2023

Canada Post Corporation

FIRST QUARTER FINANCIAL REPORT

For the period ended April 1, 2023

Financial Performance

CONTENTS

Management's Discussion and Analysis

Unaudited Interim Condensed Consolidated Financial Statements

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) of the financial condition and results of operations is prepared for the 13-week period (first quarter or Q1) ended April 1, 2023, for Canada Post Corporation (Corporation or Canada Post) and its subsidiaries – Purolator Holdings Ltd. (Purolator), SCI Group Inc. (SCI) and Innovapost Inc. (Innovapost). These companies are collectively referred to as the Canada Post Group of Companies or the Group of Companies. Segments are based on the legal entities, Canada Post, Purolator, SCI and Innovapost.

Financial results reported in the MD&A were prepared using International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). Amounts are presented in Canadian dollars, rounded to the nearest million, while related percentages are based on numbers rounded to the nearest thousand. Percentage changes for revenue, volume and cost of operations in this report are adjusted for differences in business or paid days in Q1 2023 compared to Q1 2022. Fewer business days and paid days result in decreased revenue and volume, and decreased cost of operations, respectively, while the opposite is true for additional days. Where these differences impacted financial results, they have been highlighted in this report. These days varied by reporting entity, as follows.

	Business days	**Paid days**
Canada Post Group of Companies and Canada Post	–	–
Purolator	–	–
SCI	+1	+1

This discussion should be read in conjunction with the unaudited condensed consolidated financial statements (interim financial statements) for Q1 2023, which were prepared in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and International Accounting Standard (IAS) 34, "Interim Financial Reporting" of the IFRSs issued by the IASB. We also recommend that this information be read in conjunction with the Corporation's annual consolidated financial statements and MD&A for the year ended December 31, 2022.

Management is responsible for the information presented in the interim financial statements and the MD&A. All references to *our* or *we* mean either Canada Post or, collectively, Canada Post and its subsidiaries, as the context may require. The Board of Directors, on the recommendation of its Audit Committee, approved the content of this MD&A and the interim financial statements May 25, 2023.

Forward-looking statements

The interim financial statements and the MD&A contain forward-looking statements including future-looking financial information or outlooks that reflect management's expectations regarding the Group 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, 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. Readers are cautioned not to place undue reliance on the forward-looking statements.

The forward-looking statements included in the interim financial statements and MD&A are made as of May 25, 2023, and the Corporation does not undertake to publicly update these statements to reflect new information, future events or changes in circumstances or for any other reason after this date.

1. Executive Summary

An overview of the Canada Post Group of Companies and summary of Q1 2023 financial results.

The Group of Companies is one of Canada's largest employers with over 83,600 people (full-time and part-time employees, including temporary, casual and term employees). Canada Post, the largest segment with revenue of $1.8 billion for the first quarter, is a federal Crown corporation, reporting to Parliament through the Minister of Public Services and Procurement. Under the *Canada Post Corporation Act*, Canada Post has a mandate to provide a standard of postal service that meets the needs of Canadians in a secure and financially self-sustaining manner. Canada Post operates the largest retail network in Canada with nearly 6,000 retail post offices across the country.

Canada Post is part of the global postal industry comprising foreign postal administrations (posts) that have traditionally financed their universal service obligation (USO) through a legislated exclusive privilege, or monopoly, over a portion of the postal market. With more people shifting to digital communications, posts continue to experience a structural decline in mail volumes. At the same time, the ecommerce parcel delivery sector has transformed over the past few years, as significant growth in online shopping resulted in increased competition.

Financial and business highlights

Segment results – Profit (loss) before tax

(in millions of dollars)

	First quarter ended			
	April 1, 2023	April 2, 2022	$ change	% change
Canada Post	(107)	(129)	22	17.2%
Purolator	46	28	18	67.6%
SCI	3	2	1	47.4%
Other	–	(1)	1	155.3%
Canada Post Group of Companies	**(58)**	**(100)**	**42**	**42.0%**

The Canada Post Group of Companies' loss before tax was $58 million in the first quarter of 2023, with an increase in profitability of $42 million compared to Q1 2022. The Canada Post segment's loss before tax for the first quarter of 2023 was partly offset by Purolator's and SCI's profit before tax.

Canada Post segment

Financial self-sustainability

Canada Post has a mandate from the Government of Canada to fund its operations with revenue from the sale of products and services, rather than with taxpayer funding, and to conduct its operations on a financially self-sustaining basis. It is increasingly important for us to address the following challenges, which impact our operating environment and ability to return to financial self-sustainability:

- Declining Lettermail™ volumes, financial commitments and capacity constraints are inherent risks to our paper-based business operating model.
- Customer and consumer expectations are on the rise, putting pressure on price, performance, speed and other service options with shipping decisions increasingly influenced by concern about the environmental footprint.
- Competition is intensifying from agile, gig-economy players that have asset-light delivery models and significantly lower-cost structures compared to traditional carriers.

- As an employer, competition for talent is challenging our ability to attract and retain the people we need.
- Building and maintaining relationships with our bargaining agents is critical as we move into upcoming negotiations.

While our Parcels line of business makes up approximately half of our revenue, our market share in the highly competitive delivery market has decreased over the last five years. Although online shopping has slowed recently due to economic uncertainty and the rising cost of living, the ecommerce market is expected to more than double over the next decade, which represents a tremendous growth opportunity for the Corporation.

We submitted to the Government of Canada a strategic plan that addresses our challenges, acknowledges the magnitude and significance of recurring financial losses over the past five years and reinforces the importance of transformation to serve Canadians to remain competitive in the ecommerce parcel delivery market. It is critical that we fully carry out this transformation to remain relevant to Canadians and Canadian businesses.

Revenue by line of business

(in millions of dollars)

	Revenue (in millions of dollars)				**Volume** (in millions of pieces)			
	Q1 2023	Q1 2022	$ change	% change	**Q1 2023**	Q1 2022	Change	% change
Parcels	861	860	1	0.2%	70	75	(5)	(7.6)%
Transaction Mail	665	683	(18)	(2.7)%	633	656	(23)	(3.4)%
Direct Marketing	223	234	(11)	(4.5)%	878	930	(52)	(5.5)%
Other	54	58	(4)	(7.7)%	–	–	–	–
Total	**1,803**	**1,835**	**(32)**	**(1.7)%**	**1,581**	**1,661**	**(80)**	**(4.8)%**

Parcels volumes declined

Parcels revenue was relatively flat with volume declines of 7.6% in Q1 2023 compared to Q1 2022. The competitive landscape continues to evolve with competition from market disrupters and rate shopping as customers look to reduce spending through a prolonged period of economic uncertainty. The financial impact of volume declines was partially mitigated by commercial rate action, proactive management of our commercial customer and product mix to better use existing capacity and fuel surcharges tied to market rates. Inbound volume continues to shift away from Canada Post's network into competitive commercial channels.

Transaction Mail volume erosion continues

Transaction Mail revenue and volumes were down in Q1 2023 compared to Q1 2022 (-2.7% and -3.4%, respectively) as consumers and mailers migrate to digital communications. Maintaining regulated stamp prices at 2020 levels through Q1 2023 also negatively affected revenues.

Direct Marketing affected by economic uncertainty

Direct Marketing revenue and volume declined (-4.5% and -5.5%, respectively) in Q1 2023 compared to Q1 2022. General economic uncertainty, which began in the second half of 2022, continued to impact our customers' marketing budgets.

Decline in costs

(in millions of dollars)

	Q1 2023	Q1 2022	$ change	% change
Total labour and employee benefits	1,204	1,273	(69)	(5.4)%
Total other operating costs	627	595	32	5.5%
Depreciation and amortization	84	81	3	3.2%
Total cost of operations	**1,915**	**1,949**	**(34)**	**(1.7)%**

The cost of operations decreased by $34 million (-1.7%) in Q1 2023, compared to Q1 2022 due to lower employee benefits partly offset by higher non-capital investment costs as we continue to invest in our operations and technology to better serve Canadians.

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

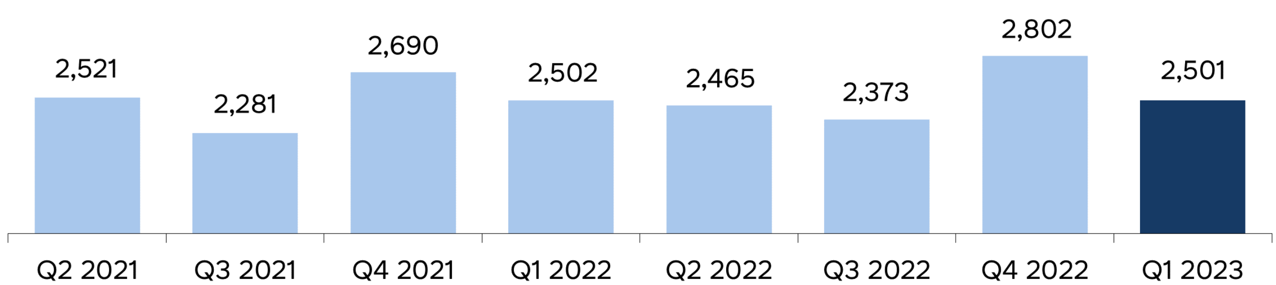
Remeasurement losses of $105 million, net of tax, were recorded in other comprehensive income at April 1, 2023, for the Canada Post segment defined benefit plans. The actuarially determined pension expense recorded in the statement of comprehensive income and regular payments were not affected by these remeasurements. The losses were the result of a decrease in discount rates offset by higher-than-expected asset returns. The solvency surplus (using market value of plan assets) improved to an estimated $2.5 billion from the December 31, 2022, estimate of $2.4 billion due to higher-than-expected asset returns offset by a discount rate decrease. The December 31, 2022, actuarial valuation was filed in April 2023. As the going-concern ratio and solvency ratio (using market value of plan assets) exceeds legislative thresholds, Canada Post is not permitted to make further employer current service contributions for 2023.

Canada Post Group of Companies – 2023

The charts below present a summary of the 2023 consolidated results for the Group of Companies.

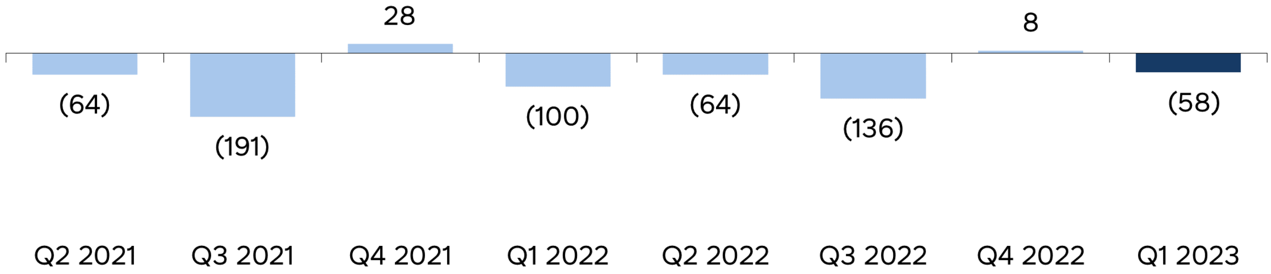
Quarterly consolidated revenue from operations

(in millions of dollars)



Quarterly consolidated profit (loss) before tax

(in millions of dollars)



The following table presents the Group of Companies' consolidated performance for the first quarter of 2023, compared to the same period in the prior year.

(in millions of dollars)

	Apr. 1, 2023	Apr. 2, 2022	$ change	% change	Explanation of significant variances
Consolidated statement of comprehensive income					Discussed in Section 5 Discussion of Operations.
Revenue from operations	2,501	2,502	(1)	(0.0)%	Decline in Transaction Mail and Direct Marketing revenue in the Canada Post segment offset by growth in the Purolator and SCI segments.
Cost of operations	2,560	2,582	(22)	(0.9)%	Lower employee benefits partly offset by higher non-capital investment expenses and labour costs in the Canada Post segment.
Loss from operations	(59)	(80)	21	26.4%	Loss in the Canada Post segment, partially offset by profit in the Purolator and SCI segments.
Loss before tax	(58)	(100)	42	42.0%	
Tax recovery	(13)	(23)	10	44.7%	Lower loss before tax in the Group of Companies.
Net loss	(45)	(77)	32	41.2%	
Comprehensive income (loss)	(141)	2,339	(2,480)	(106.0)%	Remeasurement losses on pension and other post-employment plans from discount rate decreases offset by higher-than-expected asset returns.
Consolidated statement of cash flows					Discussed in Section 6 Liquidity and Capital Resources.
Cash used in operating activities	(34)	(109)	75	68.3%	Improvements in working capital and a decrease in net loss partially offset by lower pension expenses.
Cash used in investing activities	(13)	(124)	111	89.6%	Increase in proceeds (net of acquisitions) of securities partially offset by higher cash paid for capital assets.
Cash used in financing activities	(32)	(32)	–	3.4%	

2. Core Businesses and Strategy

The Government of Canada expects the Corporation to operate in a manner that is financially self-sustaining. There were no significant changes to our core businesses or strategy during the first quarter of 2023. The Corporation submitted to the Government of Canada a strategic plan that acknowledges the magnitude and significance of recurring financial losses over the past five years and reinforces the importance of transformation to serve Canadians.

Canada Post continues work to fulfill its overarching purpose, A Stronger Canada – Delivered, which has three pillars and ten initiatives. By putting Canadians first, building capacity and improving service, we're establishing the path to financial self-sustainability. The graphic below is a visual representation of how our purpose, the pillars of our transformation plan and the elements of our culture – including our values and behaviours – fit together:

Our purpose: A Stronger Canada – Delivered

Our transformation plan

Providing a service all Canadians can count on	Social and environmental leadership	Doing right by our people

Our culture: Stronger together

Our values

Trust | Respect | Deliver

Our behaviours

Make the call	Know the destination	Deliver for others	Ignite our pride

Our progress on initiatives supporting this strategy is included in Section 4 Capabilities.

3. Key Performance Indicators

The Canada Post segment uses senior executive scorecards to monitor performance and progress against strategic priorities tied to our transformation. Regular reporting provides management and the Board of Directors with a comprehensive view of the segment's performance. Our progress and achievements against 2023 targets reflecting our commitment to our people and to social and environmental leadership were as follows.

Key performance indicators		2023 target	Q1 2023 result	Status
Total injury frequency per 100 employees year-over-year improvement		10%	20%	A
Fleet with telematics installed (to date)		5,000	1,514	A
Employee diversity[1]	Indigenous Peoples	3.1%	3.2%	A
	People with disabilities	6.9%	7.9%	A
Greenhouse gas emissions (GHGs)	Scopes 1 and 2 for fleet and buildings[2] (in kilotonnes of carbon dioxide equivalent emissions)	127.0	44.1[3]	A
Electric vehicle (EV) fleet	Number of EVs in our fleet	111	25	A
Digital accessibility	Percentage of digital accessibility across all active digital products	90.8%	88.2%	A
Indigenous procurement	Spending with Indigenous Peoples (percentage of eligible direct expenditure in Indigenous businesses)	3.4%	3.5%	A
Enhanced postal services in Indigenous communities	Number of communities with improved expanded services	25-35	1	A
	Number of engagement discussions	120	35	A
Removal of illicit products from the mail stream in Indigenous communities	Number of pieces inspected and removed	3,050	745	A

A Achieved target within success parameters.

1. Although targets are established for all designated equity groups, the Corporation is above 80% of Canadian Labour Market Availability for women and members of visible minorities. The Corporation does not modify recruitment strategies when the goal is exceeded.
2. Scope 3 emissions, which include all upstream transportation, make up 90% of Canada Post's GHG emissions. As part of our science-based targets (SBTs), we are working with our suppliers toward the goal of having 67% of suppliers, by spend, to set an SBT by 2025. Scope 3 emissions are reported in the annual Sustainability Report.
3. Subject to verification; results impacted by seasonality. The confirmed value for 2023 (full year) will be reported in the *2023 Sustainability Report*.
4. Target for 2023 and 2024 combined. Despite one community expansion completed in Q1 2023, most of the remaining projects are in progress.

4. Capabilities

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

4.1 Doing right by our people

We have a responsibility to keep our customers and employees safe, and to ensure our workforce and culture reflect Canada and the priorities of Canadians. Where significant in the quarter, an update on our progress toward strategic imperatives related to our employees is provided below.

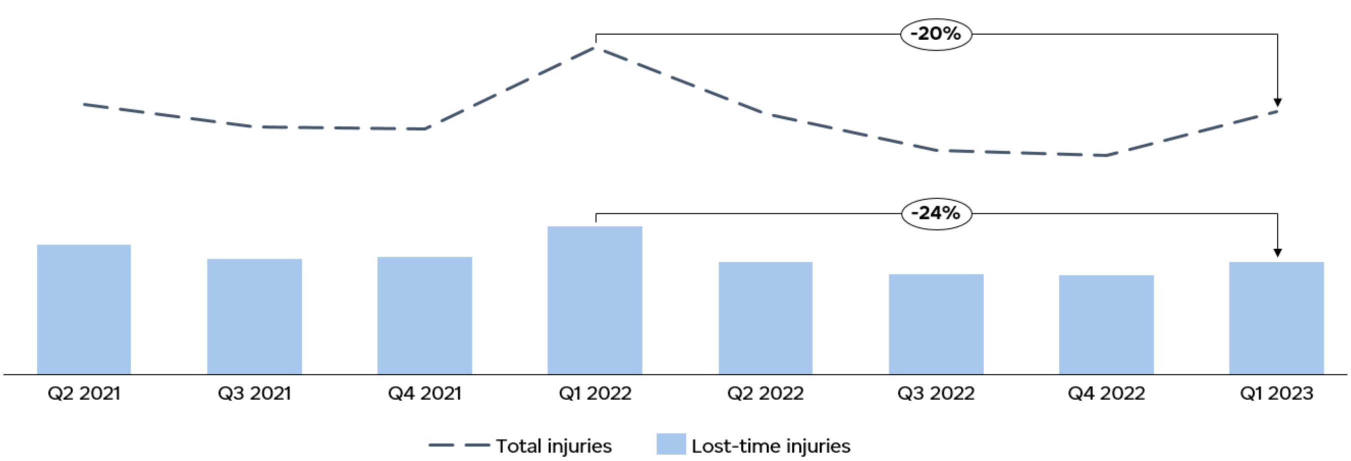
Canada Post segment

In Q1 2023, Canada Post was recognized as a National Capital Region Top Employer, which honours employers in the Ottawa-Gatineau area that lead their industries in offering exceptional places to work. Eight criteria, including employee communications, training and development, and health and family benefits were considered. Employers were compared to other organizations in their field to determine which offered the most progressive and forward-thinking programs. A key pillar of our purpose to deliver a stronger Canada for everyone is doing right by our people, which makes this recognition so meaningful.

Embedding health and safety in our culture

We have a responsibility to keep our employees, our customers and the communities we serve safe. It is our highest priority, and we aim to be a leader in workplace health and safety. In the first quarter of 2023, the total injury frequency rate decreased by 20% over the same period in 2022, and the lost-time injury frequency rate improved by 24%. The overall improvements in safety reflect our reinforcement messaging to our employees and initiatives discussed below.

Injury frequency (% change)



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

- Hosted positive safety interaction (PSI) workshops for non-field employees, which will continue through Q2 2023. PSIs help build the mindset, knowledge and skills to create and sustain a culture of safety leadership at Canada Post. The program is delivered to new and existing employees.

- Subscribed to an external preventative assistance platform to offer proactive and digital mental health training experiences and upskilling for individual employees and work teams. Services are available to teams at pilot locations with the goal to improve workplace psycho-social mental health factors. This action plan was implemented to act on areas of opportunity identified during the first wave of psychological health and safety risk assessment pilots run in 2022 as part of our five-year Mental Health Strategy.
- Shared psychological health and safety videos to help identify workplace factors that promote psychological safety with a focus on work-life balance and promoting awareness of tools and resources.
- Started the second wave of psychological health and safety pilots to identify workplace factors that are linked with mental health.

Road safety

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

- Began to deploy a best-in-class road safety standard, which was enhanced in 2022. This standard will manage transportation risk at Canada Post and within the communities it serves by promoting safety concepts through comprehensive vehicle management, driver training and monitoring processes.
- Communicated refreshed driver life safety rules to employees, with a particular focus on potentially severe consequences of runaway vehicles and the process to properly secure the vehicle at all times.
- Provided refresher training to over 1,000 employees in the areas of vehicle inspection, safe backing, safety talks and team leader support.

Creating a fair and respectful workplace

- Launched "Third Thursdays" as part of the implementation of our new Hybrid Workplace Practice, to find a meaningful way to bring administrative colleagues together in person.
- Conducted a hybrid work experience survey to gather employee feedback on what's going well with the hybrid work environment and where improvements can be made. Results will be analyzed in Q2 2023.
- In March 2023, began welcoming the first wave of employees to our new Albert Jackson Processing Centre, located in northeast Toronto.

Equity, diversity and inclusion

- Established and communicated 2023 equity recruitment goals, which are now being shared with senior leadership, including our Operations leadership.
- Planned Indigenous culture awareness training, which will be deployed quarterly starting in Q2 2023 with sessions in English and French.

Labour and employee relations

Building alignment

In Q1 2023, we continued to dedicate time to work with our bargaining agents to address issues that are important to Canadians, such as:

- Consulted on all safety and staffing matters for the new Albert Jackson Processing Centre in northeast Toronto, which opened to the first wave of employees this quarter.

- Presented the Canadian Union of Postal Workers (CUPW) with a high-level overview of our desired hourly paid model for Rural and Suburban Mail Carriers (RSMC), for further committee review.
- Continued meeting with our various bargaining agents on our broader pay equity plan.
- In March 2023, the Public Service Alliance of Canada (PSAC) withdrew their application to the Canada Industrial Relations Board (CIRB) regarding excluded jobs. Since then, there have been no further discussions on this topic between the Corporation, PSAC and the Association of Postal Officials of Canada (APOC).

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

The collective agreements with CUPW-RSMC and CUPW-UPO expire December 31, 2023, and January 31, 2024, respectively. The Corporation has begun preparation for this round of collective bargaining.

Canadian Postmasters and Assistants Association (CPAA)

The collective agreement with the CPAA expires December 31, 2023. The CPAA represents rural post office postmasters and assistants. The Corporation has begun preparation for this round of collective bargaining.

Purolator segment

Purolator

The collective bargaining process for new agreements to replace those that expired December 31, 2022, between Purolator and PSAC, Unifor and the Canada Council of Teamsters (representing clerical and administrative employees), is progressing. In Q1 2023, two union locals ratified, bringing the total renewed agreements to three out of the nine existing agreements while negotiations are ongoing in other locals. Tentative agreements have been reached in some locals. Further updates are expected to be disclosed in the *Canada Post Corporation 2023 Second Quarter Financial Report*.

4.2 Our network and infrastructure

Canada Post segment

The Canada Post segment operates a vast operating network that requires significant coordination between collection, processing, transportation and delivery activities. With online shopping expected to double over the next decade, we're investing in our operations and technology to handle that growth and better serve Canadians now and in the future.

Service and capacity

In the first quarter of 2023, we focused on the following achievements:

- Opened the $470 million Albert Jackson Processing Centre to our first wave of employees in March, with the second wave and full live operations targeted for Q2 2023. This centre is the largest industrial project in Canada with the Zero Carbon Building Standard designation. With capacity to handle more than a million packages per day, it will also be a critical hub for our entire national network.
- Completed four additional facility expansions in Ontario (Markham, Petawawa), Saskatchewan (Saskatoon) and Quebec (Sainte-Julienne).
- Added approximately 730 indoor and outdoor parcel lockers in apartment buildings, condominiums and at existing delivery points.

Technology

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

- Began to pilot new delivery capabilities that will support Canadian ecommerce businesses, including later induction to enable next-day delivery in major cities across Canada.
- Planned for the testing of weekend delivery in Montréal set to begin in summer 2023, which will enable us to better serve business needs and meet consumer expectations.
- Completed the global design phase of the Experience Transformation (XT) program – a key milestone that determined the future end-state of this major transformation project. In Q2 2023, the program will transition into the execution phase for all major work streams, with deployment of its first early-win transformational milestone – the implementation of a new period-end accounting solution within the Finance organization to streamline the financial close process.

4.3 Our environmental, social and governance priorities

Canada Post segment

Climate action and net-zero roadmap

Canada Post is committed to protecting the environment and helping deliver a sustainable future. We know it is important to our employees, customers and all Canadians. Following the approval of our revised emissions target set in late 2022, Canada Post is one of the first 150 companies in the world to have an officially approved net-zero target. In Q1, we supported the implementation of our net-zero 2050 roadmap, as follows:

- Launched our first electric depot in Nanaimo, B.C, with a fully electric corporate fleet of delivery vehicles.
- Offered carbon-neutral shipping for ground services for packages in our network. Although the need for carbon offsets will diminish over time, as we green our operations and supply chain on the road to net-zero, carbon offsetting works as follows:

Emissions calculated	**Emissions offset**	**Emissions neutralized**
For every kilotonne of greenhouse gas emissions (CO_2e) generated by domestic Regular Parcel™ and Expedited Parcel™ deliveries,	we remove one kilotonne of CO_2e from the atmosphere by purchasing high-quality, verified and accredited carbon offsets.	The environmental projects supported by carbon offset activities neutralize the greenhouse gas emissions created by parcel delivery.

- Received an A score from the Carbon Disclosure Project (CDP) in recognition of our efforts to measure and reduce climate risk within our supply chain. Our goal is to ensure that a minimum of 67% of our suppliers, by spend, set an approved science-based climate target by 2025.

Employee and community engagement

Achievement of our environment, social and governance goals requires engagement by our employees and the communities we serve. Our Q1 2023 achievements:

- Opened applications for the Sustainability Action Fund, a $500,000 annual granting program that enables employees to bring forward and implement projects that support sustainability and employee engagement. This program is a key part of the Canada Post Environmental Action Plan.

- Internally published the Q1 2023 Sustainability newsletter which highlighted the success of innovative efforts across the company that support our sustainability goals.

Accessibility

Canada Post's Accessibility Strategy is to adopt a proactive approach to integrate accessibility improvements across the Corporation for both customers and employees. Progress on adopting this strategy including the following Q1 achievements:

- Added service animals to our post office decal used to display new retail hours of operations.
- Awarded $10,000 for the Canada Post Award for Students with Disabilities.
- Gold sponsor and presenter at the Rick Hansen Foundation Accessibility Professional Network Conference.
- Began 15 accessibility construction projects, completed one accessibility audit and one accessibility construction project.

4.4 Sales channels and product enhancement

Canada Post segment

Retail

For most Canadians, retail is the primary point of contact with Canada Post and our network of almost 6,000 post offices across the country provides important services, parcel and mail pickup and product returns for Canadians. Achievements made during the first quarter of 2023 to improve the customer experience and improve services are included below.

Product and service enhancements

The ecommerce market is expected to more than double in size over the next decade. To improve the customer experience and gain share in a very competitive market, the Corporation continues to invest in innovative products and services. In the first quarter, the Corporation launched parcel returns solutions and experience for our ecommerce merchants and consumers:

- A new return service allows customers to generate a QR code that can be used to print a return shipping label when scanned at the post office. This is especially helpful for our customers who may not have easy access to a printer at home.
- New technology integrates with our customers' own data management systems to improve sortation and processing of returned items.

Indigenous, northern and rural communities

In the first quarter, we continued to implement the retail five-year roadmap of Canada Post's Indigenous and Northern Reconciliation Strategy by working with Indigenous communities to identify areas that are under-served. In Q1 2023, a new post office was opened in the community in Sheshatshui, Newfoundland and Labrador, while several other retail projects are being planned for 2023 implementation.

Financial services

Following a temporary pause to the program in late 2022, Canada Post and TD Bank jointly decided to pause the Canada Post MyMoney™ loan application indefinitely in Q1 2023. While this means the MyMoney loan application will no longer be offered, we are committed to exploring new ways to provide financial services to Canadians.

Online services

After the successful launch of a visualization tool for marketers using the Canada Post Neighbourhood Mail™ services in 2022, we further extended the value of this offering in Q1 2023 to include the Postal Code Targeting™ and Canada Post Personalized Mail™ services. This tool broadens the ability for businesses to focus their direct marketing campaign planning and design by connecting with the right customers, choosing the right direct mail product, and maximize the success of the marketing campaign by using advanced data mapping technologies.

5. Discussion of Operations

A detailed discussion of our financial performance.

5.1 Consolidated results from operations

Consolidated trends

The Group of Companies' consolidated results for the last eight quarters are presented below, highlighting the seasonal nature of its business. Demand for services is highest during the holiday or peak season in the fourth quarter. Volumes typically decline over the following quarters, reaching their lowest level in the third quarter. The Group of Companies' significant fixed costs do not vary in the short term.

(in millions of dollars)

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Revenue from operations	2,501	2,802	2,373	2,465	2,502	2,690	2,281	2,521
Cost of operations	2,560	2,786	2,498	2,512	2,582	2,663	2,457	2,563
Profit (loss) from operations	**(59)**	**16**	**(125)**	**(47)**	**(80)**	**27**	**(176)**	**(42)**
Investing and financing income (expense), net	1	(8)	(11)	(17)	(20)	1	(15)	(22)
Profit (loss) before tax	**(58)**	**8**	**(136)**	**(64)**	**(100)**	**28**	**(191)**	**(64)**
Tax expense (recovery)	(13)	9	(35)	(15)	(23)	6	(46)	(15)
Net profit (loss)	**(45)**	**(1)**	**(101)**	**(49)**	**(77)**	**22**	**(145)**	**(49)**

Consolidated results for the first quarter

(in millions of dollars)

	April 1, 2023	April 2, 2022	$ change	% change
Revenue from operations	2,501	2,502	(1)	(0.0)%
Cost of operations	2,560	2,582	(22)	(0.9)%
Loss from operations	**(59)**	**(80)**	**21**	**26.4%**
Investing and financing income (expense), net	1	(20)	21	106.3%
Loss before tax	**(58)**	**(100)**	**42**	**42.0%**
Tax recovery	(13)	(23)	10	44.7%
Net loss	**(45)**	**(77)**	**32**	**41.2%**
Other comprehensive income (loss)	(96)	2,416	(2,512)	(104.0)%
Comprehensive income (loss)	**(141)**	**2,339**	**(2,480)**	**(106.0)%**

The Canada Post Group of Companies' Q1 2023 loss before tax of $58 million was an improvement of $42 million (+42.0%) over the loss before tax in Q1 2022. A detailed discussion by segment is provided in sections 5.3 to 5.5.

Revenue from operations

Revenue from operations was relatively flat in Q1 2023, compared to Q1 2022, due to declines in Transaction Mail and Direct Marketing in the Canada Post segment, partially offset by growth in the Purolator and SCI segments.

Cost of operations

The cost of operations decreased by $22 million (-0.9%) in Q1 2023 compared to Q1 2022, due to lower employee benefits partly offset by higher non-capital investment expenses and labour costs in the Canada Post segment as well as higher labour and transportation costs in the SCI segment.

Investing and financing income (expense), net

Net investing and financing income increased by $21 million (+106.3%) in 2023, due to an increase in interest income.

Other comprehensive income (loss)

The consolidated other comprehensive loss of $96 million was mainly due to remeasurement losses on pension and other post-employment plans, due to discount rates decreases offset by higher-than-expected asset returns.

5.2 Operating results by segment

Segmented results – Profit (loss) before tax

(in millions of dollars)

	April 1, 2023	April 2, 2022	$ change	% change
Canada Post	(107)	(129)	22	17.2%
Purolator	46	28	18	67.6%
SCI	3	2	1	47.4%
Other	–	(1)	1	155.3%
Canada Post Group of Companies	**(58)**	**(100)**	**42**	**42.0%**

5.3 Canada Post segment

CANADA POST POSTES CANADA

The Canada Post segment's loss before tax of $107 million in Q1 2023 was $22 million better (+17.2%) than the loss in the first quarter of 2022. Lower employee benefits were partly offset by a decline in revenue and higher labour and non-capital investment costs.

Summary of results for the first quarter

(in millions of dollars)

	April 1, 2023	April 2, 2022	$ change	% change
Revenue from operations	1,803	1,835	(32)	(1.7)%
Cost of operations	1,915	1,949	(34)	(1.7)%
Loss from operations	**(112)**	**(114)**	**2**	**1.5%**
Investing and financing income (expense), net	5	(15)	20	138.3%
Loss before tax	**(107)**	**(129)**	**22**	**17.2%**

Revenue from operations

In Q1 2023, total revenue and volumes declined (-1.7% and -4.8%, respectively). Growing competition in the ecommerce parcel delivery sector, combined with economic uncertainty and reduced consumer spending contributed to these results.

	Revenue (in millions of dollars)				**Volume** (in millions of pieces)			
	April 1, 2023	April 2, 2022	$ change	% change	**April 1, 2023**	April 2, 2022	Change	% change
Parcels								
Domestic Parcels	696	693	3	0.4%	57	59	(2)	(3.1)%
Outbound Parcels	77	77	–	(0.6)%	3	3	–	(4.6)%
Inbound Parcels	81	85	(4)	(4.2)%	10	13	(3)	(27.8)%
Other	7	5	2	62.2%	–	–	–	–
Total Parcels	**861**	**860**	**1**	**0.2%**	**70**	**75**	**(5)**	**(7.6)%**
Transaction Mail								
Domestic Lettermail	631	649	(18)	(2.9)%	611	632	(21)	(3.3)%
Outbound Letter-post	19	21	(2)	(7.1)%	9	10	(1)	(8.2)%
Inbound Letter-post	15	13	2	15.8%	13	14	(1)	(7.0)%
Total Transaction Mail	**665**	**683**	**(18)**	**(2.7)%**	**633**	**656**	**(23)**	**(3.4)%**
Direct Marketing								
Personalized Mail™	106	111	(5)	(4.3)%	175	188	(13)	(6.6)%
Neighbourhood Mail™	80	84	(4)	(4.2)%	660	696	(36)	(5.1)%
Total Smartmail Marketing™	**186**	**195**	**(9)**	**(4.2)%**	**835**	**884**	**(49)**	**(5.4)%**
Publications Mail™	29	31	(2)	(6.1)%	40	43	(3)	(7.7)%
Business Reply Mail™ and Other Mail	4	4	–	(2.7)%	3	3	–	(2.5)%
Other	4	4	–	(7.3)%	–	–	–	–
Total Direct Marketing	**223**	**234**	**(11)**	**(4.5)%**	**878**	**930**	**(52)**	**(5.5)%**
Other Revenue	54	58	(4)	(7.7)%	–	–	–	–
Total	**1,803**	**1,835**	**(32)**	**(1.7)%**	**1,581**	**1,661**	**(80)**	**(4.8)%**

Revenue and volumes by line of business

Parcels

Parcels revenue in Q1 2023 was relatively flat with an increase of $1 million (+0.2%) on volume declines of five million pieces (-7.6%) compared to the first quarter of 2022. Details by product category were as follows:

- Domestic Parcels volume declined due to general softness in the ecommerce market. General economic uncertainty that began in the second half of 2022 caused customers to reduce spending through rate shopping. The financial impact of volume declines was lessened by fuel surcharges tied to market variability, commercial rate action and proactive management of our commercial customer and product mix. Online shopping in Canada is expected to more than double over the next decade; as we build capacity in our network through automation and the new Albert Jackson Processing Centre, we will improve efficiencies in our network and enhance our value proposition to better serve customers in the competitive ecommerce market.
- Outbound Parcels revenue (postage revenue collected from domestic customers for parcels destined to foreign postal administrations [posts]) was relatively flat compared to the prior year.
- Inbound Parcels revenue (fees paid to Canada Post by other posts for delivering mail originating outside of Canada) and volume declined. Inbound volume, particularly from the U.S., China, and the U.K., decreased as countries continue to shift away from the postal network into competitive commercial channels and low-cost competitors. Volume declines were positively offset by a change in product mix moving through this channel.
- Other Parcels revenue, which mostly comprises fees from the Customs Postal Inbound Program, increased due to higher volumes of inbound postal items requiring customs and duties collection for which we receive an administration fee per piece.

Transaction Mail

Transaction Mail revenue decreased by $18 million (-2.7%) on volume declines of 23 million pieces (-3.4%), in Q1 2023, compared to Q1 2022. Details by product category were as follows:

- Domestic Lettermail revenue and volumes declined in Q1 2023 as our traditional Lettermail™ service continues to be replaced by digital communications. The impact on revenue from volume declines was compounded by the maintenance of regulated stamp prices at 2020 levels.
- Inbound and Outbound Letter-post volumes declined in Q1 2023 due to increased use of digital alternatives. Outbound Letter-post revenue is collected from domestic customers for mail destined to other posts and Inbound Letter-post revenue is collected by other posts and shared with Canada Post for delivering mail in Canada.

Direct Marketing

Direct Marketing revenue decreased by $11 million (-4.5%) on volume declines of 52 million pieces (-5.5%), in Q1 2023 compared to Q1 2022. Details by product category were as follows:

- Personalized Mail and Neighbourhood Mail revenue and volumes continue to be negatively impacted by economic uncertainty. Declines in consumer spending resulted in pressure on customer marketing campaign budgets; however, the value proposition of our service offering remains strong.
- Publications Mail revenue and volumes were negatively impacted by declines in paper subscriptions and campaigns. Digital publications are increasingly becoming the preferred method of delivery.
- Business Reply Mail, Other Mail and Other products also decreased as a result of fewer Direct Marketing mailings and lower sales of data products.

Other revenue

Other Revenue decreased by $4 million (-7.7%) mainly due to lower use of consumer products and services such as mail forwarding, which is tied to declines in the Canadian housing market.

Cost of operations

In Q1 2023, the Canada Post segment's cost of operations decreased by $34 million (-1.7%) compared to Q1 2022, mainly due to lower employee benefits, which was partly offset by higher non-capital investments and labour costs.

(in millions of dollars)

	April 1, 2023	April 2, 2022	$ change	% change
Labour	966	946	20	2.2%
Employee benefits	238	327	(89)	(27.3)%
Total labour and employee benefits	**1,204**	**1,273**	**(69)**	**(5.4)%**
Non-labour collection, processing and delivery	346	349	(3)	(0.7)%
Property, facilities and maintenance	73	72	1	0.6%
Selling, administrative and IT	130	128	2	2.4%
Non-capital investment expense	78	46	32	68.7%
Total other operating costs	**627**	**595**	**32**	**5.5%**
Depreciation and amortization	84	81	3	3.2%
Total cost of operations	**1,915**	**1,949**	**(34)**	**(1.7)%**

Labour

Q1 2023 labour costs increased by $20 million (+2.2%) compared to Q1 2022, mainly due to wage increases, new leave entitlements and cost of living adjustments, which more than offset savings due to parcel volume declines.

Employee benefits

Employee benefits decreased by $89 million (-27.3%) compared to Q1 2022, primarily due to an increase in discount rates which decreased the non-cash pension and other post-employment expense partially offset by higher health benefit claim costs and increased statutory taxes and deductions due to increased labour costs.

Other operating costs, depreciation and amortization

Changes in these costs in Q1 2023 compared to Q1 2022 were as follows:

- Non-labour collection, processing and delivery costs decreased by $3 million (-0.7%), mainly due to lower transportation costs.
- Selling, administrative and IT expenses increased by $2 million (+2.4%), mainly due to higher IT services costs.
- Non-capital investment expenses increased by $32 million (+68.7%) due to investments such as the upgrade and enhancement of our end-of-life enterprise resource planning (ERP) system through the Experience Transformation initiative.
- The depreciation and amortization expense increased by $3 million (+3.2%) due to capital asset investments in 2022.

5.4 Purolator segment

The Purolator segment's profit before tax increased by $18 million (+67.6%) in Q1 2023 compared to Q1 2022.

Summary of results

(in millions of dollars)

	April 1, 2023	April 2, 2022	$ change	% change
Revenue from operations	658	638	20	3.1%
Cost of operations	608	607	1	0.1%
Profit from operations	**50**	**31**	**19**	**60.1%**
Investing and financing income (expense), net	(4)	(3)	(1)	(7.2)%
Profit before tax	**46**	**28**	**18**	**67.6%**

Revenue from operations increased by $20 million (+3.1%) in Q1 2023, compared to Q1 2022, due to an increase in yield in the express segment and fuel revenue driven by higher fuel prices. Volume in the express market decreased by 7.9% compared to the same period in the prior year, mainly in the business-to-consumer express market as consumer behaviour shifted more toward in-store shopping with the lifting of COVID-19 measures.

Total labour was relatively flat with labour cost increases of $4 million (+1.7%) offset by employee benefit decreases of $4 million (-6.6%), due to an increase in discount rates. Non-labour costs were relatively flat with an increase of $1 million (+0.4%) compared to Q1 2022.

5.5 SCI segment

We'll make you even better.

In the first quarter of 2023, SCI's profit before tax increased by $1 million (+47.4%) compared to the same period in the prior year. In Q1 2023, for the SCI segment there was one more business day and one more paid day compared to Q1 2022. Additional business days and paid days result in increased revenue and volume, and increased cost of operations, respectively.

Summary of results

(in millions of dollars)

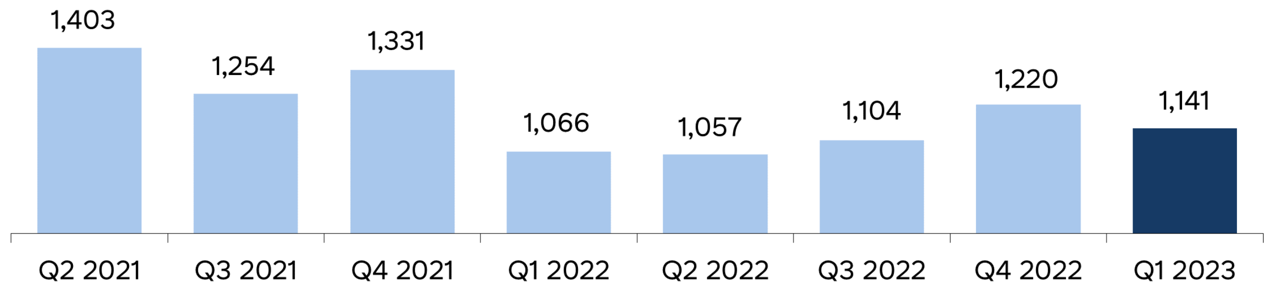
	April 1, 2023	April 2, 2022	$ change	% change
Revenue from operations	80	74	6	8.1%
Cost of operations	77	71	6	7.8%
Profit from operations	**3**	**3**	**–**	**19.3%**
Investing and financing income (expense), net	–	(1)	1	52.8%
Profit before tax	**3**	**2**	**1**	**47.4%**

Higher volumes from existing customers and new business generated a net increase in revenue from operations of $6 million (+8.1%) compared to Q1 2022. Higher labour and transportation costs were incurred; as a result, cost of operations increased by $6 million (+7.8%) compared to the same period in 2022.

6. Liquidity and Capital Resources

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

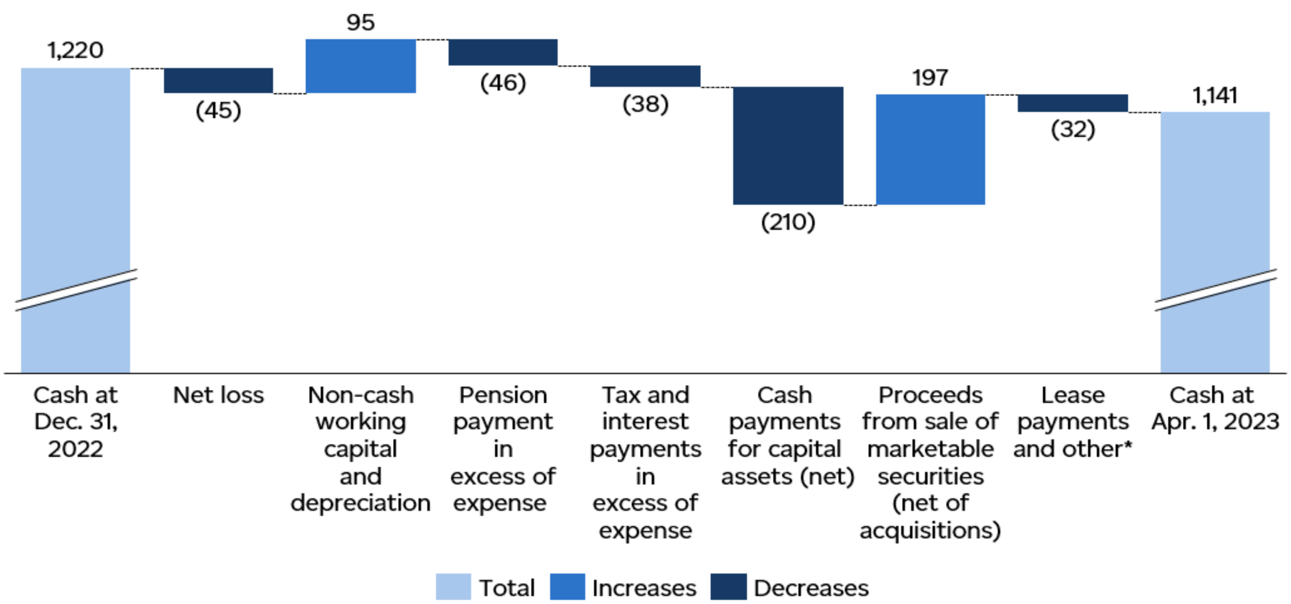
6.1 Cash and cash equivalents



The Group of Companies held cash and cash equivalents of $1,141 million as at April 1, 2023, compared to $1,220 million as at December 31, 2022. The decrease of $79 million (-6.4%) is due to cash used in operating ($34 million), financing ($32 million) and investing ($13 million) activities, as shown below.

Change in cash and cash equivalents for the 13 weeks ended April 1, 2023.

(in millions of dollars)



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

Consolidated statement of cash flows

(in millions of dollars)

	April 1, 2023	April 2, 2022	$ change	% change	Explanation
Cash used in operating activities	(34)	(109)	75	68.3%	Improvements in working capital, lower operating losses, and taxes paid, partially offset by decreased pension expenses.
Cash used in investing activities	(13)	(124)	111	89.6%	Lower purchases and higher proceeds from the sale of securities partially offset by higher cash payments for capital assets.
Cash used in financing activities	(32)	(32)	–	3.4%	Relatively unchanged.

Capital expenditures

(in millions of dollars)*

	April 1, 2023	April 2, 2022	$ change	% change
Canada Post	89	94	(5)	(4.7)%
Purolator	52	40	12	27.6%
SCI	1	2	(1)	(31.7)%
Canada Post Group of Companies	**142**	**136**	**6**	**4.4%**

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

Capital expenditures for the Group of Companies increased by $6 million in Q1 2023, compared to Q1 2022, due to increased spending in the Purolator segment partially offset by decreased spending in the Canada Post segment.

Canada Post segment

The Canada Post segment invested $167 million in Q1 2023, with capital and non-capital investments of $89 million, and $78 million, respectively. Compared to Q1 2022, total investments increased by $27 million, with increases in non-capital investments partially offset by the capital portion. Capital purchases were lower largely due to decreased spending on the Albert Jackson Processing Centre as it nears completion and becomes operational in early 2023.

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

- Modernized technical platforms across multiple business processes through the upgrade of our enterprise resource planning (ERP) system.
- Replenished vehicles and enhanced the efficiency of our last-mile fleet by exploring clean energy alternatives, including the launch of our first all-electric delivery fleet at our depot in Nanaimo, B.C.
- Added capacity through investments in delivery programs and sortation.
- Replenished obsolete street furniture modules and installed parcel lockers.
- Modernized our applications, infrastructure and customer-facing platforms.

6.2 Canada Post Corporation Registered Pension Plan

Funding status and solvency relief

In April 2023, Canada Post filed the actuarial valuation of the Canada Post Corporation Registered Pension Plan (RPP) as at December 31, 2022, with the federal pension regulator, the Office of the Superintendent of Financial Institutions. The valuation disclosed a going-concern surplus of $6.5 billion (ratio of 127%) and a solvency surplus of $2.2 billion (using market value of plan assets; ratio of 108%). As these ratios exceed 125% and 105%, respectively, Canada Post is required to make mandatory use of the surplus and is not permitted to make further employer current service contributions. This position will be reassessed when the December 31, 2023, valuation is completed in 2024. The solvency deficit (using the three-year average solvency ratio basis) is $1.8 billion (solvency ratio of 94%) at December 31, 2022. However, under the *Canada Post Corporation Pension Plan Funding Regulations*, Canada Post has temporary relief from its solvency funding obligations until December 31, 2024. Without this relief, Canada Post would have been required to make special solvency payments of $354 million for 2023.

At the end of the quarter, the solvency surplus (using market value of plan assets) of the Canada Post Corporation Registered Pension Plan (RPP) was estimated at $2.5 billion, an improvement of over $100 million compared to the 2022 year-end estimate, primarily due to higher-than-expected asset returns offset by a discount rate decrease.

Remeasurements

On an accounting basis, a remeasurement loss of $64 million for the RPP, net of tax, was recorded in other comprehensive income, due to a discount rate decrease, offset by higher-than-expected asset returns.

Contributions

Current service contributions amounted to $69 million in Q1 2023 (Q1 2022 – $75 million).

6.3 Liquidity and capital resources

Liquidity

The Canada Post segment had $1,677 million of unrestricted liquid investments on hand as at April 1, 2023, for a net liquidity position of $679 million (2022 – $923 million), after outstanding loans and borrowings of $998 million (2022 – $998 million). The decline in the segment's net liquidity position of $244 million is due to operating losses and higher costs to expand capacity and sustain the network. The segment also had $100 million in lines of credit established under a short-term borrowing authority approved by the Minister of Finance (all undrawn).

The Corporation's subsidiaries had a total of $358 million of unrestricted cash on hand and undrawn credit facilities of $155 million as at April 1, 2023, ensuring sufficient liquidity to support operations for at least the next 12 months.

Access to capital markets

With $998 million of borrowings as at April 1, 2023, the Canada Post segment had $1,502 million of its $2.5 billion external borrowing limit that had not been used. The Corporation funded itself primarily through the use of cash on hand, funds generated from operations and the pension plan funding relief permitted by legislation.

7. Changes in Financial Position

A discussion of significant changes in our assets and liabilities between April 1, 2023, and December 31, 2022.

(in millions of dollars)

ASSETS	**Apr. 1, 2023**	Dec. 31, 2022	$ change	% change	Explanation of significant variances
Cash and cash equivalents	1,141	1,220	(79)	(6.4)%	Refer to Section 6 Liquidity and Capital Resources.
Marketable securities	894	1,025	(131)	(12.9)%	Maturities and lower purchases of marketable securities.
Trade and other receivables and contract assets	983	1,053	(70)	(6.7)%	Lower receivables in the Purolator segment.
Income tax receivable	42	42	–	2.2%	
Other assets	132	139	(7)	(4.2)%	Decrease in prepaid expenses in the Canada Post and Purolator segments.
Total current assets	**3,192**	**3,479**	**(287)**	**(8.2)%**	
Marketable securities	–	58	(58)	(100.0)%	Bonds maturing within the year.
Property, plant and equipment	3,827	3,779	48	1.3%	Acquisitions in excess of depreciation.
Intangible assets	204	196	8	4.4%	Increase in software under development.
Right-of-use assets	1,367	1,384	(17)	(1.3)%	Depreciation exceeding new leases and lease renewals in all segments.
Segregated securities	388	373	15	4.0%	Unrealized gains in the Canada Post segment recorded in other comprehensive income.
Pension benefit assets	4,923	4,933	(10)	(0.2)%	Remeasurement losses in the Canada Post Registered Pension Plan (RPP).
Deferred tax assets	3	3	–	7.7%	
Goodwill	130	130	–	–	
Other assets	50	52	(2)	(1.7)%	
Total non-current assets	**10,892**	**10,908**	**(16)**	**(0.1)%**	
Total assets	**14,084**	**14,387**	**(303)**	**(2.1)%**	

(in millions of dollars)

LIABILITIES	Apr. 1, 2023	Dec. 31, 2022	$ change	% change	Explanation of significant variances
Trade and other payables	891	1,015	(124)	(12.2)%	Lower expenses and timing in all segments.
Salaries and benefits payable and related provisions	581	651	(70)	(10.9)%	Lower accrued salaries and benefits in the Canada Post segment.
Provisions	59	55	4	7.1%	Increased provisions in the Purolator and Canada Post segments.
Income tax payable	2	2	–	24.8%	
Deferred revenue	176	166	10	5.7%	Higher deferred revenue in the Canada Post segment.
Lease liabilities	129	129	–	0.3%	
Other long-term benefit liabilities	56	56	–	0.1%	
Total current liabilities	**1,894**	**2,074**	**(180)**	**(8.7)%**	
Lease liabilities	1,439	1,454	(15)	(1.0)%	Lease payments exceeding new leases and lease renewals in all segments.
Loans and borrowings	998	998	–	0.0%	
Pension, other post-employment and other long-term benefit liabilities	2,932	2,847	85	3.0%	Remeasurement losses resulting from a decrease in discount rates on other post-employment plans.
Deferred tax liability	480	536	(56)	(10.4)%	Remeasurement losses in pension and other post-employment plans, driven by a decrease in the discount rate.
Other liabilities	50	46	4	7.9%	Higher employee share ownership plan liability in the Purolator segment.
Total non-current liabilities	**5,899**	**5,881**	**18**	**0.3%**	
Total liabilities	**7,793**	**7,955**	**(162)**	**(2.0)%**	
EQUITY					
Contributed capital	1,155	1,155	–	–	
Accumulated other comprehensive income (loss)	–	(10)	10	105.0%	Unrealized gains on segregated securities for dental, term life, and death benefit plans in the Canada Post segment.
Accumulated surplus	5,060	5,214	(154)	(2.9)%	Pension and other post-employment remeasurement losses.
Equity of Canada	**6,215**	**6,359**	**(144)**	**(2.3)%**	
Non-controlling interests	76	73	3	3.2%	
Total equity	**6,291**	**6,432**	**(141)**	**(2.2)%**	
Total liabilities and equity	**14,084**	**14,387**	**(303)**	**(2.1)%**	

8. Risks and Risk Management

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

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

In the 2022 annual MD&A, we provided a detailed review of the risks that could materially affect our business. There were no new developments in our emerging or principal risks in the first quarter of 2023.

9. Critical Accounting Policies and Estimates and Internal Controls

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

9.1 Critical accounting policies and estimates

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

The preparation of the Corporation's consolidated financial statements requires management to make complex or subjective judgments, estimates and assumptions based on existing knowledge that affect reported amounts and disclosures in the consolidated financial statements and accompanying notes. Actual results could require a considerable change in reported amounts and disclosures in the consolidated financial statements of future periods. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects current and future periods.

The Group 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 2022 Annual MD&A and Note 4 Critical Accounting Estimates and Judgments of the 2022 consolidated financial statements in addition to Note 2 Basis of Presentation in this first quarter financial report.

9.2 Internal controls

During the first quarter of 2023, there were no changes in internal control over financial reporting that materially affected, or were reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Management's Responsibility for Interim Financial Reporting

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

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

President and Chief Executive Officer

Chief Financial Officer

May 25, 2023

Interim Condensed Consolidated Statement of Financial Position

(Unaudited – in millions of Canadian dollars)

	As at April 1, 2023	As at December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	**1,141**	1,220
Marketable securities	**894**	1,025
Trade, other receivables and contract assets	**983**	1,053
Income tax receivable	**42**	42
Other assets (Note 4)	**132**	139
Total current assets	**3,192**	3,479
Non-current assets		
Marketable securities	**–**	58
Property, plant and equipment (Note 5)	**3,827**	3,779
Intangible assets (Note 5)	**204**	196
Right-of-use assets (Note 5)	**1,367**	1,384
Segregated securities	**388**	373
Pension benefit assets (Note 6)	**4,923**	4,933
Deferred tax assets	**3**	3
Goodwill	**130**	130
Other assets (Note 4)	**50**	52
Total non-current assets	**10,892**	10,908
Total assets	**14,084**	14,387
Liabilities and equity		
Current liabilities		
Trade and other payables	**891**	1,015
Salaries and benefits payable and related provisions	**581**	651
Provisions	**59**	55
Income tax payable	**2**	2
Deferred revenue	**176**	166
Lease liabilities (Note 7)	**129**	129
Other long-term benefit liabilities (Note 6)	**56**	56
Total current liabilities	**1,894**	2,074
Non-current liabilities		
Lease liabilities (Note 7)	**1,439**	1,454
Loans and borrowings	**998**	998
Pension, other post-employment and other long-term benefit liabilities (Note 6)	**2,932**	2,847
Deferred tax liabilities	**480**	536
Other liabilities	**50**	46
Total non-current liabilities	**5,899**	5,881
Total liabilities	**7,793**	7,955
Equity		
Contributed capital	**1,155**	1,155
Accumulated other comprehensive income (loss) (Note 11)	**–**	(10)
Accumulated surplus	**5,060**	5,214
Equity of Canada	**6,215**	**6,359**
Non-controlling interests	**76**	73
Total equity	**6,291**	6,432
Total liabilities and equity	**14,084**	14,387

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

Interim Condensed Consolidated Statement of Comprehensive Income

(Unaudited – in millions of Canadian dollars)

	For the 13 weeks ended April 1, 2023	For the 13 weeks ended April 2, 2022
Revenue from operations (Note 8)	**2,501**	2,502
Cost of operations		
Labour	**1,259**	1,230
Employee benefits	**309**	402
	1,568	1,632
Other operating costs (Note 9)	**871**	837
Depreciation and amortization (Note 5)	**121**	113
Total cost of operations	**2,560**	2,582
Loss from operations	**(59)**	(80)
Investing and financing income (expense)		
Investment and other income (Note 10)	**26**	5
Finance costs and other expense (Note 10)	**(25)**	(25)
Investing and financing income (expense), net	**1**	(20)
Loss before tax	**(58)**	(100)
Tax recovery	**(13)**	(23)
Net loss	**(45)**	(77)
Other comprehensive income (Note 11)		
Items that may subsequently be reclassified to net profit (loss)		
Change in unrealized fair value of financial assets	**10**	(40)
Item never reclassified to net profit (loss)		
Remeasurements of defined benefit plans	**(106)**	2,456
Other comprehensive income (loss)	**(96)**	2,416
Comprehensive income (loss)	**(141)**	2,339
Net profit (loss) attributable to		
Government of Canada	**(48)**	(78)
Non-controlling interests	**3**	1
	(45)	(77)
Comprehensive income (loss) attributable to		
Government of Canada	**(144)**	2,333
Non-controlling interests	**3**	6
	(141)	2,339

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

Interim Condensed Consolidated Statement of Changes in Equity

(Unaudited – in millions of Canadian dollars)

For the 13 weeks ended April 1, 2023	Contributed capital	Accumulated other comprehensive income (loss)	Retained earnings	Equity of Canada	Non-controlling interests	Total equity
Balance at December 31, 2022	**1,155**	**(10)**	**5,214**	**6,359**	**73**	**6,432**
Net profit (loss)	**–**	**–**	**(48)**	**(48)**	**3**	**(45)**
Other comprehensive income (loss) (Note 11)	**–**	**10**	**(106)**	**(96)**	**–**	**(96)**
Comprehensive income (loss)	**–**	**10**	**(154)**	**(144)**	**3**	**(141)**
Balance at April 1, 2023	**1,155**	**–**	**5,060**	**6,215**	**76**	**6,291**

For the 13 weeks ended April 2, 2022	Contributed capital	Accumulated other comprehensive income	Retained earnings	Equity of Canada	Non-controlling interests	Total equity
Balance at December 31, 2021	1,155	59	1,811	3,025	60	3,085
Net profit (loss)	–	–	(78)	(78)	1	(77)
Other comprehensive income (loss) (Note 11)	–	(40)	2,451	2,411	5	2,416
Comprehensive income (loss)	–	(40)	2,373	2,333	6	2,339
Balance at April 2, 2022	1,155	19	4,184	5,358	66	5,424

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

Interim Condensed Consolidated Statement of Cash Flows

(Unaudited – in millions of Canadian dollars)

	For the 13 weeks ended April 1, 2023	For the 13 weeks ended April 2, 2022
Cash flows from operating activities		
Net loss	**(45)**	(77)
Adjustments to reconcile net profit to cash provided by operating activities:		
Depreciation and amortization (Note 5)	**121**	113
Pension, other post-employment and other long-term benefit expense (Note 6)	**99**	208
Pension, other post-employment and other long-term benefit payments (Note 6)	**(145)**	(156)
Tax recovery and other items affecting net income tax receivable	**(13)**	(23)
Net interest (income) expense (Note 10)	**(3)**	15
Change in non-cash operating working capital:		
Decrease in trade and other receivables	**71**	74
Decrease in trade and other payables	**(46)**	(78)
Decrease in salaries and benefits payable and related provisions	**(70)**	(104)
Increase (decrease) in provisions	**3**	(2)
Net decrease (increase) in other non-cash operating working capital	**18**	(17)
Other (income) expense not affecting cash, net	**(2)**	6
Cash used in operating activities before interest and tax	**(12)**	(41)
Interest received	**22**	5
Interest paid	**(32)**	(31)
Tax paid	**(12)**	(42)
Cash used in operating activities	**(34)**	(109)
Cash flows from investing activities		
Acquisition of securities	**(189)**	(270)
Proceeds from sale of securities	**386**	282
Cash payments for capital assets	**(210)**	(136)
Cash used in investing activities	**(13)**	(124)
Cash flows from financing activities		
Payments of lease liabilities, net of sublease proceeds	**(32)**	(32)
Cash used in financing activities	**(32)**	(32)
Net decrease in cash and cash equivalents	**(79)**	(265)
Cash and cash equivalents, beginning of period	**1,220**	1,331
Cash and cash equivalents, end of period	**1,141**	1,066

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

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the 13 weeks ended April 1, 2023

1. Incorporation, Business Activities and Directives

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

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

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

2. Basis of Presentation

Statement of compliance • The Corporation has prepared its unaudited interim condensed consolidated financial statements (interim financial statements) in compliance with IAS 34 "Interim Financial Reporting" of the International Financial Reporting Standards (IFRSs), and the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports. As permitted under this standard, these interim financial statements do not include all of the disclosures required for annual consolidated financial statements, and they should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2022. They were approved and authorized for issue by the Board of Directors May 25, 2023.

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

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

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

Significant accounting policies • Significant accounting policies used in these interim financial statements are disclosed in Note 3 of the Corporation's annual consolidated financial statements for the year ended December 31, 2022. The accounting policies have been applied consistently to all periods presented, unless otherwise indicated.

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if revisions affect only that period, or in the period of revision and future periods if revisions affect both current and future periods. Critical judgments and key sources of estimation uncertainty are disclosed in Note 4 of the Corporation's annual consolidated financial statements for the year ended December 31, 2022. There are no significant changes to these judgments or sources of estimation uncertainty in the 13 weeks ending April 1, 2023.

3. Application of New and Revised International Financial Reporting Standards

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

The following applicable amendments issued by the International Accounting Standards Board (IASB) that required mandatory adoption by the Group of Companies on or after January 1, 2023, resulted in no changes in the Corporation's interim financial statements:

Standard	Subject matter and significance
IAS 1 "Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current"	Amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations considered for the settlement of a liability.
IAS 1 "Presentation of Financial Statements – Disclosure of Accounting Policies" and IFRS Practice Statement 2 "Making Materiality Judgments"	Amendments require that an entity disclose its material accounting policies, instead of its significant accounting policies. IFRS Practice Statement 2 was amended to include guidance and examples to explain and demonstrate the application of the four-step materiality process.
IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates"	Amendments replace the definition of a change in accounting estimates with a definition that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. Amendments clarify that a change in accounting estimates resulting from new information or new developments is not the correction of an error. Further, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior-period errors.
IAS 12 "Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	Amendments clarify that the initial recognition exception does not apply to transactions such as leases and decommissioning obligations, where equal amounts of deductible and taxable temporary differences arise on initial recognition. It is a matter of judgment whether payments that settle a liability are deductions attributable (for tax purposes) to the liability (and interest expense) or to the related asset component (and interest expense).

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

Other than those disclosed in Note 5 (b) of the Corporation's annual consolidated financial statements for the year ended December 31, 2022, there were no other new standards, amendments and interpretations issued by the IASB or the Interpretations Committee that would have a possible effect on the Group of Companies in the future.

4. Other Assets

(in millions)

	As at April 1, 2023	As at December 31, 2022
Prepaid expenses	**141**	147
Assets held for sale	**1**	1
Other receivables	**40**	43
Total other assets	**182**	191
Current other assets	**132**	139
Non-current other assets	**50**	52

As at April 1, 2023, all properties classified as held for sale were from the Canada Post segment. It is anticipated that the carrying amount of the properties will be fully recovered through the sale proceeds.

5. Capital Assets

(a) Property, plant and equipment

(in millions)

	Land	Buildings	Leasehold improvements	Plant equipment	Vehicles	Sales counters, office furniture and equipment	Other equipment	Assets under development	Total
Cost									
December 31, 2022	482	2,520	397	1,413	820	340	1,292	409	7,673
Additions	–	26	3	3	27	2	29	32	122
Reclassified as held for sale	–	(1)	–	–	–	–	–	–	(1)
Retirements	–	–	(1)	(22)	(4)	(23)	(1)	–	(51)
Transfers	–	87	11	106	–	1	–	(205)	–
April 1, 2023	**482**	**2,632**	**410**	**1,500**	**843**	**320**	**1,320**	**236**	**7,743**
Accumulated depreciation									
December 31, 2022	–	1,355	292	897	480	269	601	–	3,894
Depreciation	–	15	5	20	14	5	15	–	74
Reclassified as held for sale	–	(1)	–	–	–	–	–	–	(1)
Retirements	–	–	(1)	(22)	(4)	(23)	(1)	–	(51)
April 1, 2023	**–**	**1,369**	**296**	**895**	**490**	**251**	**615**	**–**	**3,916**
Carrying amounts									
December 31, 2022	482	1,165	105	516	340	71	691	409	3,779
April 1, 2023	**482**	**1,263**	**114**	**605**	**353**	**69**	**705**	**236**	**3,827**

(b) Intangible assets

(in millions)

	Software	Software under development	Customer contracts and relationships	Total
Cost				
December 31, 2022	979	92	22	1,093
Additions	1	19	–	20
Transfers	10	(10)	–	–
April 1, 2023	**990**	**101**	**22**	**1,113**
Accumulated amortization				
December 31, 2022	875	–	22	897
Amortization	12	–	–	12
April 1, 2023	**887**	**–**	**22**	**909**
Carrying amounts				
December 31, 2022	104	92	–	196
April 1, 2023	**103**	**101**	**–**	**204**

(c) Right-of-use assets

(in millions)

	Land	Buildings – gross	Buildings – net	Vehicles	Plant equipment	Total
Carrying amounts						
December 31, 2022	113	316	945	8	2	1,384
Additions	–	4	18	–	–	22
Depreciation	(1)	(7)	(26)	(1)	–	(35)
Terminations	(4)	–	–	–	–	(4)
April 1, 2023	**108**	**313**	**937**	**7**	**2**	**1,367**

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

(a) Net defined benefit liability

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

(in millions)

	As at April 1, 2023	As at December 31, 2022
Pension benefit assets	**4,923**	4,933
Pension benefit liabilities	4	3
Other post-employment and other long-term benefit liabilities	2,984	2,900
Total pension, other post-employment and other long-term benefit liabilities	2,988	2,903
Current other long-term benefit liabilities	**56**	56
Non-current pension, other post-employment and other long-term benefit liabilities	**2,932**	2,847

(b) Defined benefit and defined contribution costs

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

(in millions)

	For the 13 weeks ended April 1, 2023			For the 13 weeks ended April 2, 2022		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	93	20	113	161	30	191
Interest cost	334	37	371	227	29	256
Interest income on plan assets	(400)	–	(400)	(239)	–	(239)
Other administration costs	4	–	4	4	–	4
Actuarial gains[1]	–	–	–	–	(14)	(14)
Defined benefit expense	31	57	88	153	45	198
Defined contribution expense	11	–	11	10	–	10
Total expense	42	57	99	163	45	208
Return on segregated securities	–	(4)	(4)	–	(4)	(4)
Component included in employee benefits expense	**42**	**53**	**95**	**163**	**41**	**204**
Remeasurement (gains) losses:						
Return on plan assets, excluding interest income on plan assets	(737)	–	(737)	1,807	–	1,807
Actuarial (gains) losses	807	71	878	(4,484)	(598)	(5,082)
Component included in other comprehensive income[2,3]	**70**	**71**	**141**	**(2,677)**	**(598)**	**(3,275)**

1. Remeasurements for other long-term benefit plans are recognized in net profit (or loss) in the period in which they arise. Due to the immaterial change in the discount rate from December 31, 2022 (5.23%), the Canada Post segment other long-term benefit plans were not remeasured at April 1, 2023 (4.05% at April 2, 2022, compared to 5.23% at December 31, 2022).
2. Amounts presented in this table exclude income tax recovery of $35 million for the 13 weeks ended April 1, 2023 (April 2, 2022 – expense of $819 million).
3. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at April 1, 2023, were 5.04% and 5.06% compared to 5.27% and 5.28%, respectively, at December 31, 2022, and 4.30% and 4.33%, respectively, at April 2, 2022, compared to 3.22% and 3.26%, respectively, at December 31, 2021.

(c) Total cash payments and funding relief

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

(in millions)

	For the 13 weeks ended April 1, 2023	For the 13 weeks ended April 2, 2022
Benefits paid directly to beneficiaries for other benefit plans	43	38
Employer regular contributions to pension benefit plans	86	93
Employer special contributions to pension benefit plans	5	15
Cash payments for defined benefit plans	134	146
Contributions to defined contribution plans	11	10
Total cash payments	**145**	**156**

In April 2023, Canada Post filed the actuarial valuation of the Canada Post Corporation Registered Pension Plan (RPP) as at December 31, 2022, with the federal pension regulator, the Office of the Superintendent of Financial Institutions. The valuation disclosed a going-concern surplus of $6.5 billion (ratio of 127%) and a solvency surplus of $2.2 billion (using market value of plan assets; ratio of 108%). As these ratios exceed 125% and 105%, respectively, Canada Post is required to make mandatory use of the surplus and is not permitted to make further employer current service contributions. This position will be reassessed when the December 31, 2023 valuation is completed in 2024.

Under the *Canada Post Corporation Pension Plan Funding Regulations*, Canada Post has temporary relief from its solvency funding obligations until December 31, 2024. Without this relief, Canada Post would have been required to make special solvency payments of $354 million for 2023.

7. Lease Liabilities

(a) Lease liabilities

(in millions)

	As at April 1, 2023	As at December 31, 2022
Maturity analysis – contractual undiscounted cash flows[1,2]		
Less than one year	**175**	149
One to five years	**605**	632
More than five years	**1,305**	1,320
Total undiscounted lease liabilities	**2,085**	2,101
Lease liabilities in the consolidated statement of financial position	**1,568**	1,583
Current lease liabilities	**129**	129
Non-current lease liabilities	**1,439**	1,454

1. Included in the above table are lease payments (undiscounted cash flows) to be made to related parties in the normal course of business, in the amount of $25 million for premises used in postal operations (December 31, 2022 – $27 million).
2. Leases that have not yet commenced, but which have been committed to as at April 1, 2023, have future cash outflows of $70 million that are included in the above maturity analysis, but they are excluded from the measurement of lease liabilities (December 31, 2022 – $71 million).

(b) Changes in liabilities arising from financing activities

(in millions)

	December 31, 2022	Payments	Interest	Net lease additions	**April 1, 2023**
Lease liabilities	1,583	(40)	8	17	**1,568**

8. Disaggregation of Revenue

(a) Geographic area revenue

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

(in millions)

	For the 13 weeks ended April 1, 2023	For the 13 weeks ended April 2, 2022
Canada	2,393	2,394
United States	65	69
Rest of the world	43	39
Total revenue	**2,501**	2,502

(b) Products and services revenue

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

(in millions)

	For the 13 weeks ended April 1, 2023			For the 13 weeks ended April 2, 2022		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Revenue attributed to products and services						
Parcels	1,595	(40)	1,555	1,556	(45)	1,511
Transaction Mail	506	–	506	526	–	526
Direct Marketing	223	–	223	234	–	234
Other revenue	139	(87)	52	128	(74)	54
	2,463	(127)	2,336	2,444	(119)	2,325
Unattributed revenue						
Stamp postage	65	–	65	73	–	73
Meter postage	100	–	100	104	–	104
	165	–	165	177	–	177
Total	**2,628**	**(127)**	**2,501**	2,621	(119)	2,502

(c) Sales channel revenue

Sales channel revenue is reported for domestic revenue from commercial customers and for domestic retail from sales to consumers. International revenue includes revenue from the United States and the rest of the world as defined in Note 8 (a).

(in millions)

	For the 13 weeks ended April 1, 2023			For the 13 weeks ended April 2, 2022		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic						
Commercial	1,829	(40)	1,789	1,781	(45)	1,736
Retail	604	–	604	658	–	658
	2,433	(40)	2,393	2,439	(45)	2,394
International	106	–	106	108	–	108
Other	89	(87)	2	74	(74)	–
Total	**2,628**	**(127)**	**2,501**	2,621	(119)	2,502

9. Other Operating Costs

(in millions)

	For the 13 weeks ended April 1, 2023	For the 13 weeks ended April 2, 2022
Non-labour collection, processing and delivery	540	550
Property, facilities and maintenance	98	94
Selling, administrative and IT	155	147
Non-capital investment expense	78	46
Other operating costs	**871**	837

10. Investing and Financing Income (Expense)

(in millions)

	For the 13 weeks ended April 1, 2023	For the 13 weeks ended April 2, 2022
Interest income	25	5
Other Income	1	–
Investment and other income	**26**	5
Interest expense	(22)	(20)
Other expense	(3)	(5)
Finance costs and other expense	**(25)**	(25)
Investing and financing income (expense), net	**1**	(20)

11. Other Comprehensive Income

(in millions)

	Items that may subsequently be reclassified to net profit (loss)			Item never reclassified to net profit (loss)	
	Change in unrealized fair value of financial assets	Cumulative foreign currency translation adjustment	Accumulated other comprehensive income (loss)	Remeasurements of defined benefit plans	Other comprehensive income (loss)
Accumulated balance as at December 31, 2022	(14)	4	(10)		
Gains (losses) arising	14	–	14	(141)	(127)
Income taxes	(4)	–	(4)	35	31
Net	**10**	**–**	**10**	**(106)**	**(96)**
Accumulated balance as at April 1, 2023	**(4)**	**4**	**–**		

12. Related Party Transactions

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

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

(in millions)

	For the 13 weeks ended April 1, 2023	For the 13 weeks ended April 2, 2022
Related party revenue	**88**	68
Compensation payments for programs		
Government mail and mailing of materials for persons who are blind	**6**	6
Payments from related parties for premises leased from the Corporation	**2**	2
Related party expenditures	**3**	6

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

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

	As at April 1, 2023	As at December 31, 2022
Due to/from related parties		
Included in trade and other receivables	**30**	20
Included in trade and other payables	**10**	14
Deferred revenue from related parties	**2**	1

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

In the normal course of business, the Group of Companies may interact with companies whose financial and operating policies are solely or jointly governed by key management personnel (KMP) of the Group of Companies. The affected KMP are required to recuse themselves from all discussions and decisions relating to transactions between the companies. The only significant transactions for the 13 weeks ended April 1, 2023, were between Purolator and a company controlled by one of the Group of Companies' KMP, who is a director and also a minority shareholder of Purolator. This company provided air services to Purolator in the amount of $4 million (April 2, 2022 – $4 million). These transactions had been made at prices and terms comparable to those given to other suppliers of Purolator.

(c) Transactions with the Corporation's pension plans

During the 13 weeks ended April 1, 2023, the Corporation provided administration services to the Canada Post Corporation Registered Pension Plan in the amount of $4 million (April 2, 2022 – $3 million). As at April 1, 2023, $12 million (December 31, 2022 – $12 million) relating to transactions with the Registered Pension Plan is outstanding and included in trade and other receivables. Cash payments, including contributions to the defined benefit plans and defined contribution plans for the Group of Companies, are disclosed in Note 6 (c).

13. Segmented Information

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

As at and for the 13 weeks ended April 1, 2023

(in millions)

	Canada Post	Purolator	SCI	Other	Total
Revenue from external customers	1,781	648	72	–	2,501
Intersegment revenue	22	10	8	(40)	–
Revenue from operations	1,803	658	80	(40)	2,501
Labour and employee benefits	1,204	298	36	30	1,568
Other operating costs	627	284	31	(71)	871
Depreciation and amortization	84	26	10	1	121
Cost of operations	1,915	608	77	(40)	2,560
Profit (loss) from operations	(112)	50	3	–	(59)
Investment and other income	22	3	1	–	26
Finance costs and other expense	(17)	(7)	(1)	–	(25)
Profit (loss) before tax	(107)	46	3	–	(58)
Tax expense (recovery)	(27)	13	1	–	(13)
Net profit (loss)	(80)	33	2	–	(45)
Total assets	11,944	2,150	308	(318)	14,084
Total liabilities	6,736	918	166	(27)	7,793

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

(in millions)

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

CANADA POST
2701 RIVERSIDE DR SUITE N1200
OTTAWA ON K1A 0B1

General inquiries: 1-866-607-6301

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

Ce rapport est aussi publié en français.