
# 2021

## Canada Post Corporation

**THIRD QUARTER**
FINANCIAL REPORT

For the period ended October 2, 2021

# Contents

## Management's Discussion and Analysis



## Interim Condensed Consolidated Financial Statements

# 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 October 2, 2021, for Canada Post Corporation (Corporation or Canada Post) and its subsidiaries – Purolator Holdings Ltd. (Purolator), SCI Group Inc. (SCI) and Innovapost Inc. (Innovapost). These companies are collectively referred to as the Canada Post Group of Companies or the Group of Companies. Segments are based on the legal entities, Canada Post, Purolator, SCI and Innovapost.

Financial results reported in the MD&A were prepared using International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). Amounts are presented in Canadian dollars rounded to the nearest million, while related percentages are based on numbers rounded to the nearest thousand. Percentages are adjusted for business or paid days, where applicable. In the third quarter and the year to date of 2021, there were differences, which varied by company, in business days (extra days result in increased revenue, while fewer days result in decreased revenue) and paid days (extra days result in increased cost of operations, while fewer days result in decreased cost of operations) compared to the same periods in 2020. Where the differences in business or paid days were material to our financial results, they have been highlighted in this report.

This discussion should be read in conjunction with the unaudited interim condensed consolidated financial statements (interim financial statements) for the third quarter of 2021, 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, 2020.

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 November 18, 2021.

## Forward-looking statements

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

The forward-looking statements included in the interim financial statements and MD&A are made as of November 18, 2021, 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.

COVID-19, which was declared a pandemic in March 2020, had a significant and material impact on our 2020 financial performance and continues to have an impact on our business in 2021. The impact on the Canadian and global economies, including our business, in 2021 and thereafter remains uncertain. Canada Post follows the direction of the Public Health Agency of Canada and public health authorities across the country.

# 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 almost 68,000 people. Canada Post, the largest segment with revenue of $5.4 billion for the first three quarters (71.7% of the Group of Companies revenue, after excluding intersegment revenue), is a federal Crown corporation, reporting to Parliament through the Minister of Public Services and Procurement. 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 approximately 6,000 retail post offices in the country.

Canada Post is part of the global postal industry comprising foreign postal administrations (posts). All posts have traditionally financed their universal service obligation (USO) through a legislated exclusive privilege, or monopoly over a portion of the postal market. However, the value of the exclusive privilege has diminished due to the accelerated pace at which Canadians are adopting ecommerce. With more people shifting to the internet and smart mobile devices to communicate and transact, posts continue to experience a structural decline in mail volumes as customers shift to digital alternatives. We can no longer rely on Transaction Mail as our primary source of revenue.

This shift has also created a highly competitive parcel delivery landscape. There has been a rise in the gig economy and competition continues to intensify from an increasing number of agile companies, which have asset-light delivery models and significantly lower cost structures compared to traditional carriers. Competitors are also expanding their reach to fulfillment and self-delivery.

Our long-standing mandate is to serve every Canadian address and achieve financial self-sustainability. Rapidly declining Lettermail™ volumes, financial commitments such as funding the pension obligation, expanding the delivery network and maintaining success in a highly competitive parcel industry are challenges that may put the Corporation's long-term financial self-sustainability at risk. The Corporation is aware of these structural challenges, the inherent risks in our business model and the magnitude and significance of recurring financial losses that have occurred and is committed to implementing a plan to address them. Canada Post is investing to support innovation and grow the business and is pursuing improved efficiency, productivity and cost competitiveness in its operations.

## 1.1 Significant changes and business developments

### Canada Post segment

***COVID-19***

The impact of COVID-19 on revenue and volumes affected the current and comparative periods in different ways. As the pandemic took hold over a year ago, our Transaction Mail and Direct Marketing declined substantially, while Parcels volumes soared as Canadians pivoted to shopping from home when stores were closed. Year-over-year comparisons in this Report are, therefore, greatly influenced by the unique circumstances of the prior year. We believe that some of the changes to our volumes and product mix in 2020 were part of a sustained shift to ecommerce, as consumers accelerated their adoption and frequency of online shopping by several years, while businesses continued to migrate to digital communication instead of Lettermail. Our capacity remained strained by heavy parcel volumes and we are working hard to address these challenges. Compared to pre-pandemic results, higher labour costs were incurred due to special employee leave and increased parcel volumes. Higher costs persist to ensure best practices for health and safety are followed for our employees and Canadians.

We continue to review and adjust modifications we made last year in response to COVID-19 to provide timely, reliable service to Canadians. In the third quarter, we safely resumed the delivery of proof-of-age, signature and customs-owing items. The revised process includes delivering items to the door of homes that have their own outdoor entrance where delivery agents can stay outdoors to perform the delivery. After a successful pilot, we have updated the process to minimize contact between employees and customers through verbal signature and other safety measures. We have adapted our work centres and are confident in our network capacity to process the volumes, so we have also resumed on-time delivery guarantees for parcels shipped within Canada. These guarantees apply to our current delivery standards, which had been extended by one day in September 2020. International on-time delivery guarantees remain suspended. We are assessing each rollback against the guidelines established by the Public Health Agency of Canada.

In the fourth quarter of 2021, Canada Post formalized a vaccination practice in line with the federal government's approach, after consultations with all bargaining agents. The practice requires all employees to be fully vaccinated. It came into effect on October 29, and all employees are expected to be compliant by November 26, 2021.

### *Labour matters*

#### Labour relations

Ratification by members was confirmed on September 7, 2021, for new two-year renewal agreements for employees represented by the Canadian Union of Postal Workers – Urban Postal Operations (CUPW-UPO) and Rural and Suburban Mail Carriers (CUPW-RSMC). The agreements are in effect until December 31, 2023 (RSMC), and January 31, 2024 (Urban) and include a 2% increase in wages, a one-time non-pensionable lump sum payment and other changes. CUPW represents plant and retail employees as well as letter carriers and mail service couriers.

#### Health and safety

We believe that all occupational injuries, illnesses and incidents in every facet of our operation are preventable and we aim for zero harm. For the first three quarters of 2021, our total injury frequency, lost-time injury frequency and severity of lost-time injuries improved compared to the same period in 2020. As provinces began to modify COVID-19 restrictions, we launched a 10-phase de-escalation of safety protocols for procedures such as delivery modifications and travel restrictions. In the fourth quarter, Canada Post formalized a vaccination practice in line with the federal government's approach, after consultations with all bargaining agents and requires all employees to be fully vaccinated. Our top priority during this challenging time remains the health and safety of our employees and Canadians. Finally, as part of the continuous improvement of our mental health strategy, and in support of the psychological health of Canada Post employees, the domestic violence prevention and support program was launched in the third quarter.

### *Capital investment*

Focused on implementing solutions to address operational capacity to support e-commerce growth, we invested $108 million and $305 million, in Q3 and year to date, respectively, in 2021. These values exclude non-capital investments, which are recorded in the statement of comprehensive income under selling, administrative and other expenses. In the third quarter, we completed two of three construction phases of the new Ontario East Processing Centre, added or upgraded street furniture and various types of parcel lockers, upgraded our fleet, made improvements to facilities and modernized our retail network.

## 1.2 Financial highlights

### Segment results – Profit (loss) before tax

(in millions of dollars)

| | Third quarter ended | | | | Year to date ended | | | |
|---|---|---|---|---|---|---|---|---|
| | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change |
| Canada Post | (264) | (265) | 1 | 0.3% | (492) | (709) | 217 | 30.5% |
| Purolator | 65 | 42 | 23 | 53.9% | 193 | 91 | 102 | 111.3% |
| SCI | 7 | 6 | 1 | 0.4% | 22 | 12 | 10 | 76.1% |
| Other | 1 | 1 | – | 99.7% | 3 | 4 | (1) | 0.8% |
| **Canada Post Group of Companies** | **(191)** | **(216)** | **25** | **11.2%** | **(274)** | **(602)** | **328** | **54.4%** |

The Canada Post Group of Companies loss before tax was $191 million in the third quarter of 2021, an improvement of $25 million compared to Q3 2020. The Canada Post segment's loss before tax for the third quarter of $264 million was partly offset by Purolator's and SCI's profit before tax of $65 million and $7 million, respectively. The factors causing the Canada Post segment's financial results are recurring and a loss would have been incurred, regardless of the impact of COVID-19.

For the year to date, the Group of Companies recorded a loss before tax of $274 million, an improvement of $328 million compared to the same period in 2020. The Canada Post segment contributed $492 million toward this loss in 2021.

## Canada Post segment

(in millions of dollars)

| Revenue by line of business | Third quarter ended | | | | Year to date ended | | | |
|---|---|---|---|---|---|---|---|---|
| | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change[1] | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change[1] |
| Parcels | 774 | 805 | (31) | (5.3)% | 2,642 | 2,335 | 307 | 11.4% |
| Transaction Mail | 566 | 545 | 21 | 2.4% | 1,901 | 1,847 | 54 | 1.3% |
| Direct Marketing | 229 | 187 | 42 | 20.3% | 663 | 563 | 100 | 15.9% |
| Other | 54 | 49 | 5 | 8.7% | 193 | 153 | 40 | 23.8% |
| **Total** | **1,623** | **1,586** | **37** | **0.8%** | **5,399** | **4,898** | **501** | **8.5%** |

For the third quarter and year to date of 2021, revenue in the Canada Post segment was $37 million higher (+0.8%) and $501 million higher (+8.5%), respectively, than in the same periods of 2020. While parcel revenues declined in Q3, the impact of the 2021 federal election mailing on the Transaction Mail business and a partial recovery of Direct Marketing contributed to the overall increase in revenue. Year-to-date results were positively affected by parcel growth and the effects of the 2021 Census and the federal election. One and three additional business days positively affected the quarter and year-to-date period, respectively. Year-over-year comparisons reflect the impact that COVID-19 has had on the volumes and revenue of our lines of business since Q1 2020. These effects continued through Q3 2020, the comparative period.

In 2021, Parcels revenue declined by $31 million (-5.3%) in the third quarter and grew by $307 million (+11.4%) for the year to date, compared to the same periods in 2020. These revenue comparisons are significantly influenced by 2020 Parcels volumes that strained our capacity due to the surge in consumer ecommerce during 2020. Growth slowed in Q2 2021 and declined in Q3 as stores began to reopen for in-person shopping and due to global supply chain issues which negatively affected inbound volumes. Despite volume declines in the third quarter, our Parcels revenue was positively affected by proactively managing the use of available capacity through our commercial customer and product mix. Our capacity remained strained through 2021 and the Corporation is making investments to improve processing capacity and efficiencies for this line of business.

Transaction Mail revenue increased by $21 million (+2.4%) in Q3 2021 compared to Q3 2020, and by $54 million (+1.3%) for the year to date compared to the same period in the prior year, due in part to the 2021 Census mailing in Q2 and the federal election mailing in Q3. However, these events were partially offset by continuing erosion in this line of business as consumers and mailers migrated to digital alternatives, a trend which COVID-19 has accelerated. Unlike previous years, the Corporation decided because of COVID-19 to maintain regulated stamp prices at 2020 levels through 2021, while minimizing the impact of other price changes.

Direct Marketing revenue increased $42 million (+20.3%) in the third quarter and by $100 million (+15.9%) for the year to date compared to the same periods in 2020. COVID-19 resulted in the delay or cancellation of marketing campaigns through 2020, and this continued into 2021 due in part to retailers experiencing global supply chain issues which are likely to continue into Q4; however, we began to see some recovery in this line of business in Q2 and Q3 2021.

The cost of operations in the Canada Post segment increased by $32 million (+1.8%) in the third quarter and increased by $275 million (+3.3%) for the year to date of 2021 compared to the same periods in 2020. These increases were driven by annual wage increases, including the one-time non-pensionable lump sum payment that was part of the recently ratified collective agreement with CUPW and labour and non-labour collection, processing and delivery costs, including transportation. The arbitrator's decision for new collective agreements with CUPW added $134 million of costs year to date in 2020, mostly due to a plan amendment for post-employment healthcare benefits for past service. Excluding the impact of the 2020 arbitrator's decision, cost of operations increased by $409 million for the year to date compared to the same period in 2020.The accelerated shift in our business from mail to parcels continues to put pressure on our capacity, processing and delivery costs. Cost increases for the year-to-date period are also affected by three additional paid days in 2021 compared to the prior year.

At the end of the third quarter, discount rates used to measure solvency status of the Canada Post Corporation Registered Pension Plan (RPP) and record remeasurements for pension, other post-employment and other long-term benefit plans increased compared to the second quarter and remain higher than rates observed at year end. Pension asset returns have improved compared to the second quarter. These factors resulted in the solvency deficit (using market value of plan assets) improving to an estimated $3.3 billion at the end of the third quarter from the December 31, 2020, valuation of $7.4 billion. On an accounting basis and in the third quarter, remeasurement gains were recorded in other comprehensive income for the Group of Companies' defined benefit plans of $1,037 million, net of tax. For the period ending October 2, 2021, the actuarially determined pension expense recorded in the statement of comprehensive income and regular payments were not affected by these remeasurements.

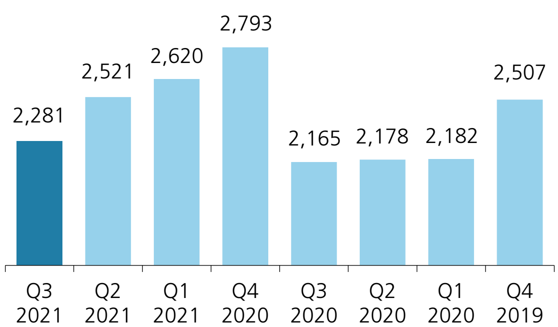
Canada Post is not required to make solvency special payments for 2021; however, market volatility could have a significant effect on solvency payments for 2022 and thereafter if temporary relief is not provided. Canada Post continues to work with its shareholder, the Government of Canada, on the Corporation's request for temporary relief from making future payments.

## Canada Post Group of Companies – 2021

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.

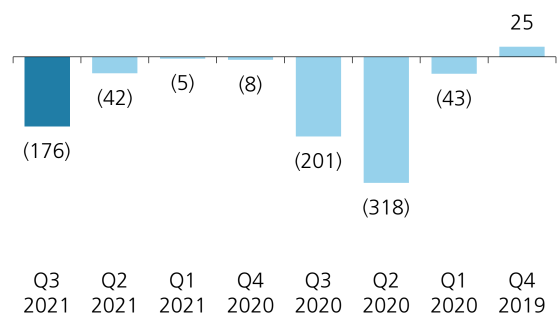
**Quarterly consolidated revenue from operations**

(in millions of dollars)



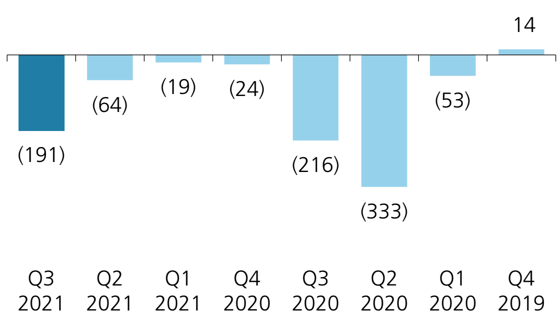

**Quarterly consolidated profit (loss) from operations**

(in millions of dollars)



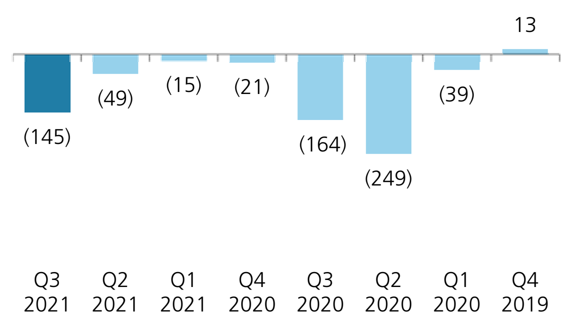

**Quarterly consolidated profit (loss) before tax**

(in millions of dollars)




**Quarterly consolidated net profit (loss)**

(in millions of dollars)



The following table presents the Group of Companies consolidated performance for the third quarter and the year to date of 2021, compared to the same periods in the prior year.

(in millions of dollars)

| | Third quarter ended | | | | Year to date ended | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change | Explanation of change |
| **Consolidated statement of comprehensive income** | | | | | | | | | Highlights, as discussed in Section 5 Discussion of Operations. |
| Revenue from operations | 2,281 | 2,165 | 116 | 3.7%[1] | 7,422 | 6,525 | 897 | 12.0%[1] | Growth in all segments. |
| Cost of operations | 2,457 | 2,366 | 91 | 3.9% | 7,645 | 7,087 | 558 | 6.2%[1] | Higher expenses in all segments due to labour and employee benefits, and volume growth. |
| Loss from operations | (176) | (201) | 25 | 12.3% | (223) | (562) | 339 | 60.3% | Mainly due to a loss in the Canada Post segment, partially offset by profit in the Purolator and SCI segments. |
| Loss before tax | (191) | (216) | 25 | 11.2% | (274) | (602) | 328 | 54.4% | |
| Net loss | (145) | (164) | 19 | 11.7% | (209) | (452) | 243 | 53.8% | |
| Comprehensive income (loss) | 886 | (85) | 971 | * | 4,080 | (1,527) | 5,607 | * | Mainly due to remeasurement gains on pension and other post-employment plans from discount rate increases and higher than expected asset returns compared to discount rate decreases and smaller year-to-date asset returns in the prior year. |
| **Consolidated statement of cash flows** | | | | | | | | | Highlights, as discussed in Section 6 Liquidity and Capital Resources. |
| Cash provided by operating activities | 30 | 7 | 23 | 388.4% | 294 | 390 | (96) | (24.6)% | For Q3, primarily due to the 2021 election mailing and a partial recovery in direct marketing. For the year to date, primarily due to changes in working capital and higher pension payments, partially offset by revenue growth in the Canada Post and Purolator segments. |
| Cash used in investing activities | (152) | (35) | (117) | (335.6)% | (418) | (351) | (67) | (18.9)% | Mainly due to lower proceeds from the sale of securities and higher acquisitions of capital assets. |
| Cash used in financing activities | (30) | (29) | (1) | (10.4)% | (88) | (83) | (5) | (6.9)% | No material change. |

* The calculation is not mathematically meaningful.

## 2. Core Businesses and Strategy

*A discussion of Canada Post's business and strategy*

As disclosed in the 2021 Second Quarter Financial Report, Canada Post communicated a plan to help the postal service meet Canadians' changing needs for service, such as the growth in ecommerce, meet Canadians' heightened expectations for environmental and social leadership, and do the right things for its tens of thousands of employees.

To help us fulfill our overarching purpose, A Stronger Canada – Delivered, these three pillars have several initiatives, including those summarized below. We believe that delivering on these three pillars will not hinder our ability to reach financial self-sustainability.

*Providing a service all Canadians can count on*

- We plan to invest $4 billion over the next five years to build capacity in order to meet the growing demand for parcel delivery, improve service, modernize our network, renew our fleet and green our operations.
- We are improving service and tracking, because Canadians want more control and visibility in every delivery.
- We are also investing in our retail network to support the diverse needs of Canadians.
- We are investing in our network as well as new products, services and solutions to help Canada's small and medium-sized businesses succeed and face new challenges.
- We are improving the customer experience by providing more convenience, customization and reliability throughout the ecommerce journey.

*Committed to social and environmental leadership*

- We are investing to reduce our environmental impact and help to deliver a sustainable future. We are committed to action across four key areas of climate action, zero waste, sustainable delivery and employee engagement around the environment.
- Our social-purpose commitments include creating a workplace that reflects equity, diversity and inclusion.
- We have strategies to become more accessible for Canadians and to foster reconciliation with Indigenous peoples by improving postal services in Indigenous and northern communities and procurement from Indigenous-owned business and other initiatives.

*Doing right by our people*

- We are embedding health and safety – a top priority – in our culture.
- We are dedicated to working with our bargaining agents in a spirit of partnership across several areas, including collective bargaining.
- We are focused on creating a fair and respectful workplace with engaged employees. Our many efforts include an Anti-Racism Action Plan based on collaboration with bargaining agents and feedback from employees.

## 3. Key Performance Drivers

*A discussion of Canada Post's key achievements in 2021*

Performance scorecards monitoring progress against strategic priorities are reported monthly to senior management of the Canada Post segment. A summary of our progress toward achieving our 2021 strategic plans during the third quarter is included below and is aligned with our purpose, A Stronger Canada – Delivered.

### Providing a service all Canadians can count on

#### *Expanding capacity*

Completed two of three construction phases of the new Ontario East Processing Centre, with equipment installation under way; targeting a launch in the fall of 2022.

To support the 2021 peak season, hired 3,500 additional temporary workers, rented over 1,400 vehicles and added eight additional delivery facilities, four processing facilities and almost 2,800 additional scanning devices (portable data terminals and wearable scanners.)

Completed installation of the new parcel sorter in Kitchener, with launch delayed to Q4.

Selected a partner for automated guided vehicles with contract to be executed in Q4.

#### *Improving service and tracking*

Installed nearly 2,400 indoor parcel lockers to date in 2021 in apartments and condominiums to support the growth of online shopping across Canada.

Continued deployment of parcel locker modules at existing community mailbox sites nationally with over 794 installed to date in 2021, adding parcel capacity and reducing travel time and package pickup at retail.

Deployed over 11,000 of 14,000 new portable data terminals to date in 2021.

Opened a new depot in Trois-Rivières, Quebec, serving over 70,000 points of call.

#### *Enhancing our retail services*

In partnership with TD Bank, the Canada Post MyMoney Loan service was launched as a market test in September in 36 pilot locations, with the plan to expand to over 200 retail sites, including Indigenous communities, by the end of the year.

Continued national deployment of our new retail point-of-sale technology, with installation in 540 post offices across Canada. The new technology updates our interfaces with a more intuitive process flow resulting in shorter customer wait times and improved back-end processing. It also allows customers to provide feedback during their transaction. Preliminary results show a 23% response rate with an overall customer satisfaction score of 95%.

Enhanced shipping tools for commercial customers with improved order search functionality, dedicated pickup pages and increased processing capacity.

Introduced 25 pick-and-drop sites in August across our retail network. These sites, which were previously for parcel pickup only, now allow customers, including Canada Post Solutions for Small Business™ subscribers, to also drop off parcels.

Celebrated Small Business Month by promoting our annual Free Shipping Tuesdays campaign. Canada Post Solutions for Small Business members could send one free Expedited Parcel™ shipment within Canada every Tuesday in October.

Launched two padded mailers made from 60% recycled content that are 100% recyclable to provide our customers with fully recyclable alternatives to the traditional bubble mailer.

Reduced wait times at retail counters by encouraging customers sending packages abroad to begin customs declaration forms online, and complete them in store. Online customs pre-staging has increased from 27% in January 2021 to 35%.

### *Helping Canada stay connected and businesses succeed*

Reduced unauthorized email spoofing of the Canada Post brand by 89% in 2021, following email fraud controls implemented in Q2.

Announced the winners in our *Tales of Triumph* contest, which was launched in 2020 to recognize small businesses who have revamped their strategies, employed clever marketing techniques to stay afloat and helped their communities remain resilient and connected. The winners were featured in Canada Post's holiday gift catalogue, *The Canadian Giftbook*, distributed to ecommerce shoppers across Canada.

## Committed to social and environmental leadership

### *Equity, diversity and inclusion*

Featured the story of a frontline Indigenous employee who opened up about his lived experience as an Indigenous employee and the importance of Orange Shirt Day as part of our commemoration of the first National Day for Truth and Reconciliation.

Continued investment in accessibility for employees and customers:

- Conducted 142 accessibility audits of corporate facilities and identified 41 sites requiring modification and construction for which 10 is currently in progress.
- Continued retail accessibility upgrades, with 46 active projects across our network to ensure our retail facilities are accessible to persons with a range of physical, sensory or cognitive abilities.
- Updated the accessibility page on our website to include the accessibility strategy and disability inclusion leadership activities.
- Established a quality assurance testing process to enable the digital channel team to identify accessibility issues earlier in the development process. Initiated online accessibility training for all digital channel employees.
- Achieved a measure of 85.0% on digital accessibility across all active digital products for the first three quarters of 2021, up from 77.3% in 2020.

### *Making our environment a priority*

Added 724 low-carbon vehicles to date in 2021.

Launched the Environmental Action Plan (EAP) jointly with all bargaining agents in October, which outlines ambitious goals for the next decade and beyond, and covers four key areas: climate action, zero waste, sustainable delivery and employee engagement.

Introduced the Sustainability Action Fund (SAF) in October to help employees deliver a strong, greener Canada – and Canada Post. The SAF is a $500,000 grant program that enables employees at offices, post offices, plants and depots to bring forward and implement projects at their site that support the sustainability of Canada Post.

### *Fostering reconciliation with Indigenous peoples*

Commemorated the first National Day for Truth and Reconciliation with the announcement of two initiatives for 2022: we will work with Indigenous experts to issue an annual Truth and Reconciliation stamp, and the Canada Post Community Foundation will award an annual $50,000 signature grant to a national organization supporting Indigenous children and youth. Employees were encouraged to wear an orange shirt to work on September 29 and 30 to help raise awareness about Canada's former residential school system, support the survivors struggling with trauma and honour the thousands of Indigenous children who never made it home.

Inspected almost 2,100 items destined for delivery to northern and Indigenous communities in the third quarter and removed non-mailable matter with an estimated street value of $2.8 million.

Delivered formal presentations to nearly 60 agencies and engaged with local Indigenous community leaders in several remote communities during the first three quarters of 2021, as part of our community and law enforcement engagement activities. These activities led to investment in further screening technologies.

## Doing right by our people

### *Embedding health and safety in our culture*

Reduced total injury frequency and lost-time injury frequency by 10% and 6%, respectively, compared to the first three quarters of 2020.

Launched a new domestic violence prevention and support program, which includes online programming with general information on domestic violence, including warning signs, prevention strategies, the effects of stigma and the leave available to employees.

Introduced three cultural safety norms to workplaces across the country as part of our 10-year Health and Safety Strategy.

***Building alignment***

Reached two-year collective agreements for employees represented by the Canadian Union of Postal Workers – Urban Postal Operations (CUPW-UPO) and Rural and Suburban Mail Carriers (CUPW-RSMC). Ratification by members was confirmed in Q3 and agreements are in effect until December 31, 2023 (RSMC), and January 31, 2024 (UPO).

Filed grievances increased by 14.1%, while pending grievances were reduced by 6.2%, compared to Q3 2020.

***Creating a fair and respectful workplace***

Launched the 2021 Employee Engagement Survey; results to be published in the 2021 Annual Report.

Progressed with staffing designated permanent positions for Indigenous peoples and persons with disabilities as part of the Special Measures Memorandum of Agreement with the Association of Postal Officials of Canada (APOC) to address the current under-representation of these employee groups.

Canada Post and CUPW signed the first memorandum of agreement to designate two RSMC positions that service the Elsipogtog First Nation community.

Launched a national strategy to assess the development of routes to best serve Indigenous communities and attract local candidates. Hired two equity and diversity regional advisors, one Indigenous elder and one person with disabilities.

# 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 2021 health and safety, and collective bargaining activities by segment is provided below.

### Health and safety

#### Canada Post segment

We continue to aim for zero harm with a commitment to reducing injuries and preventing incidents in all facets of our operations by identifying, preventing and controlling hazards and risks to our employees, contractors, visitors and members of the public. For the first three quarters of 2021, our total injury frequency rate improved 10% and the lost-time injury frequency rate improved 6% compared to the same period in 2020. We also saw improvements of 6% for the year to date compared to the prior year in the severity of lost-time injuries, counted as the rate of days lost due to injuries per working hours. Employees across the country have been successful in improving safety results through their increased focus on safety.

*COVID-19*

As provinces began to modify their COVID-19 restrictions, we launched a 10-phase de-escalation process of COVID protocols. The de-escalation framework follows the Public Health Agency of Canada (PHAC) guidance and adheres to International Organization for Standardization (ISO) guidelines for safe working during the COVID-19 pandemic, with considerations for all provincial public health units. It includes a gradual reopening in stages for increasing contact between individuals in various activities in the near, medium and long term. Among key highlights in Q3:

- Phase 1, launched August 2, 2021, introduced a lift on essential travel restrictions.
- Phase 2, launched August 30, 2021, introduced verbal signature for signature items in single households (outdoor interaction), reinstated small group travel and lifted the hero pay for our cleaning contractors.
- Paused the de-escalation framework in September due to the emergence of COVID-19 cases related to the fourth wave and continue to monitor various indicators with a plan to resume the de-escalation plan with phase 3 when conditions are suitable.

In the fourth quarter, Canada Post formalized a vaccination practice in line with the federal government's approach, after consultations with all bargaining agents. The practice requires all employees to be fully vaccinated. It came into effect on October 29, and all employees are expected to be compliant by November 26, 2021.

*Mental health*

As part of the continuous improvement of our mental health strategy and in support of the psychological health of our employees, we launched in the third quarter the domestic violence prevention and support program. The program includes online content with general information on domestic violence, including warning signs, prevention strategies, the effects of stigma and available leave. It also includes helpful resources from our Employee Family Assistance Program (EFAP) and other experts. A new section of the website contains guidelines and tools where employees can learn about managing suspected or confirmed cases of domestic violence and find related training.

### Labour relations

#### Canada Post segment

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

In the third quarter, CUPW members ratified new two-year collective agreements that were reached prior to the expiration of the current agreements. The new agreements extend to December 31, 2023 (CUPW-RSMC), and January 31, 2024 (CUPW-UPO), and include a 2% increase in wages, which for RSMC involves an increase to both activity values (sortation, delivery, driving and stops) and variable allowances (personal contact items, lock changes and delivery of Canada Post Neighbourhood Mail™ items). In the first year, there will be a $500 one-time non-pensionable lump sum payment to all full-time UPO employees and all members of RSMC with six or more daily route management system hours. All other employees, including temporary, permanent relief employees (PRE) and on-call relief employees (OCRE) will receive $250. The agreements also include an updated job security clause, an agreement to transition RMSC employees to an hourly rate, and other changes.

*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. An implementation committee with representatives from the CPAA and Canada Post is implementing the settlement approved by the Canadian Human Rights Commission regarding the CPAA's complaint under the *Canadian Human Rights Act* alleging gender-based pay discrimination for the period 1992-97. Payments to affected employees have commenced and are ongoing.

#### Purolator segment

During the third quarter, Purolator began negotiations to renew the current collective agreement with the Canada Council of Teamsters, which expires on December 31, 2021. Additional sessions are scheduled in Q4.

#### SCI segment

On October 21, 2021, SCI and Unifor – Laval ratified a new five-year collective agreement, which extends to November 30, 2026.

## 4.2 Our network and infrastructure

### Capital investments

#### Canada Post segment

Capital asset expenditures in the Canada Post segment of $108 million and $305 million in the third quarter and year to date of 2021, respectively, focused on implementing solutions that address operational capacity challenges to support ecommerce growth, modernizing the retail network, replacing aging vehicles and street furniture, investing in health and safety initiatives, exploring clean energy alternatives and expanding the accessible delivery program. Non-capital investments are excluded from these amounts as they are recorded in the statement of comprehensive income under selling, administrative and other expenses.

We progressed with the following more notable capital investments to date in 2021:

- Completed two of three construction phases in our new Ontario East Processing Centre in the Greater Toronto Area, and began to install equipment. When completed in the fall of 2022, it will be able to process more than one million packages a day, which is 50% more than any other facility in our current network.
- Installed street furniture such as community mailbox equipment and locks as part of our annual asset maintenance and replenishment program, which include installations for growth (new points of call) and replacements.
- Added indoor parcel lockers in high-density residential units, outdoor parcel lockers next to community mailbox sites and automated parcel lockers as a pilot to add parcel capacity and improve service to Canadians.
- Upgraded our fleet by purchasing nearly 800 vehicles in 2021, including 724 low-carbon vehicles.
- Facility improvement projects to maintain or extend the useful life of facilities, ensuring functionality to meet the needs of operations and other business units.
- Modernized our retail network to support our growing Parcels business and meet changing business and consumer needs, with 10% of sites converted to new retail point-of-sale hardware and software.

## 4.3 Internal controls and procedures

During the third quarter of 2021, 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 Consolidated trends

### Consolidated results by quarter

The Group of Companies' consolidated results for the last eight quarters are presented below, highlighting the seasonal nature of its business. Demand for services is highest during the holiday or peak season in the fourth quarter. Volumes typically decline over the following quarters, reaching their lowest level in the third quarter. The Group of Companies' significant fixed costs do not vary in the short term. Further, additional business days result in increased revenue, while additional paid days result in increased cost of operations. In the third quarter and the year to date of 2021, there were differences in business and paid days, which varied by segment, as described in the sections below.

(in millions of dollars)

| | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019 |
|---|---|---|---|---|---|---|---|---|
| Revenue from operations | 2,281 | 2,521 | 2,620 | 2,793 | 2,165 | 2,178 | 2,182 | 2,507 |
| Cost of operations | 2,457 | 2,563 | 2,625 | 2,801 | 2,366 | 2,496 | 2,225 | 2,482 |
| **Profit (loss) from operations** | **(176)** | **(42)** | **(5)** | **(8)** | **(201)** | **(318)** | **(43)** | **25** |
| Investing and financing income (expense), net | (15) | (22) | (14) | (16) | (15) | (15) | (10) | (11) |
| **Profit (loss) before tax** | **(191)** | **(64)** | **(19)** | **(24)** | **(216)** | **(333)** | **(53)** | **14** |
| Tax expense (recovery) | (46) | (15) | (4) | (3) | (52) | (84) | (14) | 1 |
| **Net profit (loss)** | **(145)** | **(49)** | **(15)** | **(21)** | **(164)** | **(249)** | **(39)** | **13** |

## 5.2 Consolidated results from operations

### Consolidated results for the third quarter and for the year to date

(in millions of dollars)

| | Third quarter ended | | | | Year to date ended | | | |
|---|---|---|---|---|---|---|---|---|
| | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change |
| Revenue from operations | 2,281 | 2,165 | 116 | 3.7%[1] | 7,422 | 6,525 | 897 | 12.0%[1] |
| Cost of operations | 2,457 | 2,366 | 91 | 3.9% | 7,645 | 7,087 | 558 | 6.2%[1] |
| **Loss from operations** | **(176)** | **(201)** | **25** | **12.3%** | **(223)** | **(562)** | **339** | **60.3%** |
| Investing and financing income (expense), net | (15) | (15) | – | (3.0)% | (51) | (40) | (11) | (27.3)% |
| **Loss before tax** | **(191)** | **(216)** | **25** | **11.2%** | **(274)** | **(602)** | **328** | **54.4%** |
| Tax recovery | (46) | (52) | 6 | 9.6% | (65) | (150) | 85 | 56.2% |
| **Net loss** | **(145)** | **(164)** | **19** | **11.7%** | **(209)** | **(452)** | **243** | **53.8%** |
| Other comprehensive income (loss) | 1,031 | 79 | 952 | † | 4,289 | (1,075) | 5,364 | * |
| **Comprehensive income (loss)** | **886** | **(85)** | **971** | ***** | **4,080** | **(1,527)** | **5,607** | ***** |

† Large percentage change.
* The calculation is not mathematically meaningful.

The Canada Post Group of Companies' loss before tax of $191 million in the third quarter of 2021 was an improvement of $25 million compared to the loss before tax in Q3 of 2020. For the year to date, the loss before tax in 2021 was $274 million, an improvement of $328 million compared to the same period in the prior year. A detailed discussion by segment is provided in sections 5.4 to 5.6.

### Consolidated revenue from operations

Revenue from operations increased by $116 million (+3.7%) and $897 million (+12.0%) in the third quarter and year to date of 2021, respectively, compared to the same periods in 2020, as a result of growth in the Canada Post, Purolator and SCI segments. Year-over-year comparisons are greatly affected by the unique circumstances of the prior year when COVID-19 was starting to change consumer behaviour toward online shopping and accelerate the digital substitution of mail. For the quarter and year to date, one and three additional business days, respectively, in 2021 compared to 2020 also resulted in additional revenue.

## Consolidated cost of operations

In the third quarter and year to date of 2021, the cost of operations increased by $91 million (+3.9%) and $558 million (+6.2%), respectively, compared to the same periods in the prior year, due to cost increases in labour and transportation, as well as increased spending to sustain our network and improve capacity in the Canada Post segment. These results were also influenced by the arbitrator's decision for new collective agreements with the Canadian Union of Postal Workers (CUPW), which added $134 million of costs to the year-to-date period in 2020. For the first three quarters, three additional paid days in 2021, compared to the same period in 2020, also contributed to increased costs.

## Consolidated tax expense (recovery)

The consolidated tax recovery for the third quarter and year to date of 2021 decreased by $6 million and $85 million, respectively, compared to the same periods in 2020, as a result of a lower loss in the Group of Companies.

## Consolidated other comprehensive income

Consolidated other comprehensive income was $1,031 million and $4,289 million, respectively, in the third quarter and year to date. For the same periods, remeasurement gains on pension and other post-employment plans were recorded, primarily due to discount rate increases and higher-than-expected asset returns compared to discount rate decreases partially offset by higher-than-expected asset returns in the prior year. Fluctuations in the various factors and assumptions used to remeasure these plans cause volatility and have a significant impact on the Group of Companies' other comprehensive income.

# 5.3 Operating results by segment

## Segmented results – Profit (loss) before tax

(in millions of dollars)

| | Third quarter ended | | | | Year to date ended | | | |
|---|---|---|---|---|---|---|---|---|
| | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change |
| Canada Post | (264) | (265) | 1 | 0.3% | (492) | (709) | 217 | 30.5% |
| Purolator | 65 | 42 | 23 | 53.9% | 193 | 91 | 102 | 111.3% |
| SCI | 7 | 6 | 1 | 0.4% | 22 | 12 | 10 | 76.1% |
| Other | 1 | 1 | – | 99.7% | 3 | 4 | (1) | 0.8% |
| **Canada Post Group of Companies** | **(191)** | **(216)** | **25** | **11.2%** | **(274)** | **(602)** | **328** | **54.4%** |

# 5.4 Canada Post segment

The Canada Post segment recorded a loss before tax of $264 million in the third quarter, which was similar to the loss before tax for the same period in 2020. For the year to date in 2021, the loss was $217 million lower than the same period in 2020. The arbitrator's decision in 2020 for new collective agreements with CUPW added $134 million of costs to the prior year-to-date period, mostly due to a plan amendment for post-employment healthcare benefits for past service. Excluding the impact of the arbitrator's decision, the loss was $83 million lower for the year to date compared to 2020. Year-to-date growth in revenue from all lines of business was not sufficient to address higher labour costs due to annual wage increases, higher non-labour collection, processing and delivery costs, and spending to sustain our network and improve capacity.

## Summary of results for the third quarter and for the year to date

(in millions of dollars)

| | Third quarter ended | | | | Year to date ended | | | |
|---|---|---|---|---|---|---|---|---|
| | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change |
| Revenue from operations | 1,623 | 1,586 | 37 | 0.8%[1] | 5,399 | 4,898 | 501 | 8.5%[1] |
| Cost of operations | 1,878 | 1,846 | 32 | 1.8% | 5,861 | 5,586 | 275 | 3.3%[1] |
| **Loss from operations** | **(255)** | **(260)** | **5** | **1.8%** | **(462)** | **(688)** | **226** | **32.8%** |
| Investing and financing income (expense), net | (9) | (5) | (4) | (76.6)% | (30) | (21) | (9) | (44.3)% |
| **Loss before tax** | **(264)** | **(265)** | **1** | **0.3%** | **(492)** | **(709)** | **217** | **30.5%** |

## Revenue from operations

The impact of COVID-19 on revenue affected the current and comparative period in different ways. As the pandemic took hold over a year ago, our Transaction Mail and Direct Marketing volumes had declined substantially, while parcel volumes soared as Canadians pivoted to shopping from home when in-person shopping in stores was restricted. Year-over-year comparisons in this Report are, therefore, greatly influenced by the unique circumstances that began to affect revenue toward the end of Q1 2020. In the third quarter and for the year to date in 2021, total Parcels volumes declined compared to the same periods in the prior year; however, although Parcels revenue declined in Q3 compared to Q3 2020, we experienced year-to-date revenue growth in 2021 over 2020. Transaction Mail revenue for the third quarter and year to date increased compared to the same periods in 2020, due in part to impacts from the 2021 Census mailing in Q2 and the federal election mailing in Q3. We also continued to see a partial recovery in Direct Marketing, for an overall combined increase in revenue of $37 million (+0.8%) and $501 million (+8.5%) for Q3 and the year to date, respectively, over the prior year. However, global supply chain issues that surfaced in Q3 and affected Inbound Parcels and Direct Marketing volumes are likely to continue in Q4. For the third quarter and the first three quarters, revenue for all lines of business was also positively affected by one and three additional business days in 2021, respectively, compared to the same periods in the prior year.

## Revenue and volumes by line of business for the third quarter

| | **Revenue** (in millions of dollars) | | | | **Volume** (in millions of pieces) | | | |
|---|---|---|---|---|---|---|---|---|
| | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change[1] | Oct. 2, 2021 | Sept. 26, 2020 | change | % change[1] |
| **Parcels** | | | | | | | | |
| Domestic Parcels | 611 | 611 | – | (1.6)% | 57 | 69 | (12) | (19.1)% |
| Outbound Parcels | 71 | 69 | 2 | 2.1% | 3 | 3 | – | (11.3)% |
| Inbound Parcels | 87 | 120 | (33) | (28.7)% | 15 | 23 | (8) | (32.8)% |
| Other | 5 | 5 | – | 5.0% | – | – | – | – |
| **Total Parcels** | **774** | **805** | **(31)** | **(5.3)%** | **75** | **95** | **(20)** | **(22.1)%** |
| **Transaction Mail** | | | | | | | | |
| Domestic Lettermail | 541 | 510 | 31 | 4.4% | 546 | 528 | 18 | 1.8% |
| Outbound Letter-post | 15 | 16 | (1) | (5.7)% | 7 | 7 | – | (5.7)% |
| Inbound Letter-post | 10 | 19 | (9) | (46.8)% | 12 | 22 | (10) | (46.3)% |
| **Total Transaction Mail** | **566** | **545** | **21** | **2.4%** | **565** | **557** | **8** | **(0.2)%** |
| **Direct Marketing** | | | | | | | | |
| Canada Post Personalized Mail™ | 99 | 86 | 13 | 13.6% | 173 | 152 | 21 | 12.0% |
| Canada Post Neighbourhood Mail™ | 89 | 66 | 23 | 33.5% | 757 | 600 | 157 | 24.2% |
| **Total Canada Post Smartmail Marketing™** | **188** | **152** | **36** | **22.3%** | **930** | **752** | **178** | **21.7%** |
| Publications Mail™ | 32 | 28 | 4 | 11.6% | 46 | 40 | 6 | 11.7% |
| Business Reply Mail™ and Other Mail | 5 | 4 | 1 | 10.1% | 3 | 3 | – | (2.7)% |
| Other | 4 | 3 | 1 | 17.1% | – | – | – | – |
| **Total Direct Marketing** | **229** | **187** | **42** | **20.3%** | **979** | **795** | **184** | **21.1%** |
| Other Revenue | 54 | 49 | 5 | 8.7% | – | – | – | – |
| **Total** | **1,623** | **1,586** | **37** | **0.8%** | **1,619** | **1,447** | **172** | **10.1%** |

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

| | Revenue (in millions of dollars) | | | | Volume (in millions of pieces) | | | |
|---|---|---|---|---|---|---|---|---|
| | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change[1] | Oct. 2, 2021 | Sept. 26, 2020 | change | % change[1] |
| **Parcels** | | | | | | | | |
| Domestic Parcels | 2,087 | 1,827 | 260 | 12.4% | 207 | 202 | 5 | 0.5% |
| Outbound Parcels | 235 | 193 | 42 | 20.0% | 10 | 9 | 1 | 10.2% |
| Inbound Parcels | 303 | 301 | 2 | (0.9)% | 51 | 59 | (8) | (13.7)% |
| Other | 17 | 14 | 3 | 18.9% | – | – | – | – |
| **Total Parcels** | **2,642** | **2,335** | **307** | **11.4%** | **268** | **270** | **(2)** | **(2.3)%** |
| **Transaction Mail** | | | | | | | | |
| Domestic Lettermail | 1,812 | 1,736 | 76 | 2.7% | 1,837 | 1,818 | 19 | (0.5)% |
| Outbound Letter-post | 55 | 56 | (1) | (3.7)% | 25 | 26 | (1) | (7.8)% |
| Inbound Letter-post | 34 | 55 | (21) | (37.9)% | 41 | 55 | (14) | (27.5)% |
| **Total Transaction Mail** | **1,901** | **1,847** | **54** | **1.3%** | **1,903** | **1,899** | **4** | **(1.4)%** |
| **Direct Marketing** | | | | | | | | |
| Canada Post Personalized Mail | 294 | 256 | 38 | 13.1% | 515 | 454 | 61 | 11.6% |
| Canada Post Neighbourhood Mail | 250 | 194 | 56 | 26.6% | 2,127 | 1,696 | 431 | 23.4% |
| **Total Canada Post Smartmail Marketing** | **544** | **450** | **94** | **18.9%** | **2,642** | **2,150** | **492** | **20.9%** |
| Publications Mail | 94 | 91 | 3 | 2.1% | 135 | 131 | 4 | 1.5% |
| Business Reply Mail and Other Mail | 14 | 13 | 1 | 6.2% | 10 | 9 | 1 | 2.0% |
| Other | 11 | 9 | 2 | 16.8% | – | – | – | – |
| **Total Direct Marketing** | **663** | **563** | **100** | **15.9%** | **2,787** | **2,290** | **497** | **19.8%** |
| Other Revenue | 193 | 153 | 40 | 23.8% | – | – | – | – |
| **Total** | **5,399** | **4,898** | **501** | **8.5%** | **4,958** | **4,459** | **499** | **9.4%** |

*Parcels*

Parcels revenue in the third quarter of 2021 decreased by $31 million (-5.3%) and increased by $307 million (+11.4%) for the year to date compared to the same periods in 2020. These year-over-year comparisons are significantly influenced by Parcels volumes in 2020 that strained capacity, when consumer ecommerce behaviour surged due to COVID-19. Parcels growth rates started to increase toward the end of Q1 2020 and through the remainder of 2020 and Q1 2021. However, starting in Q2 2021, domestic Parcel volume growth rates declined compared to Q2 2020 and this continued in Q3 2021 as stores began to reopen for in-person shopping. Significant global supply chain issues that began in the third quarter had a negative impact on inbound volumes, particularly from China and we expect them to continue into the fourth quarter. Despite these volume declines in Q3 2021, our year-to-date Parcels revenue was positively affected by proactively managing the use of available capacity through our commercial customer and product mix. Continued capacity constraints throughout our network required that we manage volumes and reroute parcels, causing some delays of items. As it costs more to process and deliver parcels than it does letters, the Corporation is making investments to improve processing capacity and efficiencies of this line of business.

*Transaction Mail*

Transaction Mail revenue increased by $21 million (+2.4%) and $54 million (+1.3%) in the third quarter and for the year to date of 2021, respectively, compared to the same periods of 2020. Generally, businesses increasingly used digital communication rather than the Lettermail™ service, a trend precipitated by COVID-19. However, the 2021 Census mailing in Q2 and the federal election mailing in Q3 combined with continued above-normal retail usage fuelled by COVID-19 lockdowns had a positive impact on revenue. Unlike previous years, the Corporation decided, due to COVID-19, to maintain regulated stamp prices at 2020 levels through 2021, while minimizing the impact of other price changes.

### *Direct Marketing*

Direct Marketing revenue increased by $42 million (+20.3%) in the third quarter of 2021 compared to Q3 2020 and by $100 million (+15.9%) for the year to date compared to the same period in 2020. In Q2 2021 and through Q3, we began to see a recovery in this line of business after significant declines in Personalized Mail™ and Neighbourhood Mail™ revenue and volumes in the prior year. Although results appear positive compared to 2020, COVID-19 caused customers to delay or cancel marketing campaigns, in part due to retailers' experiencing global supply chain issues in Q3 and into Q4, and this product line will continue to be affected by the dynamic and competitive nature of this business.

### *Other Revenue*

Other Revenue increased by $5 million (+8.7%) in the third quarter and $40 million (+23.8%) for the year to date compared to the same periods in the prior year, mainly due to an increase in digital and consumer products and services such as mail forwarding.

## Cost of operations

In Q3 and for the year to date of 2021, the Canada Post segment's cost of operations increased by $32 million (+1.8%) and $275 million (+3.3%), respectively, compared to the same periods in the prior year. The arbitrator's decision in 2020 for the collective agreements with CUPW added $134 million of costs to the year-to-date period, mostly due to a plan amendment for post-employment healthcare benefits for past service. Excluding the impact of the 2020 arbitrator's decision, cost of operations increased by $52 million in the third quarter and $409 million for the year to date compared to the same periods in 2020. The increases were due to labour costs, including annual wage increases and the one-time non-pensionable lump-sum payment that was part of the recently ratified collective agreement with CUPW, higher non-labour collection, processing and delivery costs, including transportation, and investments to sustain our network and improve capacity. Year-to-date costs were also higher as a result of the negative impact of three more paid days during the first three quarters of 2021.

(in millions of dollars)

| | **Third quarter ended** | | | | **Year to date ended** | | | |
|---|---|---|---|---|---|---|---|---|
| | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change[1] |
| Labour | 904 | 899 | 5 | 0.6% | 2,832 | 2,688 | 144 | 3.7% |
| Employee benefits | 399 | 393 | 6 | 1.5% | 1,219 | 1,258 | (39) | (4.6)% |
| **Total labour and employee benefits** | **1,303** | **1,292** | **11** | **0.9%** | **4,051** | **3,946** | **105** | **1.1%** |
| Non-labour collection, processing and delivery | 280 | 287 | (7) | (2.2)% | 938 | 841 | 97 | 9.9% |
| Property, facilities and maintenance | 55 | 51 | 4 | 9.1% | 175 | 158 | 17 | 9.1% |
| Selling, administrative and other | 158 | 140 | 18 | 13.0% | 457 | 408 | 49 | 10.5% |
| **Total other operating costs** | **493** | **478** | **15** | **3.5%** | **1,570** | **1,407** | **163** | **10.0%** |
| Depreciation and amortization | 82 | 76 | 6 | 7.0% | 240 | 233 | 7 | 1.3% |
| **Total** | **1,878** | **1,846** | **32** | **1.8%** | **5,861** | **5,586** | **275** | **3.3%** |

### *Labour*

Labour costs in Q3 increased by $5 million (+0.6%) compared to the third quarter of 2020, and by $144 million (+3.7%) for the first three quarters compared to the same periods in 2020 mainly due to annual wage increases, higher operational labour costs and the one-time non-pensionable lump-sum payment that was part of the recently ratified collective agreement with CUPW. Increased costs for the year to date are also related to three additional paid days during the first three quarters of 2021.

### *Employee benefits*

Benefit costs were $6 million (+1.5%) higher in the third quarter of 2021, compared to the same period in 2020, primarily due to non-cash pension expense in 2021 and an increase in healthcare benefit costs, offset by arbitration related costs in the third quarter of 2020. For the year to date in 2021, the decrease of $39 million (-4.6%) in employee benefit costs compared to the prior year was primarily related to a plan amendment loss and other long-term benefit plan remeasurement losses recognized in 2020 offset by increased non-cash pension expense in 2021, increased benefits for active employees and three more paid days in 2021 compared to 2020.

*Other operating costs*

Changes in these costs were as follows:

- Non-labour collection, processing and delivery costs decreased by $7 million (-2.2%) in the third quarter and increased by $97 million (+9.9%) for the first three quarters of 2021 compared to the same periods in 2020. Quarterly costs were lower due to less spending on health and safety supplies, while year-to-date costs were higher mainly due to more spending on transportation, international settlements and dealer fees.
- The cost of facilities increased by $4 million (+9.1%) and $17 million (+9.1%) for Q3 and the first three quarters of 2021, respectively, compared to the same periods in 2020, mainly due to cleaning and maintenance costs related to COVID-19.
- Selling, administrative and other expenses increased by $18 million (+13.0%) for the third quarter of 2021 and by $49 million (+10.5%) for the year to date compared to the same periods in the prior year, mainly due to increased non-capital investment spending to sustain our network and improve capacity to address the changing needs of Canadians.

## 5.5 Purolator segment

Compared to the third quarter and the first three quarters of 2020, the Purolator segment's profit before tax increased by $23 million and by $102 million in 2021, respectively.

### Summary of results for the third quarter and for the year to date

(in millions of dollars)

| | Third quarter ended | | | | Year to date ended | | | |
|---|---|---|---|---|---|---|---|---|
| | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change |
| Revenue from operations | 612 | 538 | 74 | 13.8% | 1,891 | 1,499 | 392 | 24.8%[1] |
| Cost of operations | 541 | 487 | 54 | 14.8%[1] | 1,679 | 1,391 | 288 | 20.1%[1] |
| **Profit from operations** | **71** | **51** | **20** | **37.9%** | **212** | **108** | **104** | **95.7%** |
| Investing and financing income (expense), net | (6) | (9) | 3 | 35.6% | (19) | (17) | (2) | (11.7)% |
| **Profit before tax** | **65** | **42** | **23** | **53.9%** | **193** | **91** | **102** | **111.3%** |

Revenue from operations increased by $74 million (+13.8%) in Q3 2021, and by $392 million (+24.8%) for the year to date, compared to the same periods in 2020. Similar to the prior quarter, the business-to-consumer market saw volume increases in domestic and cross-border services as more businesses reopened during the third quarter. Domestic express courier volume growth of 17% for the first three quarters of 2021 compared to the same period in the prior year, strong recovery in the business-to-business volumes, also due to businesses reopening, and annual rate increases all contributed to the increase in revenue.

Labour costs increased by $17 million and $117 million for the third quarter and the year to date, respectively, of 2021, compared to the same periods in the prior year due to business growth as well as annual wage increases and an increase in employee benefit costs, including pension. Non-labour costs in the third quarter increased by $37 million, mainly due to rental vehicles and fleet expenses related to new and older vehicles, as well as increases in equipment expenses. The increase of $171 million for the first three quarters, compared to the same period in the prior year, was the result of volume growth in the high cost to serve business-to-consumer market, higher fuel costs due to increases in fuel prices and additional health and safety measures required to offer protection from COVID-19 risk mainly in the first two quarters of the year.

## 5.6 SCI segment

SCI's profit before tax increased by $1 million for the third quarter of 2021 compared to Q3 of 2020, and increased by $10 million for the first three quarters of 2021, compared to the same period in 2020.

### Summary of results for the third quarter and for the year to date

(in millions of dollars)

| | Third quarter ended | | | | Year to date ended | | | |
|---|---|---|---|---|---|---|---|---|
| | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change | Oct. 2, 2021 | Sept. 26, 2020 | $ change | % change |
| Revenue from operations | 90 | 81 | 9 | 11.5% | 270 | 238 | 32 | 14.2%[1] |
| Cost of operations | 83 | 74 | 9 | 12.8% | 246 | 223 | 23 | 11.0%[1] |
| **Profit from operations** | **7** | **7** | – | **(1.2)%** | **24** | **15** | **9** | **61.8%** |
| Investing and financing income (expense), net | – | (1) | 1 | 14.4% | (2) | (3) | 1 | 12.6% |
| **Profit before tax** | **7** | **6** | 1 | **0.4%** | **22** | **12** | **10** | **76.1%** |

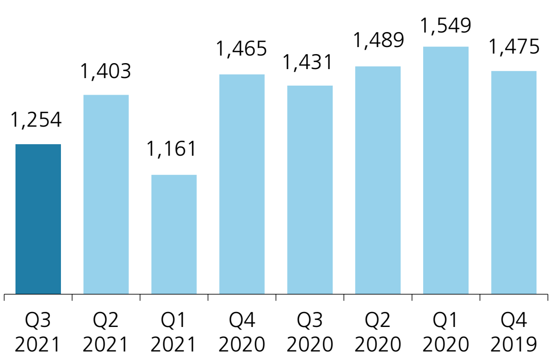
Growth in volumes from existing customers and new business resulted in increased revenue from operations of $9 million (+11.5%) and $32 million (+14.2%) in Q3 and for the first three quarters of 2021, respectively, compared to the same periods in 2020. Cost increases for salaries and transportation resulting from these higher volumes caused costs of operations to increase by $9 million (+12.8%) and by $23 million (+11.0%) for the third quarter and year to date in 2021, respectively compared to the same periods in 2020.

# 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 $1,254 million as at October 2, 2021, compared to $1,465 million as at December 31, 2020. The cash flow decrease of $211 million was due to lower cash from working capital (mainly due to timing) as well as acquisitions of capital assets and repayment of lease liabilities. The decrease is also partially offset by pension expenses exceeding payments due to the special relief afforded to the Canada Post Corporation Registered Pension Plan (RPP) under the *Pension Benefits Standards Act, 1985*.

## 6.2 Operating activities

(in millions of dollars)

| | Third quarter ended | | | Year to date ended | | |
|---|---|---|---|---|---|---|
| | Oct. 2, 2021 | Sept. 26, 2020 | $ change | Oct. 2, 2021 | Sept. 26, 2020 | $ change |
| Cash provided by operating activities | 30 | 7 | 23 | 294 | 390 | (96) |

Cash provided by operating activities was $23 million higher in the third quarter of 2021, compared to the same period in 2020. For the year to date, cash provided by operating activities decreased by $96 million compared to the first three quarters of 2020. The positive change in cash flow in the third quarter was primarily due to the increase in Transaction Mail mainly from the 2021 election and a recovery in Direct Marketing, partially offset by a decrease in parcel revenue. The negative change in year-to-date cash flows was primarily due to changes in working capital and higher pension payments, partially offset by revenue growth in all Canada Post segments and parcel revenue growth in the Purolator segment.

## 6.3 Investing activities

(in millions of dollars)

| | Third quarter ended | | | Year to date ended | | |
|---|---|---|---|---|---|---|
| | Oct. 2, 2021 | Sept. 26, 2020 | $ change | Oct. 2, 2021 | Sept. 26, 2020 | $ change |
| Cash used in investing activities | (152) | (35) | (117) | (418) | (351) | (67) |

Cash used in investing activities increased by $117 million in the third quarter of 2021, and by $67 million for the first three quarters of 2021, compared to the same periods in 2020. The negative changes in cash flow in the third quarter were mainly due to higher acquisitions of securities and capital assets and lower proceeds from the sale of securities. For the year to date, the change was due to lower proceeds from the sale of securities and higher acquisitions of capital assets partially offset by lower acquisitions of securities.

### Capital expenditures

(in millions of dollars)

| | Third quarter ended | | | Year to date ended | | |
|---|---|---|---|---|---|---|
| | Oct. 2, 2021 | Sept. 26, 2020 | $ change | Oct. 2, 2021 | Sept. 26, 2020 | $ change |
| Canada Post | 108 | 89 | 19 | 305 | 208 | 97 |
| Purolator | 51 | 45 | 6 | 160 | 85 | 75 |
| SCI | 2 | 2 | – | 5 | 6 | (1) |
| Innovapost and intersegment | 1 | 2 | (1) | 1 | 2 | (1) |
| **Canada Post Group of Companies** | **162** | **138** | **24** | **471** | **301** | **170** |

Capital expenditures for the Group of Companies increased by $24 million in the third quarter, and by $170 million for the year to date, 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 | | | Year to date ended | | |
|---|---|---|---|---|---|---|
| | Oct. 2, 2021 | Sept. 26, 2020 | $ change | Oct. 2, 2021 | Sept. 26, 2020 | $ change |
| Cash used in financing activities | (30) | (29) | (1) | (88) | (83) | (5) |

Cash used in financing activities was relatively unchanged in the third quarter and year to date of 2021 compared to the same periods in 2020.

## 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 RPP improved from the December 31, 2020, valuation of $7.4 billion to an estimated $3.3 billion, primarily due to a discount rate increase and higher than expected asset returns. Under the *Pension Benefits Standards Act, 1985*, and related regulations, Canada Post is not required to make solvency special payments for 2021; however, market volatility could have a significant effect on solvency payments for 2022 and thereafter if temporary relief is not provided. Canada Post continues to work with its shareholder, the Government of Canada, on the Corporation's request for temporary relief from making future payments.

On an accounting basis, a remeasurement gain of $894 million for the RPP, net of tax, was recorded in other comprehensive income for the third quarter of 2021, due to a discount rate increase and higher than expected asset returns. For the first three quarters of 2021, remeasurement gains, net of tax, amounted to $3.7 billion, resulting from an increase in the discount rate and higher than expected asset returns.

Current service contributions amounted to $76 million and $233 million, respectively, for the third quarter and first three quarters of 2021, compared to $73 million and $176 million, respectively, for the same periods in 2020.

## 6.6 Liquidity and capital resources

### Liquidity

The Canada Post segment had $2,024 million of unrestricted liquid investments on hand as at October 2, 2021, for a net liquidity position of $1,026 million (after outstanding loans and borrowings of $998 million). The segment also had $100 million of lines of credit, all undrawn.

Canada Post is not required to make solvency special payments in 2021. 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 $364 million of unrestricted cash on hand and undrawn credit facilities of $153 million as at October 2, 2021, 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 October 2, 2021, amounted to $998 million. For more information on liquidity and access to capital markets, refer to Section 6.6 Liquidity and capital resources of the 2020 Annual MD&A.

# 7. Changes in Financial Position

*A discussion of significant changes in our assets and liabilities between October 2, 2021, and December 31, 2020*

(in millions of dollars)

| ASSETS | Oct. 2, 2021 | Dec. 31, 2020 | $ change | % change | Explanation of change |
|---|---|---|---|---|---|
| Cash and cash equivalents | 1,254 | 1,465 | (211) | (14.4)% | Refer to Section 6 Liquidity and Capital Resources. |
| Marketable securities | 1,134 | 1,256 | (122) | (9.7)% | Due to the maturity of securities. |
| Trade and other receivables | 882 | 1,065 | (183) | (17.3)% | Mainly due to lower receivables in the Canada Post and Purolator segments due to lower revenues in Q3 2021 compared to Q4 2020. |
| Other assets | 151 | 217 | (66) | (30.1)% | Mainly from lower income tax receivables in the Canada Post segment, partially offset by higher prepaid expenses in the Canada Post and Purolator segments. |
| **Total current assets** | **3,421** | **4,003** | **(582)** | **(14.5)%** | |
| Marketable securities | 118 | 45 | 73 | 163.8% | Due to purchase of corporate bonds. |
| Property, plant and equipment | 3,365 | 3,160 | 205 | 6.5% | Mainly due to acquisitions in excess of depreciation. |
| Intangible assets | 165 | 141 | 24 | 17.2% | Mainly due to an increase in software under development. |
| Right-of-use assets | 1,292 | 1,221 | 71 | 5.8% | Mainly due to new leases and lease renewals exceeding depreciation in the Canada Post and Purolator segments. |
| Segregated securities | 506 | 537 | (31) | (5.7)% | Mainly due to unrealized losses in the Canada Post segment recorded in other comprehensive income. |
| Pension benefit assets | 1,656 | 25 | 1,631 | † | Mainly due to remeasurement gains resulting from an increase in discount rates and higher than expected asset returns. |
| Deferred tax assets | 589 | 1,883 | (1,294) | (68.8)% | Mainly due to the decrease of temporary differences related to remeasurement gains resulting from an increase in discount rates. |
| Goodwill | 130 | 130 | – | – | No change. |
| Other assets | 56 | 64 | (8) | (13.5)% | No material change. |
| **Total non-current assets** | **7,877** | **7,206** | **671** | **9.3%** | |
| **Total assets** | **11,298** | **11,209** | **89** | **0.8%** | |

† Large percentage change.

| LIABILITIES | Oct. 2, 2021 | Dec. 31, 2020 | $ change | % change | Explanation of change |
|---|---|---|---|---|---|
| Trade and other payables | 730 | 878 | (148) | (16.8)% | Mainly due to lower trade and other payables in the Canada Post and Purolator segments due to lower expenses and timing. |
| Salaries and benefits payable and related provisions | 646 | 812 | (166) | (20.5)% | Mainly due to lower accrued salaries and benefits in the Canada Post segment, mainly due to timing. |
| Provisions | 60 | 61 | (1) | (1.1)% | No material change. |
| Income tax payable | 20 | 9 | 11 | 111.9% | Mainly due to expected liability in the Canada Post segment. |
| Deferred revenue | 188 | 218 | (30) | (13.8)% | Mainly due to lower deferred revenue in the Canada Post segment related to meters, stamps and parcels. |
| Lease liabilities | 122 | 122 | – | – | No material change. |
| Other long-term benefit liabilities | 62 | 65 | (3) | (3.7)% | No material change. |
| **Total current liabilities** | **1,828** | **2,165** | **(337)** | **(15.6)%** | |
| Lease liabilities | 1,356 | 1,292 | 64 | 5.0% | Mainly due to new leases and lease renewals in the Canada Post and Purolator segments net of lease payments. |
| Loans and borrowings | 998 | 997 | 1 | 0.0% | No material change. |
| Pension, other post-employment and other long-term benefit liabilities | 3,871 | 7,601 | (3,730) | (49.1)% | Mainly due to remeasurement gains resulting from an increase in discount rates. |
| Other liabilities | 43 | 32 | 11 | 35.3% | Mainly due to higher deferred tax liability in the Purolator segment. |
| **Total non-current liabilities** | **6,268** | **9,922** | **(3,654)** | **(36.8)%** | |
| **Total liabilities** | **8,096** | **12,087** | **(3,991)** | **(33.0)%** | |
| **EQUITY** | $ | $ | $ | $ | |
| Contributed capital | 1,155 | 1,155 | – | – | No change. |
| Accumulated other comprehensive income | 56 | 92 | (36) | (38.7)% | Mainly due to unrealized losses on segregated securities for dental, term life and death benefit plans in the Canada Post segment. |
| Retained earnings (accumulated deficit) | 1,930 | (2,166) | 4,096 | * | Driven by remeasurement gains in the Canada Post segment, mostly from a discount rate increase. |
| **Equity of Canada** | **3,141** | **(919)** | **4,060** | * | |
| Non-controlling interests | 61 | 41 | 20 | 50.9% | |
| **Total equity** | **3,202** | **(878)** | **4,080** | * | |
| **Total liabilities and equity** | **11,298** | **11,209** | **89** | **0.8%** | |

* The calculation is not mathematically meaningful.

## 8. Risks and Risk Management

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

Management considers risks and opportunities at all levels of decision-making and has implemented a rigorous approach to enterprise risk management. Where appropriate, Canada Post has recorded provisions for some of the claims disclosed in the 2020 MD&A. Should the ultimate resolution of these actions differ from management's assessments and assumptions, this could result in a material future adjustment to the Corporation's financial position and results of operations. As disclosed in the 2020 MD&A, uncertainties related to COVID-19 and the impact on our business and the economy remain. There were no developments in our emerging or principal risks in the third quarter of 2021.

# 9. Critical Accounting Estimates and Accounting Policy Developments

*A review of critical accounting estimates and changes in accounting policies in 2021 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 that affect reported amounts and disclosures in the interim financial statements and accompanying notes. Actual results may differ from these 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 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 2020 Annual MD&A and Note 4 Critical Accounting Estimates and Judgments of the 2020 consolidated financial statements in addition to Note 2 Basis of Presentation in this third quarter financial report.

### COVID-19

COVID-19 has had a significant impact on the Canadian and global economies, including our business in 2020 and 2021, which could have a prolonged impact on our financial results. Additional estimation uncertainties, significant judgments, volatility and risks as a result of COVID-19 include the recoverability and impairment of financial and non-financial assets, accounting for fair value of financial assets, measurement of the pension benefit asset and pension, other post-employment and other long-term benefit obligations, deferred tax asset, solvency special payments, timing of revenue recognition and contract modifications.

## 9.2 Accounting pronouncements

**(a) New standards, amendments and interpretations**

There were no amendments issued by the International Accounting Standards Board (IASB) with effective dates of January 1, 2021.

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

New standards, amendments and interpretations issued by the IASB or the Interpretations Committee that would have a possible effect in the future include the following. The Group of Companies is assessing the impact of adopting these amendments.

| Amendment | Effective for annual periods beginning on or after |
|---|---|
| Amendments to International Financial Reporting Standard (IFRS) 3 "Business Combinations – Updating a Reference to the Conceptual Framework" | January 1, 2022 |
| Amendments to International Accounting Standard (IAS) 16 "Property, Plant and Equipment: Proceeds before Intended Use" | |
| Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract" | |
| Amendments to IFRS 16 "Leases – Lease Incentives" | |
| Amendments to IAS 1 "Presentation of Financial Statements" | January 1, 2023 |
| Amendments to IAS 1 "Presentation of Financial Statements – Disclosure of Accounting Policies" and IFRS Practice Statement 2 "Making Materiality Judgments" | |
| Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates" | |
| Amendments to IAS 12 "Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction" | |

# Endnote

1. Calculation includes adjustment for differences in 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 Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, and International Accounting Standard (IAS) 34, "Interim Financial Reporting," and for such internal controls as management determines are necessary to enable the preparation of interim financial statements that are free from material misstatement. Management is also responsible for ensuring that all other information in this quarterly financial report is consistent, where appropriate, with the interim financial statements.

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

President and Chief Executive Officer

Chief Financial Officer

November 18, 2021

# Interim Condensed Consolidated Statement of Financial Position

(Unaudited – in millions of Canadian dollars)

| | **As at October 2, 2021** | As at December 31, 2020 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | **1,254** | 1,465 |
| Marketable securities | **1,134** | 1,256 |
| Trade, other receivables and contract assets | **882** | 1,065 |
| Other assets (Note 4) | **151** | 217 |
| Total current assets | **3,421** | 4,003 |
| **Non-current assets** | | |
| Marketable securities | **118** | 45 |
| Property, plant and equipment (Note 5) | **3,365** | 3,160 |
| Intangible assets (Note 5) | **165** | 141 |
| Right-of-use assets (Note 5) | **1,292** | 1,221 |
| Segregated securities | **506** | 537 |
| Pension benefit assets (Note 6) | **1,656** | 25 |
| Deferred tax assets | **589** | 1,883 |
| Goodwill | **130** | 130 |
| Other assets (Note 4) | **56** | 64 |
| Total non-current assets | **7,877** | 7,206 |
| Total assets | **11,298** | 11,209 |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities** | | |
| Trade and other payables | **730** | 878 |
| Salaries and benefits payable and related provisions | **646** | 812 |
| Provisions | **60** | 61 |
| Income tax payable | **20** | 9 |
| Deferred revenue | **188** | 218 |
| Lease liabilities (Note 7) | **122** | 122 |
| Other long-term benefit liabilities (Note 6) | **62** | 65 |
| Total current liabilities | **1,828** | 2,165 |
| **Non-current liabilities** | | |
| Lease liabilities (Note 7) | **1,356** | 1,292 |
| Loans and borrowings | **998** | 997 |
| Pension, other post-employment and other long-term benefit liabilities (Note 6) | **3,871** | 7,601 |
| Other liabilities | **43** | 32 |
| Total non-current liabilities | **6,268** | 9,922 |
| Total liabilities | **8,096** | 12,087 |
| **Equity** | | |
| Contributed capital | **1,155** | 1,155 |
| Accumulated other comprehensive income (Note 8) | **56** | 92 |
| Retained earnings (accumulated deficit) | **1,930** | (2,166) |
| Equity of Canada | **3,141** | (919) |
| Non-controlling interests | **61** | 41 |
| Total equity | **3,202** | (878) |
| Total liabilities and equity | **11,298** | 11,209 |

Contingent liabilities (Note 9)

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

# Interim Condensed Consolidated Statement of Comprehensive Income

(Unaudited – in millions of Canadian dollars)

| | For the 13 weeks ended | | For the 39 weeks ended | |
|---|---|---|---|---|
| | **October 2, 2021** | September 26, 2020 | **October 2, 2021** | September 26, 2020 |
| **Revenue from operations (Note 14)** | **2,281** | 2,165 | **7,422** | 6,525 |
| **Cost of operations** | | | | |
| Labour | **1,175** | 1,154 | **3,675** | 3,429 |
| Employee benefits | **461** | 450 | **1,420** | 1,433 |
| | **1,636** | 1,604 | **5,095** | 4,862 |
| Other operating costs (Note 11) | **707** | 656 | **2,215** | 1,904 |
| Depreciation and amortization (Note 5) | **114** | 106 | **335** | 321 |
| Total cost of operations | **2,457** | 2,366 | **7,645** | 7,087 |
| **Loss from operations** | **(176)** | (201) | **(223)** | (562) |
| **Investing and financing income (expense)** | | | | |
| Investment and other income (Note 12) | **10** | 8 | **28** | 31 |
| Finance costs and other expense (Note 12) | **(25)** | (23) | **(79)** | (71) |
| Investing and financing expense, net | **(15)** | (15) | **(51)** | (40) |
| Loss before tax | **(191)** | (216) | **(274)** | (602) |
| Tax recovery | **(46)** | (52) | **(65)** | (150) |
| **Net loss** | **(145)** | (164) | **(209)** | (452) |
| **Other comprehensive income (Note 8)** | | | | |
| **Items that may subsequently be reclassified to net profit (loss)** | | | | |
| Change in unrealized fair value of financial assets | **(7)** | 2 | **(35)** | 33 |
| Foreign currency translation adjustment | **1** | – | **(1)** | – |
| **Item never reclassified to net profit (loss)** | | | | |
| Remeasurements of defined benefit plans | **1,037** | 77 | **4,325** | (1,108) |
| **Other comprehensive income (loss)** | **1,031** | 79 | **4,289** | (1,075) |
| **Comprehensive income (loss)** | **886** | (85) | **4,080** | (1,527) |
| **Net profit (loss) attributable to** | | | | |
| Government of Canada | **(148)** | (166) | **(219)** | (457) |
| Non-controlling interests | **3** | 2 | **10** | 5 |
| | **(145)** | (164) | **(209)** | (452) |
| **Comprehensive income (loss) attributable to** | | | | |
| Government of Canada | **880** | (88) | **4,060** | (1,528) |
| Non-controlling interests | **6** | 3 | **20** | 1 |
| | **886** | (85) | **4,080** | (1,527) |

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 October 2, 2021** | Contributed capital | Accumulated other comprehensive income | Retained earnings (accumulated deficit) | Equity of Canada | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| **Balance at July 3, 2021** | **1,155** | **62** | **1,044** | **2,261** | **55** | **2,316** |
| **Net profit (loss)** | **–** | **–** | **(148)** | **(148)** | **3** | **(145)** |
| **Other comprehensive income (loss) (Note 8)** | **–** | **(6)** | **1,034** | **1,028** | **3** | **1,031** |
| **Comprehensive income (loss)** | **–** | **(6)** | **886** | **880** | **6** | **886** |
| **Balance at October 2, 2021** | **1,155** | **56** | **1,930** | **3,141** | **61** | **3,202** |

| For the 13 weeks ended September 26, 2020 | Contributed capital | Accumulated other comprehensive income | Retained earnings (accumulated deficit) | Equity of Canada | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| Balance at June 27, 2020 | 1,155 | 95 | (2,797) | (1,547) | 33 | (1,514) |
| Net profit (loss) | – | – | (166) | (166) | 2 | (164) |
| Other comprehensive income (loss) (Note 8) | – | 2 | 76 | 78 | 1 | 79 |
| Comprehensive income (loss) | – | 2 | (90) | (88) | 3 | (85) |
| Balance at September 26, 2020 | 1,155 | 97 | (2,887) | (1,635) | 36 | (1,599) |

| **For the 39 weeks ended October 2, 2021** | Contributed capital | Accumulated other comprehensive income | Retained earnings (accumulated deficit) | Equity of Canada | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| **Balance at December 31, 2020** | **1,155** | **92** | **(2,166)** | **(919)** | **41** | **(878)** |
| **Net profit (loss)** | **–** | **–** | **(219)** | **(219)** | **10** | **(209)** |
| **Other comprehensive income (loss) (Note 8)** | **–** | **(36)** | **4,315** | **4,279** | **10** | **4,289** |
| **Comprehensive income (loss)** | **–** | **(36)** | **4,096** | **4,060** | **20** | **4,080** |
| **Balance at October 2, 2021** | **1,155** | **56** | **1,930** | **3,141** | **61** | **3,202** |

| For the 39 weeks ended September 26, 2020 | Contributed capital | Accumulated other comprehensive income | Accumulated deficit | Equity of Canada | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| Balance at December 31, 2019 | 1,155 | 64 | (1,326) | (107) | 35 | (72) |
| Net profit (loss) | – | – | (457) | (457) | 5 | (452) |
| Other comprehensive income (loss) (Note 8) | – | 33 | (1,104) | (1,071) | (4) | (1,075) |
| Comprehensive income (loss) | – | 33 | (1,561) | (1,528) | 1 | (1,527) |
| Balance at September 26, 2020 | 1,155 | 97 | (2,887) | (1,635) | 36 | (1,599) |

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

# Interim Condensed Consolidated Statement of Cash Flows

(Unaudited – in millions of Canadian dollars)

| | For the 13 weeks ended | | For the 39 weeks ended | |
|---|---|---|---|---|
| | **October 2, 2021** | September 26, 2020 | **October 2, 2021** | September 26, 2020 |
| **Cash flows from operating activities** | | | | |
| Net loss | **(145)** | (164) | **(209)** | (452) |
| Adjustments to reconcile net profit to cash provided by operating activities: | | | | |
| Depreciation and amortization (Note 5) | **114** | 106 | **335** | 321 |
| Pension, other post-employment and other long-term benefit expense (Note 6) | **296** | 278 | **878** | 949 |
| Pension, other post-employment and other long-term benefit payments (Note 6) | **(157)** | (137) | **(471)** | (369) |
| Gain on sale of capital assets (Note 12) | **(7)** | – | **(15)** | – |
| Tax recovery | **(46)** | (52) | **(65)** | (150) |
| Net interest expense (Note 12) | **16** | 14 | **49** | 33 |
| Change in non-cash operating working capital: | | | | |
| Decrease in trade and other receivables | **91** | 80 | **184** | 99 |
| (Decrease) increase in trade and other payables | **(52)** | (41) | **(136)** | 32 |
| Decrease in salaries and benefits payable and related provisions | **(53)** | (95) | **(169)** | (53) |
| (Decrease) increase in provisions | **(1)** | 1 | **(2)** | (2) |
| Net decrease (increase) in other non-cash operating working capital | **8** | (4) | **(79)** | – |
| Other expense not affecting cash, net | **7** | – | **1** | (7) |
| Cash provided by (used in) operations before interest and tax | **71** | (14) | **301** | 401 |
| Interest received | **5** | 8 | **24** | 40 |
| Interest paid | **(31)** | (31) | **(72)** | (73) |
| Tax (paid) received | **(15)** | 44 | **41** | 22 |
| Cash provided by operating activities | **30** | 7 | **294** | 390 |
| **Cash flows from investing activities** | | | | |
| Acquisition of securities | **(267)** | (193) | **(863)** | (1,170) |
| Proceeds from sale of securities | **269** | 335 | **896** | 1,156 |
| Acquisition of capital assets | **(162)** | (138) | **(471)** | (301) |
| Proceeds from sale of capital assets | **7** | – | **18** | 1 |
| Other investing activities, net | **1** | (39) | **2** | (37) |
| Cash used in investing activities | **(152)** | (35) | **(418)** | (351) |
| **Cash flows from financing activities** | | | | |
| Repayments of lease liabilities, net of finance sublease proceeds | **(30)** | (29) | **(88)** | (83) |
| Cash used in financing activities | **(30)** | (29) | **(88)** | (83) |
| **Net decrease in cash and cash equivalents** | **(152)** | (57) | **(212)** | (44) |
| Cash and cash equivalents, beginning of period | **1,403** | 1,489 | **1,465** | 1,475 |
| Effect of exchange rate changes on cash and cash equivalents | **3** | (1) | **1** | – |
| **Cash and cash equivalents, end of period** | **1,254** | 1,431 | **1,254** | 1,431 |

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

# Notes to Interim Condensed Consolidated Financial Statements

For the 39 weeks ended October 2, 2021
(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, 2020. 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 financial statements do not include all 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, 2020. These interim financial statements have been prepared based on International Financial Reporting Standards (IFRSs) issued and effective as at the reporting date. They were approved and authorized for issue by the Board of Directors November 18, 2021.

**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, 2020. 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, 2020.

**COVID-19 •** Declared a pandemic in March 2020, COVID-19 has had a significant impact on the Canadian and global economies, including our business in 2020 and 2021, and likely going forward. Additional estimation uncertainties, significant judgments and risks as a result of COVID-19 include the recoverability and impairment of financial and non-financial assets, accounting for fair value of financial assets, timing of revenue recognition and contract modifications.

The related market volatility of market-driven discount rates and returns on pension plan assets could have an effect on the Corporation's pension plan deficit and solvency payments, which could be significantly higher than expected. This volatility is also inherent in the pension asset or liability, which drives the deferred tax asset. In addition, impairment of non-financial assets could be affected as they require the development of cash flow projections that are subject to the significant uncertainties noted above. Disclosures have been added where the interim financial statements have been affected.

## 3. Application of New and Revised International Financial Reporting Standards

### (a) New standards, amendments and interpretations effective January 1, 2021

There were no amendments issued by the International Accounting Standards Board (IASB) that required mandatory adoption by the Group of Companies effective January 1, 2021.

### (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, 2020, and in Note 3 (b) of the Corporation's first and second quarter financial reports ended April 3 and July 3, 2021, respectively, 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 October 2, 2021** | As at December 31, 2020 |
|---|---|---|
| Income tax receivable | 1 | 96 |
| Prepaid expenses | 157 | 120 |
| Assets held for sale | 2 | 2 |
| Finance lease receivable | – | 15 |
| Other receivables | 47 | 48 |
| **Total other assets** | **207** | 281 |
| Current other assets | **151** | 217 |
| Non-current other assets | **56** | 64 |

As at October 2, 2021, 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. Future contractual undiscounted cash flows as at October 2, 2021, is nil (December 31, 2020 - $15 million) due to the termination of leases in the SCI segment.

## 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, 2020 | 457 | 2,280 | 375 | 1,211 | 679 | 368 | 1,064 | 273 | 6,707 |
| Additions | 1 | 28 | 9 | 19 | 56 | 15 | 59 | 225 | 412 |
| Reclassified as held for sale | (1) | (8) | – | – | – | – | – | – | (9) |
| Retirements | – | (2) | (3) | (18) | (2) | (17) | (6) | – | (48) |
| Transfers | – | 34 | (10) | 3 | – | – | 1 | (28) | – |
| **October 2, 2021** | **457** | **2,332** | **371** | **1,215** | **733** | **366** | **1,118** | **470** | **7,062** |
| **Accumulated depreciation** | | | | | | | | | |
| December 31, 2020 | – | 1,262 | 269 | 814 | 405 | 292 | 505 | – | 3,547 |
| Depreciation | – | 44 | 12 | 54 | 39 | 16 | 39 | – | 204 |
| Reclassified as held for sale | – | (7) | – | – | – | – | – | – | (7) |
| Retirements | – | (2) | (3) | (18) | (2) | (17) | (5) | – | (47) |
| Transfers | – | 1 | (1) | – | – | – | – | – | – |
| **October 2, 2021** | **–** | **1,298** | **277** | **850** | **442** | **291** | **539** | **–** | **3,697** |
| **Carrying amounts** | | | | | | | | | |
| December 31, 2020 | 457 | 1,018 | 106 | 397 | 274 | 76 | 559 | 273 | 3,160 |
| **October 2, 2021** | **457** | **1,034** | **94** | **365** | **291** | **75** | **579** | **470** | **3,365** |

### (b) Intangible assets

(in millions)

| | Software | Software under development | Customer contracts and relationships | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| December 31, 2020 | 856 | 67 | 22 | 945 |
| Additions | 5 | 54 | – | 59 |
| Transfers | 72 | (72) | – | – |
| **October 2, 2021** | **933** | **49** | **22** | **1,004** |
| **Accumulated amortization** | | | | |
| December 31, 2020 | 782 | – | 22 | 804 |
| Amortization | 35 | – | – | 35 |
| **October 2, 2021** | **817** | **–** | **22** | **839** |
| **Carrying amounts** | | | | |
| December 31, 2020 | 74 | 67 | – | 141 |
| **October 2, 2021** | **116** | **49** | **–** | **165** |

### (c) Right-of-use assets

(in millions)

| | Land | Buildings – gross | Buildings – net | Vehicles | Plant equipment | Total |
|---|---|---|---|---|---|---|
| **Carrying amounts** | | | | | | |
| December 31, 2020 | 118 | 284 | 804 | 14 | 1 | 1,221 |
| Additions | 2 | 32 | 125 | 7 | 1 | 167 |
| Depreciation | (2) | (21) | (66) | (6) | (1) | (96) |
| **October 2, 2021** | **118** | **295** | **863** | **15** | **1** | **1,292** |

## 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 October 2, 2021** | As at December 31, 2020 |
|---|---|---|
| Pension benefit assets | **1,656** | 25 |
| Pension benefit liabilities | 6 | 3,231 |
| Other post-employment and other long-term benefit liabilities | 3,927 | 4,435 |
| Total pension, other post-employment and other long-term benefit liabilities | 3,933 | 7,666 |
| Current other long-term benefit liabilities | **62** | 65 |
| Non-current pension, other post-employment and other long-term benefit liabilities | **3,871** | 7,601 |

### (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 October 2, 2021** | | | For the 13 weeks ended September 26, 2020 | | |
|---|---|---|---|---|---|---|
| | **Pension benefit plans** | **Other benefit plans** | **Total** | Pension benefit plans | Other benefit plans | Total |
| Current service cost | 198 | 34 | 232 | 182 | 31 | 213 |
| Interest cost | 229 | 30 | 259 | 245 | 32 | 277 |
| Interest income on plan assets | (207) | – | (207) | (224) | – | (224) |
| Other administration costs | 4 | – | 4 | 3 | – | 3 |
| Actuarial losses[1] | – | – | – | – | 3 | 3 |
| Defined benefit expense | 224 | 64 | 288 | 206 | 66 | 272 |
| Defined contribution expense | 8 | – | 8 | 6 | – | 6 |
| Total expense | 232 | 64 | 296 | 212 | 66 | 278 |
| Return on segregated securities | – | (4) | (4) | – | (3) | (3) |
| **Component included in employee benefits expense** | **232** | **60** | **292** | 212 | 63 | 275 |
| Remeasurement (gains) losses: | | | | | | |
| Return on plan assets, excluding interest income on plan assets | (263) | – | (263) | (614) | – | (614) |
| Actuarial (gains) losses | (1,007) | (114) | (1,121) | 503 | 7 | 510 |
| **Component included in other comprehensive income[2,3,4]** | **(1,270)** | **(114)** | **(1,384)** | (111) | 7 | (104) |

1. Remeasurements for other long-term benefits 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 the April 3, 2021, remeasurement, the Canada Post segment other long-term benefit plans were not remeasured at October 2, 2021. The discount rate used to measure the Canada Post segment other long-term benefit plans at September 26, 2020, was 2.20%, compared to 2.40% at June 27, 2020.
2. Amounts presented in this table exclude an income tax expense of $347 million for the 13 weeks ended October 2, 2021 ($27 million expense for the 13 weeks ended September 26, 2020).
3. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at October 2, 2021, were 3.46% and 3.60% compared to 3.27% and 3.39% at July 3, 2021 (2.80% and 2.90%, respectively, at September 26, 2020, compared to 2.90% at June 27, 2020).
4. For 2021, the discount rates use the actual plan cash flows rather than rates established for plans of similar duration, as previously used.

| | **For the 39 weeks ended October 2, 2021** | | | For the 39 weeks ended September 26, 2020 | | |
|---|---|---|---|---|---|---|
| | **Pension benefit plans** | **Other benefit plans** | **Total** | Pension benefit plans | Other benefit plans | Total |
| Current service cost | 596 | 102 | 698 | 537 | 93 | 630 |
| Interest cost | 690 | 91 | 781 | 727 | 93 | 820 |
| Interest income on plan assets | (624) | – | (624) | (665) | – | (665) |
| Other administration costs | 11 | – | 11 | 10 | – | 10 |
| Actuarial (gains) losses[1] | – | (12) | (12) | – | 12 | 12 |
| Loss from plan amendment[2] | – | – | – | – | 123 | 123 |
| Defined benefit expense | 673 | 181 | 854 | 609 | 321 | 930 |
| Defined contribution expense | 24 | – | 24 | 19 | – | 19 |
| Total expense | 697 | 181 | 878 | 628 | 321 | 949 |
| Return on segregated securities | – | (12) | (12) | – | (11) | (11) |
| **Component included in employee benefits expense** | **697** | **169** | **866** | 628 | 310 | 938 |
| Remeasurement (gains) losses: | | | | | | |
| Return on plan assets, excluding interest income on plan assets | (1,030) | – | (1,030) | (186) | – | (186) |
| Actuarial (gains) losses | (4,166) | (575) | (4,741) | 1,448 | 216 | 1,664 |
| **Component included in other comprehensive income[3,4,5]** | **(5,196)** | **(575)** | **(5,771)** | 1,262 | 216 | 1,478 |

1. Remeasurements for other long-term benefits 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 April 3, 2021, the Canada Post segment other long-term benefit plans were not remeasured at July 3, 2021, and October 2, 2021. The discount rate used to measure the Canada Post segment other long-term benefit plans at April 3, 2021, was 2.88% compared to 2.09% at December 31, 2020 (2.20% at September 26, 2020, compared to 2.90% at December 31, 2019).
2. In Q2 2020, the arbitrator rendered her decision relating to CUPW-UPO and CUPW-RSMC collective agreements. This ruling led to expanded eligibility for the post-employment health plan for employees represented by CUPW-RSMC, resulting in a plan amendment loss of $122 million. In Q1 2020, a plan amendment loss of $1 million was recorded due to the ratification of a new collective agreement with the Canadian Postmasters and Assistants Association (CPAA), which included modifications of the post-employment health plan.
3. Amounts presented in this table exclude an income tax expense of $1,446 million for the 39 weeks ended October 2, 2021 ($370 million recovery for the 39 weeks ended September 26, 2020).
4. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at October 2, 2021, were 3.46% and 3.60% compared to 2.67% and 2.74% at December 31, 2020 (2.80% and 2.90%, respectively, at September 26, 2020, compared to 3.10% and 3.20%, respectively, at December 31, 2019).
5. For 2021, the discount rates use the actual plan cash flows rather than rates established for plans of similar duration, as previously used.

## (c) Total cash payments and funding relief

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

(in millions)

| | **For the 13 weeks ended** | | **For the 39 weeks ended** | |
|---|---|---|---|---|
| | **October 2, 2021** | September 26, 2020 | **October 2, 2021** | September 26, 2020 |
| Benefits paid directly to beneficiaries for other benefit plans | 37 | 35 | 114 | 104 |
| Employer regular contributions to pension benefit plans | 93 | 92 | 288 | 229 |
| Employer special contributions to pension benefit plans | 19 | 4 | 45 | 17 |
| Cash payments for defined benefit plans | 149 | 131 | 447 | 350 |
| Contributions to defined contribution plans | 8 | 6 | 24 | 19 |
| Total cash payments | **157** | 137 | **471** | 369 |

The estimates for the Group of Companies' total contributions to the defined benefit pension plans in 2021 did not change significantly from those disclosed in the Corporation's audited consolidated financial statements for the year ended December 31, 2020.

Under the *Pension Benefits Standards Act*, *1985*, and related regulations, Canada Post is not required to make solvency special payments for 2021; however, market volatility could have a significant effect on payments for 2022 and thereafter. The Corporation has requested temporary relief from making future payment from its shareholder, the Government of Canada.

## 7. Lease Liabilities

### (a) Lease liabilities

(in millions)

| | As at October 2, 2021 | As at December 31, 2020 |
|---|---|---|
| **Maturity analysis – contractual undiscounted cash flows[1,2]** | | |
| Less than one year | 156 | 157 |
| One to five years | 549 | 527 |
| More than five years | 1,216 | 1,197 |
| **Total undiscounted lease liabilities** | **1,921** | 1,881 |
| **Lease liabilities in the consolidated statement of financial position** | **1,478** | 1,414 |
| Current lease liabilities | **122** | 122 |
| Non-current lease liabilities | **1,356** | 1,292 |

1. Included in the above table are lease payments (undiscounted cash flows) to be made to related parties in the normal course of business, in the amount of $21 million for premises used in postal operations (December 31, 2020 – $26 million).
2. Leases that have not yet commenced, but which have been committed to as at October 2, 2021, have future cash outflows of $48 million that are included in the above maturity analysis, but they are excluded from the measurement of lease liabilities (December 31, 2020 – $74 million).

### (b) Changes in liabilities arising from financing activities

(in millions)

| | December 31, 2020 | Payments | Interest | Net lease additions | October 2, 2021 |
|---|---|---|---|---|---|
| Lease liabilities | 1,414 | (122) | 29 | 157 | **1,478** |

## 8. Other Comprehensive Income

(in millions)

| | Items that may subsequently be reclassified to net profit (loss) | | | Item never reclassified to net profit (loss) | |
|---|---|---|---|---|---|
| **For the 39 weeks ended October 2, 2021** | Change in unrealized fair value of financial assets | Cumulative foreign currency translation adjustment | Accumulated other comprehensive income | Remeasurements of defined benefit plans | Other comprehensive income (loss) |
| Accumulated balance as at December 31, 2020 | 88 | 4 | 92 | | |
| Gains (losses) arising | (45) | (1) | (46) | 5,771 | 5,725 |
| Income taxes | 10 | – | 10 | (1,446) | (1,436) |
| **Net** | **(35)** | **(1)** | **(36)** | **4,325** | **4,289** |
| **Accumulated balance as at October 2, 2021** | **53** | **3** | **56** | | |

## 9. Contingent Liabilities

There have been no significant changes to the contingent liabilities as disclosed in Note 16 of the Corporation's December 31, 2020, consolidated financial statements except, as noted below.

### Accelerated delivery service – Class-action lawsuit

An application was made to the Superior Court of Québec on July 6, 2020, to institute a class action against Canada Post on behalf of a class of customers who, since March 14, 2020, paid for an expedited service offered by Canada Post, for which the on-time delivery guarantee had not been met. Canada Post suspended on-time delivery guarantees on March 19, 2020, until further notice, due to COVID-19 and required operational changes to preserve the health and safety of employees and Canadians. The allegation is that Canada Post, nevertheless, continued to promote the delivery guarantees for expedited services while refusing to honour them. The proposed class action has now been limited to consumers (as opposed to commercial accounts) in the province of Quebec only, and is seeking full refunds, compensatory damages and punitive damages. The class action has not yet been certified by the Court. The outcome of this class action is not determinable.

**Co-payments for prescription drugs – Class-action lawsuit**

In June 2017, the Superior Court of Québec 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). On June 9, 2021, the Superior Court of Québec approved a settlement agreement reached by the parties. The class action has been settled i) without any money being paid out by Canada Post and ii) on Canada Post sending a letter to its employees and retirees in Quebec explaining the different options in terms of coverage. This letter, requested by the class and aimed at educating our employees and retirees with respect to already existing policies, is the only concession that was made by Canada Post. The letter, a copy of which is also available on Intrapost, has already been sent out.

## 10. Fair Values and Risk Arising from Financial Instruments

### Fair values of financial instruments

The fair values of 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. Also, these financial instruments are categorized as level 2 in the fair value hierarchy and are applied on a recurring basis. There were no transfers between levels of the fair value hierarchy during the 39 weeks ended October 2, 2021.

### 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.

*Market risk*

**Foreign exchange risk •** Exposure to foreign exchange risk primarily applies to the Canada Post segment where it arises mainly from international settlements with foreign postal administrations and from the redemption of money orders denominated in foreign currencies. The Corporation's obligation to settle with foreign postal administrations is denominated in special drawing rights (SDRs), a basket of currencies comprising the U.S. dollar (US$), euro (€), British pound (£), Japanese yen (¥) and Chinese renminbi (CN¥) whereas payment is usually denominated in US$.

The Canada Post segment has an economic hedge program to mitigate its exposure to foreign exchange balances and forecasted sales denominated in SDRs. The mark-to-market adjustment on outstanding forward contracts held at October 2, 2021, was not significant.

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

(in millions)

| | **For the 13 weeks ended October 2, 2021** | | | For the 13 weeks ended September 26, 2020 | | |
|---|---|---|---|---|---|---|
| | **Foreign exchange gains** | **Derivative gains (losses)** | **Total** | Foreign exchange losses | Derivative gains (losses) | Total |
| Unrealized | 5 | (5) | – | (2) | 4 | 2 |
| Realized | – | 1 | 1 | (2) | (3) | (5) |
| Total | **5** | **(4)** | **1** | (4) | 1 | (3) |

| | **For the 39 weeks ended October 2, 2021** | | | For the 39 weeks ended September 26, 2020 | | |
|---|---|---|---|---|---|---|
| | **Foreign exchange gains (losses)** | **Derivative gains** | **Total** | Foreign exchange gains | Derivative losses | Total |
| Unrealized | 2 | 2 | 4 | 1 | (4) | (3) |
| Realized | (6) | 4 | (2) | 6 | (4) | 2 |
| Total | **(4)** | **6** | **2** | 7 | (8) | (1) |

## 11. Other Operating Costs

(in millions)

| | For the 13 weeks ended | | For the 39 weeks ended | |
|---|---|---|---|---|
| | **October 2, 2021** | September 26, 2020 | **October 2, 2021** | September 26, 2020 |
| Non-labour collection, processing and delivery | 456 | 437 | 1,478 | 1,249 |
| Property, facilities and maintenance | 73 | 69 | 237 | 216 |
| Selling, administrative and other | 178 | 150 | 500 | 439 |
| Other operating costs | **707** | 656 | **2,215** | 1,904 |

## 12. Investing and Financing Income (Expense)

(in millions)

| | For the 13 weeks ended | | For the 39 weeks ended | |
|---|---|---|---|---|
| | **October 2, 2021** | September 26, 2020 | **October 2, 2021** | September 26, 2020 |
| Interest income | 3 | 7 | 13 | 29 |
| Gain on sale of capital assets and assets held for sale | 7 | – | 15 | – |
| Other income | – | 1 | – | 2 |
| Investment and other income | **10** | 8 | **28** | 31 |
| Interest expense | (20) | (21) | (62) | (62) |
| Other expense | (5) | (2) | (17) | (9) |
| Finance costs and other expense | **(25)** | (23) | **(79)** | (71) |
| Investing and financing expense, net | **(15)** | (15) | **(51)** | (40) |

## 13. Related Party Transactions

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

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

(in millions)

| | For the 13 weeks ended | | For the 39 weeks ended | |
|---|---|---|---|---|
| | **October 2, 2021** | September 26, 2020 | **October 2, 2021** | September 26, 2020 |
| **Related party revenue** | **90** | 48[1] | **250** | 178[1] |
| **Compensation payments for programs** | | | | |
| Government mail and mailing of materials for persons who are blind | **6** | 5 | **17** | 17 |
| **Payments from related parties for premises leased from the Corporation** | **2** | 1 | **5** | 5 |
| **Related party expenditures** | **5** | 2 | **19** | 12 |

1. Due to the availability of additional information in the Purolator segment, disclosure of related party revenue increased by $5 million and $14 million for the 13 and 39 weeks ended September 26, 2020, respectively.

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 (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 October 2, 2021 | As at December 31, 2020 |
|---|---|---|
| **Due to/from related parties** | | |
| Included in trade and other receivables | **26** | 15 |
| Included in trade and other payables | **12** | 20 |
| **Deferred revenue from related parties** | **1** | 1 |

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

In the normal course of business, the Group of Companies may interact with companies whose financial and operating policies are solely or jointly governed by key management personnel (KMP) of the Group of Companies. The affected KMP are required to recuse themselves from all discussions and decisions relating to transactions between the companies. The only significant transactions for the 39 weeks ended October 2, 2021, 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 $9 million for the 13 and 39 weeks ended October 2, 2021, respectively (September 26, 2020 – $3 million and $9 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 October 2, 2021, the Corporation provided administration services to the Canada Post Corporation Registered Pension Plan in the amount of $4 million and $10 million, respectively (September 26, 2020 – $3 million and $9 million, respectively). As at October 2, 2021, $4 million (December 31, 2020 – $11 million) relating to transactions with the Registered Pension Plan is outstanding and included in trade and other receivables. Cash payments, including contributions to the defined benefit plans and defined contribution plans for the Group of Companies, are disclosed in Note 6 (c).

## 14. Segmented 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 October 2, 2021**

(in millions)

| | Canada Post | Purolator | SCI | Other | Total |
|---|---|---|---|---|---|
| Revenue from external customers | 1,599 | 604 | 78 | – | 2,281 |
| Intersegment revenue | 24 | 8 | 12 | (44) | – |
| Revenue from operations | 1,623 | 612 | 90 | (44) | 2,281 |
| Labour and employee benefits | 1,303 | 264 | 44 | 25 | 1,636 |
| Other operating costs | 493 | 254 | 30 | (70) | 707 |
| Depreciation and amortization | 82 | 23 | 9 | – | 114 |
| Cost of operations | 1,878 | 541 | 83 | (45) | 2,457 |
| Profit (loss) from operations | (255) | 71 | 7 | 1 | (176) |
| Investment and other income | 10 | – | – | – | 10 |
| Finance costs and other expense | (19) | (6) | – | – | (25) |
| Profit (loss) before tax | (264) | 65 | 7 | 1 | (191) |
| Tax expense (recovery) | (67) | 17 | 2 | 2 | (46) |
| Net profit (loss) | (197) | 48 | 5 | (1) | (145) |
| Total assets | 9,532 | 1,780 | 310 | (324) | 11,298 |
| Total liabilities | 7,166 | 773 | 179 | (22) | 8,096 |

As at and for the 13 weeks ended September 26, 2020

(in millions)

| | Canada Post | Purolator | SCI | Other | Total |
|---|---|---|---|---|---|
| Revenue from external customers | 1,565 | 530 | 70 | – | 2,165 |
| Intersegment revenue | 21 | 8 | 11 | (40) | – |
| Revenue from operations | 1,586 | 538 | 81 | (40) | 2,165 |
| Labour and employee benefits | 1,292 | 247 | 39 | 26 | 1,604 |
| Other operating costs | 478 | 220 | 25 | (67) | 656 |
| Depreciation and amortization | 76 | 20 | 10 | – | 106 |
| Cost of operations | 1,846 | 487 | 74 | (41) | 2,366 |
| Profit (loss) from operations | (260) | 51 | 7 | 1 | (201) |
| Investment and other income | 6 | – | 1 | 1 | 8 |
| Finance costs and other expense | (11) | (9) | (2) | (1) | (23) |
| Profit (loss) before tax | (265) | 42 | 6 | 1 | (216) |
| Tax expense (recovery) | (66) | 12 | 1 | 1 | (52) |
| Net profit (loss) | (199) | 30 | 5 | – | (164) |
| Total assets | 9,489 | 1,614 | 286 | (305) | 11,084 |
| Total liabilities | 11,545 | 981 | 171 | (14) | 12,683 |

**As at and for the 39 weeks ended October 2, 2021**

(in millions)

| | **Canada Post** | **Purolator** | **SCI** | **Other** | **Total** |
|---|---|---|---|---|---|
| Revenue from external customers | 5,319 | 1,864 | 239 | – | 7,422 |
| Intersegment revenue | 80 | 27 | 31 | (138) | – |
| Revenue from operations | 5,399 | 1,891 | 270 | (138) | 7,422 |
| Labour and employee benefits | 4,051 | 830 | 133 | 81 | 5,095 |
| Other operating costs | 1,570 | 784 | 84 | (223) | 2,215 |
| Depreciation and amortization | 240 | 65 | 29 | 1 | 335 |
| Cost of operations | 5,861 | 1,679 | 246 | (141) | 7,645 |
| Profit (loss) from operations | (462) | 212 | 24 | 3 | (223) |
| Investment and other income | 27 | 1 | – | – | 28 |
| Finance costs and other expense | (57) | (20) | (2) | – | (79) |
| Profit (loss) before tax | (492) | 193 | 22 | 3 | (274) |
| Tax expense (recovery) | (124) | 52 | 6 | 1 | (65) |
| Net profit (loss) | (368) | 141 | 16 | 2 | (209) |
| Total assets | 9,532 | 1,780 | 310 | (324) | 11,298 |
| Total liabilities | 7,166 | 773 | 179 | (22) | 8,096 |

As at and for the 39 weeks ended September 26, 2020

(in millions)

| | Canada Post | Purolator | SCI | Other | Total |
|---|---|---|---|---|---|
| Revenue from external customers | 4,838 | 1,478 | 209 | – | 6,525 |
| Intersegment revenue | 60 | 21 | 29 | (110) | – |
| Revenue from operations | 4,898 | 1,499 | 238 | (110) | 6,525 |
| Labour and employee benefits | 3,946 | 713 | 119 | 84 | 4,862 |
| Other operating costs | 1,407 | 620 | 74 | (197) | 1,904 |
| Depreciation and amortization | 233 | 58 | 30 | – | 321 |
| Cost of operations | 5,586 | 1,391 | 223 | (113) | 7,087 |
| Profit (loss) from operations | (688) | 108 | 15 | 3 | (562) |
| Investment and other income | 27 | 2 | 1 | 1 | 31 |
| Finance costs and other expense | (48) | (19) | (4) | – | (71) |
| Profit (loss) before tax | (709) | 91 | 12 | 4 | (602) |
| Tax expense (recovery) | (178) | 24 | 3 | 1 | (150) |
| Net profit (loss) | (531) | 67 | 9 | 3 | (452) |
| Total assets | 9,489 | 1,614 | 286 | (305) | 11,084 |
| Total liabilities | 11,545 | 981 | 171 | (14) | 12,683 |

## (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.

(in millions)

| | **For the 13 weeks ended** | | **For the 39 weeks ended** | |
|---|---|---|---|---|
| | **October 2, 2021** | September 26, 2020 | **October 2, 2021** | September 26, 2020 |
| Canada | 2,184 | 2,015 | 7,064 | 6,142 |
| United States | 56 | 76 | 212 | 196 |
| Rest of the world | 41 | 74 | 146 | 187 |
| Total revenue | **2,281** | 2,165 | **7,422** | 6,525 |

### (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.

(in millions)

| | **For the 13 weeks ended October 2, 2021** | | | For the 13 weeks ended September 26, 2020 | | |
|---|---|---|---|---|---|---|
| | **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 | 1,455 | (43) | 1,412 | 1,403 | (38)[1] | 1,365 |
| Transaction Mail | 427 | – | 427 | 402 | – | 402 |
| Direct Marketing | 229 | (1) | 228 | 187 | – | 187 |
| Other revenue | 124 | (70) | 54 | 124 | (80)[1] | 44 |
| | **2,235** | **(114)** | **2,121** | 2,116 | (118) | 1,998 |
| **Unattributed revenue** | | | | | | |
| Stamp postage | 69 | – | 69 | 71 | – | 71 |
| Meter postage | 91 | – | 91 | 96 | – | 96 |
| | **160** | **–** | **160** | 167 | – | 167 |
| Total | **2,395** | **(114)** | **2,281** | 2,283 | (118) | 2,165 |

1. Reclassified to conform to current year presentation and a realignment of products and services between lines of business, an amount of $3 million was reclassified to Parcels from the Other revenue category.

| | **For the 39 weeks ended October 2, 2021** | | | For the 39 weeks ended September 26, 2020 | | |
|---|---|---|---|---|---|---|
| | **Total revenue** | **Intersegment and consolidation** | **Revenue from external customers** | Total revenue | Intersegment and consolidation | Revenue from external customers |
| **Revenue attributed to products and services** | | | | | | |
| Parcels | 4,744 | (136) | 4,608 | 4,005 | (107)[1] | 3,898 |
| Transaction Mail | 1,435 | (1) | 1,434 | 1,367 | (1) | 1,366 |
| Direct Marketing | 663 | (1) | 662 | 563 | (1) | 562 |
| Other revenue | 415 | (230) | 185 | 367 | (222)[1] | 145 |
| | **7,257** | **(368)** | **6,889** | 6,302 | (331) | 5,971 |
| **Unattributed revenue** | | | | | | |
| Stamp postage | 231 | – | 231 | 238 | – | 238 |
| Meter postage | 302 | – | 302 | 316 | – | 316 |
| | **533** | **–** | **533** | 554 | – | 554 |
| Total | **7,790** | **(368)** | **7,422** | 6,856 | (331) | 6,525 |

1. Reclassified to conform to current year presentation and a realignment of products and services between lines of business, an amount of $10 million was reclassified to Parcels from the Other revenue category.

## (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 14 (b).

(in millions)

| | **For the 13 weeks ended October 2, 2021** | | | For the 13 weeks ended September 26, 2020 | | |
|---|---|---|---|---|---|---|
| | **Total revenue** | **Intersegment and consolidation** | **Revenue from external customers** | Total revenue | Intersegment and consolidation | Revenue from external customers |
| **Domestic** | | | | | | |
| Commercial | 1,662 | (44) | 1,618 | 1,491 | (38)[1] | 1,453 |
| Retail | 554 | – | 554 | 568 | – | 568 |
| | 2,216 | (44) | 2,172 | 2,059 | (38) | 2,021 |
| **International** | 108 | – | 108 | 149 | – | 149 |
| **Other** | 71 | (70) | 1 | 75 | (80)[1] | (5) |
| Total | **2,395** | **(114)** | **2,281** | 2,283 | (118) | 2,165 |

1. Reclassified to conform to current year presentation and a realignment of products and services between lines of business, an amount of $3 million was reclassified to Commercial Domestic Parcels from the Other revenue category.

| | **For the 39 weeks ended October 2, 2021** | | | For the 39 weeks ended September 26, 2020 | | |
|---|---|---|---|---|---|---|
| | **Total revenue** | **Intersegment and consolidation** | **Revenue from external customers** | Total revenue | Intersegment and consolidation | Revenue from external customers |
| **Domestic** | | | | | | |
| Commercial | 5,228 | (138) | 5,090 | 4,537 | (109)[1] | 4,428 |
| Retail | 1,959 | – | 1,959 | 1,717 | – | 1,717 |
| | 7,187 | (138) | 7,049 | 6,254 | (109) | 6,145 |
| **International** | 369 | – | 369 | 383 | – | 383 |
| **Other** | 234 | (230) | 4 | 219 | (222)[1] | (3) |
| Total | **7,790** | **(368)** | **7,422** | 6,856 | (331) | 6,525 |

1. Reclassified to conform to current year presentation and a realignment of products and services between lines of business, an amount of $10 million was reclassified to Commercial Domestic Parcels from the Other revenue category.

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