for other long-term benefits plans are recognized in net profit (or loss) in the period in which they arise.
2. Amounts presented in this table exclude income tax recovery of $23 million for the 13 weeks ended September 28, 2019 (income tax recovery of $210 million at September 29, 2018).
3. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at September 28, 2019, was 3.0% compared to 3.0% and 3.1% at June 29, 2019. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at September 29, 2018, were 3.9% and 4.0% compared to 3.7% and 3.8% at June 30, 2018.

For the 39 weeks ended	September 28, 2019			September 29, 2018		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	$ 395	$ 87	$ 482	$ 417	$ 88	$ 505
Interest cost	806	105	911	771	105	876
Interest income on plan assets	(731)	–	(731)	(705)	–	(705)
Actuarial losses[1]	–	–	–	–	3	3
Plan amendments	–	8	8	164	26	190
Other administration costs	10	–	10	11	–	11
Defined benefit expense	480	200	680	658	222	880
Defined contribution expense	17	–	17	12	–	12
Total expense	497	200	697	670	222	892
Return on segregated securities	–	(19)	(19)	–	(14)	(14)
Component included in employee benefits expense	**$ 497**	**$ 181**	**$ 678**	$ 670	$ 208	$ 878
Remeasurement (gains) losses:						
Return on plan assets, excluding interest income on plan assets	$ (2,199)	$ –	$ (2,199)	$ (218)	$ –	$ (218)
Actuarial (gains) losses	3,993	493	4,486	(1,434)	(207)	(1,641)
Component included in other comprehensive (income) loss[2,3]	**$ 1,794**	**$ 493**	**$ 2,287**	$ (1,652)	$ (207)	$ (1,859)

1. Remeasurement for other long-term benefits plans are recognized in net profit (or loss) in the period in which they arise.
2. Amounts presented in this table exclude income tax expense of $573 million for the 39 weeks ended September 28, 2019 (income tax recovery of $466 million at September 29, 2018).
3. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at September 28, 2019, was 3.0% compared to 3.8% and 3.9% at December 31, 2018. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at September 29, 2018, were 3.9% and 4.0% compared to 3.8% and 3.9% at December 31, 2018.

During the quarter, benefits for psychological coverage were increased under the Extended Health Care Plan, resulting in a plan amendment loss of $8 million recorded in net loss.

(c) Total cash payments

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

For the	13 weeks ended		39 weeks ended	
	September 28, 2019	September 29, 2018	**September 28, 2019**	September 29, 2018
Benefits paid directly to beneficiaries for other benefit plans	$ 40	$ 37	$ 121	$ 114
Employer regular contributions to pension benefit plans	90	79	249	231
Employer special contributions to pension benefit plans	20	13	49	40
Cash payments for defined benefit plans	150	129	419	385
Contributions to defined contribution plans	5	2	17	12
Total cash payments	**$ 155**	$ 131	**$ 436**	$ 397

During the quarter, retroactive regular contributions of $19 million related to the RSMC pay equity decision were made. The estimates for the Group of Companies' total contributions to the defined benefit pension plans in 2019 did not change significantly from those disclosed in the Corporation's audited consolidated financial statements for the year ended December 31, 2018.

7 Finance Liabilities

(a) Loans and borrowings

As at (in millions)	**September 28, 2019**		December 31, 2018 (Restated – Note 3)	
	Fair value	**Carrying value**	Fair value	Carrying value
Series 1 bonds maturing July 2040, interest at 4.36%, payable semi-annually on January 16 and July 16	$ 683	$ 498	$ 617	$ 498
Series 2 bonds maturing July 2025, interest at 4.08%, payable semi-annually on January 16 and July 16	566	499	553	499
Total loans and borrowings	**$ 1,249**	**$ 997**	$ 1,170	$ 997

(b) Lease liabilities

As at (in millions)	**September 28, 2019**	December 31, 2018 (Restated – Note 3)
Maturity analysis – lease liabilities (undiscounted)		
Less than one year	$ 143	$ 133
One to five years	498	460
More than five years	1,038	974
Total	**$ 1,679**	$ 1,567
Lease liabilities in the statement of financial position (discounted)	**$ 1,266**	$ 1,163
Current lease liabilities	**$ 113**	$ 109
Non-current lease liabilities	**1,153**	1,054

Included in the above table are lease payments (undiscounted lease liabilities) to be made to related parties in the normal course of business, in the amount of $43 million for premises used in postal operations and transportation services (December 31, 2018 – $27 million). Leases that have not yet commenced, but which have been committed to as at September 28, 2019, have future cash outflows of $26 million that are excluded from the measurement of lease liabilities.

(c) Changes in liabilities arising from financing activities

(in millions)	December 31, 2018 (Restated – Note 3)	Payments	Interest	Net lease additions	**September 28, 2019**
Lease liabilities	$ 1,163	$ (113)	$ 29	$ 187	**$ 1,266**

Lease payments made to related parties for the 39 weeks ended September 28, 2019, were $4 million (39 weeks ended September 29, 2018 – $4M).

8 Other Comprehensive Income (Loss)

	Items that may subsequently be reclassified to net profit (loss)			Item never reclassified to net profit (loss)	
For the 39 weeks ended September 28, 2019 (in millions)	Change in unrealized fair value of financial assets	Cumulative foreign currency translation adjustment	Accumulated other comprehensive income	Remeasurements of defined benefit plans	Other comprehensive loss
Accumulated balance as at December 31, 2018	$ 38	$ 5	$ 43		
Gains (losses) arising	$ 40	$ –	$ 40	$ (2,287)	$ (2,247)
Income taxes	(10)	–	(10)	573	563
Net	**$ 30**	**$ –**	**$ 30**	**$ (1,714)**	**$ (1,684)**
Accumulated balance as at September 28, 2019	**$ 68**	**$ 5**	**$ 73**		

For the 39 weeks ended September 29, 2018 (in millions)	Items that may subsequently be reclassified to net profit (loss) Change in unrealized fair value of financial assets	Cumulative foreign currency translation adjustment	Accumulated other comprehensive income	Item never reclassified to net profit (loss) Remeasurements of defined benefit plans	Other comprehensive loss
Accumulated balance as at December 31, 2017	$ 51	$ 3	$ 54		
Gains (losses) arising	$ (21)	$ –	$ (21)	$ 1,859	$ 1,838
Income taxes	5	–	5	(466)	(461)
Net	$ (16)	$ –	$ (16)	$ 1,393	$ 1,377
Accumulated balance as at September 29, 2018	$ 35	$ 3	$ 38		

9. Goodwill

Goodwill was allocated on initial recognition to two cash-generating units, corresponding to the Purolator segment and the Logistics segment. The carrying amounts of goodwill for those segments were as follows:

As at	**September 28, 2019**			December 31, 2018
	Purolator segment	**Logistics segment**	**Total**	Total
Balance, beginning and end of period	$ 121	$ 9	**$ 130**	$ 130

Goodwill impairment testing

Impairment testing for goodwill is carried out annually at the end of the third quarter for the Purolator and Logistics segments. The recoverable amount of each segment was estimated based on its value in use and was determined to be higher than its carrying value. No impairment was recognized in the current or prior comparative period.

The calculation of the value in use for the Purolator segment, the only segment with a material balance, was based on the following assumptions:

- Future cash flows were discounted in determining the value in use. The cash flows were based on Purolator's five-year plan, which was aligned with past experience and the way Purolator was managed. Cash flows were extrapolated in perpetuity using a growth rate of 2.5% (September 29, 2018 – 2.5%), which considered both growth and inflation, and reflected an acceptable percentage given the information and industry standard available at the time of the impairment test.
- The recoverable amount was calculated using a pre-tax discount rate of 16.5% (September 29, 2018 – 15%), which was based on Purolator's weighted average cost of capital.

10 Labour-related Matters

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

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

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

11 Contingent Liabilities

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

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

12 Fair Values and Risks Arising From Financial Instruments

Fair values of financial instruments

The fair values of cash and cash equivalents, marketable securities, segregated securities, trade and other receivables, trade and other payables and salaries and benefits payable and related provisions are a reasonable approximation of their carrying values as presented on the statement of financial position. For the fair value of loans and borrowings, refer to Note 7 (a). Also, these financial instruments are categorized as level 2 in the fair value hierarchy and are applied on a recurring basis. There were no transfers between the levels of the fair value hierarchy during the period ended September 28, 2019.

Financial risk factors

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

(a) Market risk

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

For the 13 weeks ended (in millions)	**September 28, 2019**			September 29, 2018		
	Foreign exchange losses	**Derivative gains (losses)**	**Total**	Foreign exchange gains (losses)	Derivative gains (losses)	Total
Unrealized	$ (1)	$ (1)	$ (2)	$ (5)	$ 6	$ 1
Realized	–	2	2	1	(2)	(1)
Total	**$ (1)**	**$ 1**	**$ –**	$ (4)	$ 4	$ –

For the 39 weeks ended (in millions)	**September 28, 2019**			September 29, 2018		
	Foreign exchange losses	**Derivative gains**	**Total**	Foreign exchange gains	Derivative losses	Total
Unrealized	$ (8)	$ 6	$ (2)	$ 1	$ (2)	$ (1)
Realized	–	2	2	9	(5)	4
Total	**$ (8)**	**$ 8**	**$ –**	$ 10	$ (7)	$ 3

(b) Liquidity risk

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

13 Other Operating Costs

For the	13 weeks ended		39 weeks ended	
	September 28, 2019	September 29, 2018 (Restated – Note 3)	**September 28, 2019**	September 29, 2018 (Restated – Note 3)
Non-labour collection, processing and delivery	$ 370	$ 361	$ 1,125	$ 1,097
Property, facilities and maintenance	63	59	202	193
Selling, administrative and other	144	131	408	392
Other operating costs	**$ 577**	$ 551	**$ 1,735**	$ 1,682

14 Investing and Financing Income (Expense)

For the	13 weeks ended		39 weeks ended	
	September 28, 2019	September 29, 2018 (Restated – Note 3)	**September 28, 2019**	September 29, 2018 (Restated – Note 3)
Interest revenue	$ 14	$ 13	$ 47	$ 34
Gain (loss) on sale of capital assets and assets held for sale	–	(2)	1	(4)
Other income	4	14	4	14
Investment and other income	**$ 18**	$ 25	**$ 52**	$ 44
Interest expense	$ (20)	$ (19)	$ (60)	$ (58)
Other expense	(4)	(4)	(11)	(12)
Finance costs and other expense	**$ (24)**	$ (23)	**$ (71)**	$ (70)
Investing and financing expense, net	**$ (6)**	$ 2	**$ (19)**	$ (26)

15 Related Party Transactions

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

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

For the	13 weeks ended		39 weeks ended	
	September 28, 2019	September 29, 2018 (Restated – Note 3)	**September 28, 2019**	September 29, 2018 (Restated – Note 3)
Related party revenue	**$ 54**	$ 56	**$ 173**	$ 186
Compensation payments for programs				
Government mail and mailing of materials for persons who are blind	**$ 6**	$ 6	**$ 17**	$ 17
Payments from related parties for premises leased from the Corporation	**$ 2**	$ 1	**$ 6**	$ 5
Related party expenditures	**$ 4**	$ 4	**$ 16**	$ 17

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

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

As at (in millions)	**September 28, 2019**	December 31, 2018
Due to/from related parties		
Included in trade and other receivables	**$ 19**	$ 13
Included in trade and other payables	**$ 6**	$ 9
Deferred revenue from related parties	**$ 7**	$ 1

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

In the normal course of business, the Group of Companies may interact with companies whose financial and operating policies are solely or jointly governed by KMP of the Group of Companies. The affected KMP are required to recuse themselves from all discussions and decisions relating to transactions between the companies. The only significant transactions for the 39 weeks ended September 28, 2019, were between Purolator and a company controlled by one of the Group of Companies' KMP, who is a director and also a minority shareholder of Purolator. This company provided air services to Purolator in the amount of $3 million and $10 million for the 13 and 39 weeks ended September 28, 2019, respectively (September 29, 2018 – $5 million and $11 million, respectively). These transactions had been made at prices and terms comparable to those given to other suppliers of Purolator.

(c) Transactions with the Corporation's pension plans

During the 13 and 39 weeks ended September 28, 2019, the Corporation provided administration services to the Canada Post Corporation Registered Pension Plan in the amount of $3 million and $9 million, respectively (September 29, 2018 – $3 million and $9 million, respectively). As at September 28, 2019, $12 million (December 31, 2018 – $14 million) relating to transactions with the Registered Pension Plan is outstanding and included in trade and other receivables.

Cash payments, including contributions to the defined benefit plans and defined contribution plans for the Group of Companies, are disclosed in Note 6 (c).

16 Segmented and Disaggregation of Revenue Information

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

As at and for the 13 weeks ended September 28, 2019
(in millions)

	Canada Post	**Purolator**	**Logistics**	**Other**	**Total**
Revenue from external customers	$ 1,502	$ 467	$ 76	$ –	$ 2,045
Intersegment revenue	15	6	10	(31)	–
Revenue from operations	$ 1,517	$ 473	$ 86	$ (31)	$ 2,045
Labour and employee benefits	$ 1,156	$ 215	$ 42	$ 27	$ 1,440
Other operating costs	418	189	28	(58)	577
Depreciation and amortization	77	24	9	(1)	109
Cost of operations	$ 1,651	$ 428	$ 79	$ (32)	$ 2,126
Profit (loss) from operations	$ (134)	$ 45	$ 7	$ 1	$ (81)
Investment and other income (expense)	$ 17	$ 1	$ (1)	$ 1	$ 18
Finance costs and other expense	(18)	(5)	(1)	–	(24)
Profit (loss) before tax	$ (135)	$ 41	$ 5	$ 2	$ (87)
Tax expense (recovery)	(34)	11	1	–	(22)
Net profit (loss)	$ (101)	$ 30	$ 4	$ 2	$ (65)
Total assets	$ 9,475	$ 1,367	$ 279	$ (311)	$ 10,810
Total liabilities	$ 11,789	$ 747	$ 176	$ (17)	$ 12,695

As at and for the 13 weeks ended September 29, 2018
(in millions, restated – Note 3)

	Canada Post	Purolator	Logistics	Other	Total
Revenue from external customers	$ 1,548	$ 444	$ 70	$ –	$ 2,062
Intersegment revenue	13	4	12	(29)	–
Revenue from operations	$ 1,561	$ 448	$ 82	$ (29)	$ 2,062
Labour and employee benefits	$ 1,194	$ 200	$ 40	$ 27	$ 1,461
Other operating costs	395	182	28	(54)	551
Depreciation and amortization	75	20	7	(1)	101
Cost of operations	$ 1,664	$ 402	$ 75	$ (28)	$ 2,113
Profit (loss) from operations	$ (103)	$ 46	$ 7	$ (1)	$ (51)
Investment and other income (expense)	$ 26	$ (1)	$ –	$ –	$ 25
Finance costs and other expense	(18)	(4)	(1)	–	(23)
Profit (loss) before tax	$ (95)	$ 41	$ 6	$ (1)	$ (49)
Tax expense (recovery)	(23)	10	1	–	(12)
Net profit (loss)	$ (72)	$ 31	$ 5	$ (1)	$ (37)
Total assets	$ 8,408	$ 1,226	$ 242	$ (301)	$ 9,575
Total liabilities	$ 8,072	$ 567	$ 149	$ (2)	$ 8,786

As at and for the 39 weeks ended September 28, 2019
(in millions)

	Canada Post	**Purolator**	**Logistics**	**Other**	**Total**
Revenue from external customers	$ 4,788	$ 1,380	$ 224	$ –	$ 6,392
Intersegment revenue	45	19	27	(91)	–
Revenue from operations	$ 4,833	$ 1,399	$ 251	$ (91)	$ 6,392
Labour and employee benefits	$ 3,493	$ 653	$ 125	$ 84	$ 4,355
Other operating costs	1,265	567	82	(179)	1,735
Depreciation and amortization	230	64	27	(1)	320
Cost of operations	$ 4,988	$ 1,284	$ 234	$ (96)	$ 6,410
Profit (loss) from operations	$ (155)	$ 115	$ 17	$ 5	$ (18)
Investment and other income	$ 47	$ 4	$ –	$ 1	$ 52
Finance costs and other expense	(54)	(14)	(3)	–	(71)
Profit (loss) before tax	$ (162)	$ 105	$ 14	$ 6	$ (37)
Tax expense (recovery)	(41)	28	3	–	(10)
Net profit (loss)	$ (121)	$ 77	$ 11	$ 6	$ (27)
Total assets	$ 9,475	$ 1,367	$ 279	$ (311)	$ 10,810
Total liabilities	$ 11,789	$ 747	$ 176	$ (17)	$ 12,695

As at and for the 39 weeks ended September 29, 2018
(in millions, restated – Note 3)

	Canada Post	Purolator	Logistics	Other	Total
Revenue from external customers	$ 4,864	$ 1,303	$ 198	$ –	$ 6,365
Intersegment revenue	40	15	29	(84)	–
Revenue from operations	$ 4,904	$ 1,318	$ 227	$ (84)	$ 6,365
Labour and employee benefits	$ 3,693	$ 604	$ 114	$ 84	$ 4,495
Other operating costs	1,245	528	76	(167)	1,682
Depreciation and amortization	224	66	20	(2)	308
Cost of operations	$ 5,162	$ 1,198	$ 210	$ (85)	$ 6,485
Profit (loss) from operations	$ (258)	$ 120	$ 17	$ 1	$ (120)
Investment and other income	$ 43	$ –	$ 1	$ –	$ 44
Finance costs and other expense	(55)	(13)	(2)	–	(70)
Profit (loss) before tax	$ (270)	$ 107	$ 16	$ 1	$ (146)
Tax expense (recovery)	(66)	28	4	–	(34)
Net profit (loss)	$ (204)	$ 79	$ 12	$ 1	$ (112)
Total assets	$ 8,408	$ 1,226	$ 242	$ (301)	$ 9,575
Total liabilities	$ 8,072	$ 567	$ 149	$ (2)	$ 8,786

(b) Geographic area revenue information

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

For the 13 weeks ended (in millions)	**September 28, 2019**	September 29, 2018 (Restated – Note 3)
Canada	$ 1,922	$ 1,947
United States	60	58
Rest of the world	63	57
Total revenue	**$ 2,045**	$ 2,062

For the 39 weeks ended (in millions)	**September 28, 2019**	September 29, 2018 (Restated – Note 3)
Canada	$ 6,027	$ 5,989
United States	182	193
Rest of the world	183	183
Total revenue	**$ 6,392**	$ 6,365

(c) Products and services revenue information

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

For the 13 weeks ended September 28, 2019
(in millions)

	Total revenue	Intersegment and consolidation	Revenue from external customers
Revenue attributed on sale			
Transaction Mail	$ 426	$ (1)	$ 425
Parcels	1,154	(27)	1,127
Direct Marketing	247	–	247
Other	117	(69)	48
	$ 1,944	**$ (97)**	**$ 1,847**
Unattributed revenue			
Stamp postage	$ 76	$ –	$ 76
Meter postage	122	–	122
	$ 198	**$ –**	**$ 198**
Total	**$ 2,142**	**$ (97)**	**$ 2,045**

For the 13 weeks ended September 29, 2018
(in millions, restated – Note 3)

	Total revenue	Intersegment and consolidation	Revenue from external customers
Revenue attributed on sale			
Transaction Mail	$ 450	$ –	$ 450
Parcels	1,112	(20)	1,092
Direct Marketing	261	–	261
Other	107	(63)	44
	$ 1,930	$ (83)	$ 1,847
Unattributed revenue			
Stamp postage	$ 84	$ –	$ 84
Meter postage	131	–	131
	$ 215	$ –	$ 215
Total	$ 2,145	$ (83)	$ 2,062

For the 39 weeks ended September 28, 2019
(in millions)

	Total revenue	Intersegment and consolidation	Revenue from external customers
Revenue attributed to products and services			
Transaction Mail	$ 1,457	$ (2)	$ 1,455
Parcels	3,464	(79)	3,385
Direct Marketing	775	–	775
Other	350	(204)	146
	$ 6,046	**$ (285)**	**$ 5,761**
Unattributed revenue			
Stamp postage	$ 232	$ –	$ 232
Meter postage	399	–	399
	$ 631	**$ –**	**$ 631**
Total	**$ 6,677**	**$ (285)**	**$ 6,392**

For the 39 weeks ended September 29, 2018
(in millions, restated – Note 3)

	Total revenue	Intersegment and consolidation	Revenue from external customers
Revenue attributed to products and services			
Transaction Mail	$ 1,480	$ (1)	$ 1,479
Parcels	3,288	(63)	3,225
Direct Marketing	816	–	816
Other	327	(181)	146
	$ 5,911	$ (245)	$ 5,666
Unattributed revenue			
Stamp postage	$ 268	$ –	$ 268
Meter postage	431	–	431
	$ 699	$ –	$ 699
Total	$ 6,610	$ (245)	$ 6,365

(d) Sales channel revenue information

Sales channel revenue is reported for domestic revenue from commercial customers and for domestic retail from sales to consumers. International revenue includes revenue from the United States and the rest of the world as defined in Note 15 (b).

For the 13 weeks ended September 28, 2019
(in millions)

	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**
Domestic			
Commercial	$ 1,457	$ (28)	$ 1,429
Retail	494	–	494
	$ 1,951	$ (28)	$ 1,923
International	$ 123	$ –	$ 123
Other	$ 68	$ (69)	$ (1)
Total	**$ 2,142**	**$ (97)**	**$ 2,045**

For the 13 weeks ended September 29, 2018
(in millions, restated – Note 3)

	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic			
Commercial[1]	$ 1,486	$ (20)	$ 1,466
Retail[1]	488	–	488
	$ 1,974	$ (20)	$ 1,954
International	$ 115	$ –	$ 115
Other	$ 56	$ (63)	$ (7)
Total	$ 2,145	$ (83)	$ 2,062

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

For the 39 weeks ended September 28, 2019
(in millions)

	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic			
Commercial	$ 4,584	$ (81)	$ 4,503
Retail	1,532	–	1,532
	$ 6,116	$ (81)	$ 6,035
International	$ 365	$ –	$ 365
Other	$ 196	$ (204)	$ (8)
Total	**$ 6,677**	**$ (285)**	**$ 6,392**

For the 39 weeks ended September 29, 2018
(in millions, restated – Note 3)

	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic			
Commercial[1]	$ 4,543	$ (65)	$ 4,478
Retail[1]	1,524	–	1,524
	$ 6,067	$ (65)	$ 6,002
International	$ 376	$ –	$ 376
Other	$ 167	$ (180)	$ (13)
Total	$ 6,610	$ (245)	$ 6,365

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

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