

Management's Discussion and Analysis

Canadian Tire Corporation, Limited
First Quarter 2020

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1.0 Preface

1.1 Definitions

In this document, the terms “we”, “us”, “our”, “Company”, “Canadian Tire Corporation”, “CTC”, and “Corporation” refer to Canadian Tire Corporation, Limited, on a consolidated basis. This document also refers to the Corporation’s three reportable operating segments: the “Retail segment”, the “CT REIT segment”, and the “Financial Services segment”.

The financial results for the Retail segment are delivered by the businesses operated by the Company under the Company’s retail banners, which include Canadian Tire, PartSource, Petroleum, Gas+, Party City, Mark’s, Mark’s Work Wearhouse, L’Équipeur, Helly Hansen, SportChek, Sports Experts, Atmosphere, Pro Hockey Life (“PHL”), National Sports, Sports Rousseau, and Hockey Experts.

In this document:

“Canadian Tire” refers to the general merchandise retail and services businesses carried on under the Canadian Tire, PartSource, PHL, and Party City names and trademarks, and the retail petroleum business carried on by Petroleum.

“Canadian Tire stores” and “Canadian Tire gas bars” refer to stores and gas bars (which may include convenience stores, car washes, and propane stations) operated under the Canadian Tire and Gas+ names and trademarks.

“Consumer brands” refers to brands owned by the Company and are managed by the consumer brands division of the Retail segment.

“CT REIT” refers to the business carried on by CT Real Estate Investment Trust and its subsidiaries, including CT REIT Limited Partnership (“CT REIT LP”).

“Financial Services” refers to the business carried on by the Company’s Financial Services subsidiaries, namely Canadian Tire Bank (“CTB” or “the Bank”) and CTFS Bermuda Ltd. (“CTFS Bermuda”), a Bermuda reinsurance company.

“Helly Hansen” refers to the international wholesale and retail businesses that operate under the Helly Hansen and Musto brands.

“Jumpstart” refers to Canadian Tire Jumpstart Charities.

“Mark’s” refers to the retail and commercial wholesale businesses carried on by Mark’s Work Wearhouse Ltd., and “Mark’s stores” including stores operated under the Mark’s, Mark’s Work Wearhouse, and L’Équipeur names and trademarks.

“PartSource stores” refers to stores operated under the PartSource name and trademarks.

“Party City” refers to the party supply business that operate under the Party City name and trademarks in Canada.

“Petroleum” refers to the retail petroleum business carried on under the Canadian Tire and Gas+ names and trademarks.

“SportChek” refers to the retail business carried on by FGL Sports Ltd., including stores operated under the SportChek, Sports Experts, Atmosphere, National Sports, Sports Rousseau, and Hockey Experts names and trademarks.

Other terms that are capitalized in this document are defined the first time they are used.

This document contains trade names, trademarks, and service marks of CTC and other organizations, all of which are the property of their respective owners. Solely for convenience, the trade names, trademarks, and service marks referred to herein appear without the ® or TM symbol.

1.2 Forward-Looking Statements

This Management's Discussion and Analysis ("MD&A") contains statements that are forward looking and may constitute "forward-looking information" within the meaning of applicable securities legislation. Actual results or events may differ materially from those forecasted and from statements of the Company's plans or aspirations that are made in this MD&A because of the risks and uncertainties associated with the Corporation's businesses and the general economic environment. The Company cannot provide any assurance that any forecast financial or operational performance, plans, or aspirations will actually be achieved or, if achieved, will result in an increase in the Company's share price. Refer to section 13.0 in this MD&A for a more detailed discussion of the Company's use of forward-looking statements.

1.3 Review and Approval by the Board of Directors

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on May 6, 2020.

1.4 Quarterly and Annual Comparisons in the MD&A

Unless otherwise indicated, all comparisons of results for Q1 2020 (13 weeks ended March 28, 2020) are compared against results for Q1 2019 (13 weeks ended March 30, 2019).

1.5 Accounting Framework

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"). The Company prepared the condensed interim consolidated financial statements in accordance with International Accounting Standards ("IAS") 34 – *Interim Financial Reporting*, using the accounting policies described in Note 2 to the condensed interim consolidated financial statements.

1.6 Accounting Estimates and Assumptions

The preparation of condensed interim consolidated financial statements that conform to IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Refer to section 9.1 in this MD&A for further information.

1.7 Key Operating Performance Measures and Additional GAAP and Non-GAAP Financial Measures

The Company has identified several key operating performance measures and non-GAAP financial measures which Management believes are useful in assessing the performance of the Company; however, readers are cautioned that some of these measures may not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3.1 and 9.3.2 for additional information on these metrics.

1.8 Rounding and Percentages

Rounded numbers are used throughout the MD&A. All year-over-year percentage changes are calculated on whole dollar amounts except in the presentation of basic and diluted earnings per share ("EPS"), in which year-over-year percentage changes are based on fractional amounts.

2.0 Company and Industry Overview

Canadian Tire Corporation, Limited, (TSX: CTC.A) (TSX: CTC), is a family of businesses that includes a Retail segment, a Financial Services division and CT REIT. Our retail business is led by Canadian Tire, which was founded in 1922 and provides Canadians with products for life in Canada across its Living, Playing, Fixing, Automotive and Seasonal & Gardening divisions. PartSource, Gas+ and Party City are key parts of the Canadian Tire network. The Retail segment also includes Mark's, a leading source for casual and industrial wear; Pro Hockey Life, a hockey specialty store catering to elite players; and SportChek, Hockey Experts, Sports Experts, National Sports, Intersport and Atmosphere, which offer the best active wear brands. The approximately 1,743 retail and gasoline outlets are supported and strengthened by our Financial Services division and the tens of thousands of people employed across Canada and around the world by the Company and its Canadian Tire Associate Dealers ("Dealers"), franchisees and petroleum retailers. In addition, Canadian Tire Corporation owns and operates Helly Hansen, a leading global brand in sportswear and workwear based in Oslo, Norway. A description of the Company's business and select core capabilities can be found in the Company's 2019 Annual Information Form ("2019 AIF"), including section 2 "Description of the Business" and on the Company's Corporate (<https://corp.canadiantire.ca/English/home/default.aspx>) and Investor Relations (<https://corp.canadiantire.ca/English/investors/default.aspx>) websites.

3.0 Significant Events that Impacted the Company this Quarter

During the first quarter of 2020, the impact of the global spread of the Coronavirus (COVID-19) had a significant impact on the Canadian and global economy, foreign exchange and equity markets and our Company. The Company has adopted a proactive communication approach with our employees, customers and investors, providing updates on the impacts to our operations, as the situation in Canada continues to unfold. The Company's focus as the pandemic evolves is to meet the heightened needs of Canadians and communities across the nation. In response to these events, the Company instituted a number of comprehensive and evolving operational and risk management strategies to support its Retail, Financial Services, and REIT businesses. These strategies allow us to continue to support Canadians with the essential products and services they require, maintain a financially strong business and protect the health and well-being of our employees, customers, Dealers and franchisees.

In line with recommendations by public health officials and restrictions issued by government authorities, the Company has adopted increasingly strict measures across our store and distribution network. These restrictions have impacted customer purchasing behaviours and have disrupted foreign exchange and equity markets. Consequently, this has impacted the Company's operations, financial results for the quarter, and our expectations as it relates to our 2020 financial aspirations and other forward-looking information provided in the Company's 2019 Report to Shareholders.

Impact on operations

The safety of our customers and employees is the Company's top priority. The Company has introduced several measures to provide support to our employees, customers and our community.

- Canadian Tire stores reduced their hours and certain provincial restrictions required stores to be closed on specific days. While open, the Company took precautions with enhanced cleaning protocols and actions to support physical distancing including the installation of plexiglass and floor decals and limiting the number of customers allowed in-store. As a result of further government restrictions, beginning April 5, 2020, all 203 Canadian Tire Retail stores in Ontario were closed to the public. The Company's auto service centres and Gas + locations continue to serve our customers and communities.
- Measures put in place by public authorities resulted in the temporary closure of non-essential businesses and services in certain jurisdictions. As a result, a number of the Company's stores, notably stores operating under the Company's SportChek and Mark's banners, were closed after March 18, 2020 and primarily remain closed as at the date of this report. In addition, as the pandemic spread around the world, Helly Hansen closed the majority of its retail operations globally.
- The Company and its Dealers implemented a special support payment of \$2 per hour, beginning March 22, 2020 for all active Canadian Tire store employees as recognition to employees for their hard work in continuing to serve their communities during the COVID-19 pandemic.
- On April 9, 2020, the Company launched a \$5 million Canadian Tire COVID-19 Response Fund to help Canadians and communities respond to the pandemic.

Throughout the quarter we saw a shift in Canadians' shopping behaviour, moving from a focus on shopping primarily in store for essential items, to shopping both in store, and increasingly, online not only for essential items but also products to occupy customers and their families while self isolating. The Company's multi-category assortment allowed it to do what it does best, supporting Canadians for the jobs and joys of life in Canada. While many stores in the network are closed, the Company's eCommerce business remains operational, with Curbside Pick Up introduced at Canadian Tire Retail stores and Ship to Home order fulfillment available to customers. All retail banners continue to see significant eCommerce demand across the country, now at unprecedented volumes.

The Company's ability to satisfy its customers' shopping habits and achieve its operational objectives depends upon its ongoing ability to maintain key supply chain operations including distribution, logistics and transportation arrangements. The Company has in place supply chain processes and technologies that provide visibility across the end-to-end supply chain network and support the Company's ability to proactively address potential disruptions including impacts such as COVID-19. As a result of this strength, the Company was able to take appropriate steps, including mitigating potential supply chain risks ensured the continuity of our operations during the quarter.

As the bulk of the Company's corporate employees moved to a work-from-home platform, and the Company's websites began to see more customer traffic, there was increased risk to our Information Technology systems. The Company has implemented additional security measures, including employee training, monitoring and testing and contingency plans, to protect its systems.

Impact on financial performance

As the Company modified its operations to keep its customers and employees safe and to respond to government regulations and the changing retail landscape, the financial implications to first quarter results were significant.

As noted above, customer shopping habits changed dramatically during the quarter. When reviewing the financial results for the quarter there are three time periods that are important to Management.

- First, the time before the virus was declared a pandemic by the World Health Organization and businesses began to shut down (up to March 11, 2020).
- Second, the day before the Company's SportChek and Mark's banners were closed (March 18, 2020); and
- Lastly, the end of the first quarter's reporting period (March 28, 2020).

The following tables summarize the Company's performance in comparable sales considering the above noted dates.

Comparable Sales

(Year-over-year percentage, unless otherwise noted)

	Up to March 11, 2020	Q1 2020
Canadian Tire ¹	0.9%	0.7 %
SportChek	3.2%	(1.8)%
Mark's	0.8%	(4.5)%
Consolidated comparable sales growth¹	1.3%	(0.3)%

¹ Canadian Tire and total Retail comparable sales growth excludes Petroleum. Refer to section 9.3.1 in this MD&A for additional information on comparable sales growth. Q1 2020 comparable sales for SportChek and Mark's were calculated on sales up to March 18, 2020 beyond which their retail stores were closed.

Consistent with the Company's strong performance in 2019 and despite being up against a very strong quarter last year, comparable sales were trending well up until March 11, 2020. Immediately after this date, consumer spending patterns changed dramatically, with a focus on essential items, resulting in Canadian Tire experiencing growth in certain categories, such as household consumables and cleaning solutions, exercise and sports equipment and accessories, and laundry solutions, while categories such as backyard living, tools and automotive saw declines. Comparatively, SportChek and Mark's saw store traffic and sales declines during the week before they were temporarily closed, as consumer demand for apparel and footwear reduced significantly. After the temporary store closures after March 18, 2020, SportChek and Mark's retail sales include only eCommerce sales and thus comparable sales is not meaningful. Following a week of buying essential items, Canadian Tire Retail store traffic and customer demand began to normalize as Canadians adopted self-isolation measures, resulting in the full quarter comparable sales and retail sales being comparable to the trends it was seeing before March 11, 2020.

As noted, the Company was impacted by: store closures across a number of banners, notably SportChek and Mark's, a decline in demand for petroleum as Canadians self-isolated and a decline in wholesale and retail revenue at Helly Hansen due to retail closures around the world. While it is difficult to precisely measure the impact of store closures, reduced wholesale revenue at Helly Hansen and demand at Petroleum, it should be noted that using applicable 2018 and 2019 data, on average for the last two weeks in the quarter, SportChek, Mark's and Helly Hansen contributed approximately \$140 million in combined revenue and Petroleum reported on average \$6.3 million in margin.

The Company has also estimated that the COVID-19 pandemic and market disruptions negatively impacted its Retail and Financial Services segments and consolidated earnings by \$93.8 million, or \$0.96 EPS, as described below:

In the Retail segment:

- \$41.8 million net expense due to the significant decline in share price from year end resulting in a mark-to-market adjustment on the Company's equity hedges related to share-based compensation awards; and
- \$7.1 million non-operational foreign exchange losses recognized at Helly Hansen due to the foreign exchange fluctuations from year end, primarily driven by the depreciation in the Norwegian Krone ("NOK").

In the Financial Services segment:

- \$44.9 million relating to an increase in the expected credit loss ("ECL") allowance comprising of \$30 million driven by an increase in the ECL model's economic overlay resulting from changes in Management's assumptions on forward looking economic indicators and \$14.9 million resulting from increased probability of card holder default.

As previously disclosed, the Company's financial aspirations covered a three-year period, ending in 2020. While the Company remains committed to deliver long-term sustainable growth there is considerable uncertainty regarding the duration and severity of COVID-19 and its impact on the economy, consumer demand and the Company's operations. As a result, Management is withdrawing its previously disclosed three-year (2018 - 2020) financial aspirations and its previously disclosed 2020 expectations with respect to its capital expenditures and annual effective tax rate.

The Company remains committed to its Operational Efficiency program and remains on track to deliver its targeted \$200 million in annualized savings by 2022. The Operational Efficiency program is a key strategic initiative for the Company, and while we have reprioritized some resources to focus on COVID-19 crisis management, many teams have continued to execute on Operational Efficiency initiatives to drive benefits in 2020.

Impact to liquidity

The current economic, operating and capital market environment has led to an increased emphasis on liquidity and capital management. Management is focused on ensuring sufficient liquidity, both through maintaining a strong balance sheet and ensuring access to capital. Management believes the Company's multi-category assortment, healthy balance sheet, Triangle Rewards program, credit card value proposition, access to multiple sources of liquidity for all its businesses and the essential role it plays in communities across Canada position the Company well to manage through these unprecedented times.

The Company took aggressive action to ensure a strong cash position and financial flexibility during the quarter, including implementing a plan to reduce operating costs at the head office and corporate stores, reducing discretionary capital expenditures and working capital requirements across the Enterprise, and pausing share repurchases.

The Company is in a strong liquidity position with the ability to access capital from multiple sources as outlined in the 2019 Report to Shareholders. In 2020, the Company secured additional credit by entering into a one-year committed bank credit facility for \$650 million with four Canadian financial institutions. The new facility expires on March 30, 2021. The Company ended the quarter with a strong balance sheet and was in compliance with all its financial covenants.

Due to the uncertainty in the duration and extent of the COVID-19 pandemic and the impact it may have on the retail industry, including the macroeconomic weakness in the medium term, on March 31, 2020, Standard & Poor's (S&P) downgraded the Company's Issuer Credit Rating and Senior Unsecured Debt Rating from BBB+ to BBB with a Negative Outlook and on April 7, 2020, DBRS Morningstar placed the Company's issuer credit rating and Medium-Term Notes credit ratings "under review with negative implications".

4.0 Three-Year (2018 to 2020) Financial Aspirations

As previously disclosed, the Company's financial aspirations covered a three-year period, ending in 2020. While the Company remains committed to deliver long-term sustainable growth there is considerable uncertainty regarding the duration and severity of COVID-19 and its impact on the economy, consumer demand and the Company's operations. As a result, Management is withdrawing its previously disclosed three-year (2018 - 2020) financial aspirations.

Refer to section 3.0 in this MD&A for further information regarding the factors affecting the Company as a result of COVID-19 pandemic.

Details relating to three-year Financial Aspirations are disclosed in section 4.0 of the Company's 2019 MD&A.

5.0 Financial Performance

5.1 Consolidated Financial Performance

5.1.1 Consolidated Financial Results

(C\$ in millions, except where noted)	Q1 2020	Q1 2019	Change
Retail sales ¹	\$ 2,757.1	\$ 2,832.8	(2.7)%
Revenue	\$ 2,848.3	\$ 2,894.4	(1.6)%
Gross margin dollars	\$ 939.2	\$ 998.3	(5.9)%
Gross margin as a % of revenue	33.0%	34.5%	(152) bps
Other (income)	\$ (8.6)	\$ (5.0)	NM ²
Selling, general and administrative expenses	876.7	812.9	7.9 %
Net finance costs	68.2	67.0	1.8 %
Income before income taxes	\$ 2.9	\$ 123.4	(97.7)%
Income tax (recovery) expense	(9.3)	26.0	(135.8)%
Effective tax rate	NM ²	21.1%	NM ²
Net income	\$ 12.2	\$ 97.4	(87.5)%
Net income attributable to:			
Shareholders of Canadian Tire Corporation	\$ (13.3)	\$ 69.7	(119.1)%
Non-controlling interests	25.5	27.7	(7.6)%
	\$ 12.2	\$ 97.4	(87.5)%
Basic EPS	\$ (0.22)	\$ 1.12	(119.5)%
Diluted EPS	\$ (0.22)	\$ 1.12	(119.5)%
Weighted average number of Common and Class A Non-Voting Shares outstanding:			
Basic	61,170,366	62,243,116	NM ²
Diluted	61,170,366	62,325,684	NM ²

¹ Key operating performance measures. Refer to section 9.3.1 in this MD&A for additional information.

² Not meaningful.

Non-Controlling Interests

The following table outlines the net income attributable to the Company's non-controlling interests. For additional details, refer to Note 15 to the Company's 2019 Consolidated Financial Statements.

(C\$ in millions)	Q1 2020	Q1 2019
Financial Services		
Non-controlling interest percentage 20.0% (2019 – 20.0%)	\$ 10.1	\$ 16.2
CT REIT		
Non-controlling interest percentage 30.7% (2019 – 23.8%)	15.4	10.9
Retail segment subsidiary		
Non-controlling interest percentage 50.0% (2019 – 50.0%)	—	0.6
Net income attributable to non-controlling interests	\$ 25.5	\$ 27.7

Normalizing Items

The results of operations include one normalizing item in 2020 as described below and did not include any normalizing items in 2019.

2020
1. Operational Efficiency program • Costs incurred of \$7.5 million in relation to the Company's Operational Efficiency program for project costs and program-related expenses.

Normalized results are non-GAAP measures and do not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. For further information and a reconciliation to GAAP measures, refer to section 9.3.2 in this MD&A.

Selected Normalized Metrics – Consolidated

(C\$ in millions, except where noted)	Q1 2020	Normalizing Items	Normalized Q1 2020	Q1 2019	Normalizing Items	Normalized Q1 2019	Change ²
Revenue	\$ 2,848.3	\$ —	\$ 2,848.3	\$ 2,894.4	\$ —	\$ 2,894.4	(1.6)%
Cost of producing revenue	1,909.1	—	1,909.1	1,896.1	—	1,896.1	0.7 %
Gross margin	939.2	—	939.2	998.3	—	998.3	(5.9)%
Gross margin rate	33.0%	—	33.0%	34.5%	—	34.5%	(152) bps
Other (income)	(8.6)	—	(8.6)	(5.0)	—	(5.0)	NM ³
Selling, general and administrative expenses	876.7	(7.5)	869.2	812.9	—	812.9	6.9 %
Net finance costs	68.2	—	68.2	67.0	—	67.0	1.8 %
Income before income taxes	\$ 2.9	7.5	\$ 10.4	\$ 123.4	—	\$ 123.4	(91.6)%
Income tax (recovery) expense	(9.3)	2.0	(7.3)	26.0	—	26.0	(128.1)%
Net income	12.2	5.5	17.7	97.4	—	97.4	(81.8)%
Net income attributable to Shareholders of CTC	(13.3)	5.5	(7.8)	69.7	—	69.7	(111.2)%
Diluted EPS	\$ (0.22)	\$ 0.09	\$ (0.13)	\$ 1.12	\$ —	\$ 1.12	(111.6)%

¹ Refer to Normalizing Items table in this section for more details.

² Change is between normalized results.

³ Not meaningful

As a result of COVID-19, consolidated earnings and EPS were negatively impacted by a number of items. Refer to section 3.0 in this MD&A for further information regarding the significant events that impacted the Company this quarter.

Consolidated Results Commentary

Q1	
Consolidated Results Summary	▼ Diluted EPS: \$1.34 per share, or 119.5%
	<ul style="list-style-type: none"> Consolidated revenue decreased \$46.1 million, or 1.6 percent. Excluding Petroleum, consolidated revenue decreased 1.0 percent primarily due to the temporary store closures at SportChek and Mark's banners, which was partially offset by higher shipments at Canadian Tire, and continued receivable growth in the Financial Services segment.
	<ul style="list-style-type: none"> Consolidated gross margin decreased \$59.1 million or 5.9 percent. Excluding the \$44.9 million increase in the expected credit loss allowance at the Financial Services segment, consolidated gross margin dollars would be \$984.1 million, a decrease of \$14.2 million or 1.4 percent compared to prior year, which is mainly attributable to the temporary store closures at SportChek and Mark's, partially offset by an increase in gross margin at Canadian Tire. See section 3.0 in this MD&A for significant events that impacted the Company this quarter.
	<ul style="list-style-type: none"> Other income increased driven by lease gains relating to the Canada Square property purchase by CT REIT and partially offset by higher non-operational foreign exchange losses recognized in Helly Hansen relating to the depreciation of the NOK in the quarter because of the COVID-19 pandemic. See section 3.0 in this MD&A for significant events that impacted the Company this quarter.
	<ul style="list-style-type: none"> Consolidated selling, general and administrative (SG&A) expenses increased by \$63.8 million, or 7.9 percent. Normalized SG&A expenses increased by \$56.3 million or 5.6 percent, mainly attributable to \$41.8 million relating to the market disruptions in the quarter that caused a significant decline in share price from year end and resulted in a net mark-to-market adjustment on the Company's equity hedges related to share-based compensation awards. See section 3.0 in this MD&A for significant events that impacted the Company this quarter. Excluding the \$41.8 million impact, the normalized SG&A expenses are in line with prior year.
	<ul style="list-style-type: none"> Income taxes for the quarter were a recovery of \$9.3 million, compared to an expense of \$26.0 million in the prior year. The income tax recovery is primarily due to lower income, favourable adjustments to tax estimates, higher non-taxable stock option recovery attributable to share price fluctuations relating to market disruptions as a result of COVID-19 and non-controlling interest relating to CT REIT in the period. See section 3.0 in this MD&A for significant events that impacted the Company this quarter.
	<ul style="list-style-type: none"> Normalized diluted EPS in the quarter was \$(0.13), a decrease of \$1.25 from prior year. The decrease in earnings was primarily driven by the impact of the COVID-19 pandemic on both Retail and Financial Services segments, partially offset by recovery in income taxes. Prior to March 11, 2020, all Retail segment banners had strong performance compared to the prior year. While it is difficult to quantify the impact of lost sales on earnings, the Diluted EPS and Normalized Diluted EPS were negatively impacted by \$0.96, due to certain expense increases relating to the significant equity and foreign exchange market disruptions that occurred during the quarter as well as the impact the COVID-19 pandemic is having on the global economy. See section 3.0 in this MD&A for significant events that impacted the Company this quarter.

5.1.2 Consolidated Key Operating Performance Measures, Excluding Petroleum

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3.1 in this MD&A for definitions and further information.

(C\$ in millions) increase/(decrease)	Q1 2020	Q1 2019	Change
Normalized ¹ SG&A expenses adjusted for rent expense ² (excluding depreciation and amortization ³) as a percentage of revenue, excluding Petroleum	32.3%	29.9%	243 bps
Normalized ¹ EBITDA ⁴ adjusted for rent expense as a percentage of revenue, excluding Petroleum ⁵	4.9%	8.9%	(403 bps)

¹ Refer to section 5.1.1 for a description of normalizing items.

² Adjustments to selling, general and administrative expenses include addition of depreciation on right-of-use assets and net finance costs relating to lease liability as an estimate for rent expense.

³ Depreciation and amortization excluded amounted to \$98.8 million (2019 - \$96.2 million).

⁴ Revenue excludes Petroleum, EBITDA excludes Petroleum gross margin.

⁵ Normalized EBITDA adjusted for rent expense is a non-GAAP measure; refer to section 9.3.2 in this MD&A for a reconciliation of normalized adjusted EBITDA to net income attributable to shareholders of Canadian Tire Corporation and additional information.

Consolidated Results Commentary

Q1	
Normalized SG&A expenses adjusted for rent expense (excluding depreciation and amortization) as a percentage of Revenue, excluding Petroleum	<p>▲ 243 bps</p> <ul style="list-style-type: none"> Normalized SG&A expenses adjusted for rent (excluding depreciation and amortization) as a percentage of revenue excluding Petroleum increased 243 bps. The increase is mainly attributable to the \$41.8 million expense recorded in the Retail segment relating to the market disruptions in the quarter that caused a significant decline in share price from year end and resulted in a net mark-to-market adjustment on the Company's equity hedges related to share-based compensation awards. <p>Excluding the impact of \$41.8 million, normalized SG&A expenses adjusted for rent expense as a percentage of revenue, excluding Petroleum increased by 73 bps. The increase is mainly due to temporary store closures at SportChek and Mark's, rent, and, occupancy-related increases in SG&A. See section 3.0 in this MD&A for significant events that impacted the Company this quarter.</p>
Normalized EBITDA adjusted for rent expense, as a percentage of Revenue, excluding Petroleum	<p>▼ 403 bps</p> <ul style="list-style-type: none"> Normalized EBITDA adjusted for rent expense as a percentage of revenue, excluding Petroleum decreased 403 bps primarily resulting from \$93.8 million higher expenses due to various factors impacted by the COVID-19 pandemic. <p>Excluding these impacts of \$93.8 million, normalized EBITDA adjusted for rent expense as a percentage of revenue, excluding Petroleum decreased by 21 bps. The decrease is mainly due to temporary store closures at SportChek and Mark's, rent, and occupancy-related increases in SG&A. See section 3.0 in this MD&A for significant events that impacted the Company this quarter.</p>

5.1.3 Seasonal Trend Analysis

The following table shows the consolidated financial performance of the Company by quarter for the last two years. The quarterly trend could be impacted by non-operational items.

(C\$ in millions, except per share amounts)	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Revenue	\$ 2,848.3	\$ 4,316.7	\$ 3,636.7	\$ 3,686.6	\$ 2,894.4	\$ 4,131.7	\$ 3,631.3	\$ 3,480.8
Net income	12.2	365.9	227.7	203.8	97.4	278.2	231.3	174.4
Normalized ¹ net income	17.7	372.4	243.8	209.7	97.4	328.2	252.1	191.0
Diluted EPS	(0.22)	5.42	3.20	2.87	1.12	3.99	3.15	2.38
Normalized ¹ diluted EPS	(0.13)	5.53	3.46	2.97	1.12	4.78	3.47	2.61

¹ Refer to section 5.1.1 for a description of normalizing items.

5.2 Retail Segment Performance

5.2.1 Retail Segment Financial Results

(C\$ in millions)	Q1 2020	Q1 2019	Change
Retail sales ¹	\$ 2,757.1	\$ 2,832.8	(2.7)%
Revenue	\$ 2,503.2	\$ 2,564.0	(2.4)%
Gross margin dollars	\$ 773.3	\$ 793.9	(2.6)%
Gross margin as a % of revenue	30.9%	31.0%	(7) bps
Other (income)	\$ (35.6)	\$ (36.3)	(1.8)%
Selling, general and administrative expenses	848.7	781.7	8.6 %
Net finance costs	59.8	62.0	(3.5)%
Loss before income taxes	\$ (99.6)	\$ (13.5)	(639.3)%

¹ Retail sales is a key operating performance measure. Refer to section 9.3.1 in this MD&A for additional information.

Normalized results are non-GAAP measures and do not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. For further information and a reconciliation to GAAP measures, refer to section 9.3.2 in this MD&A.

Selected Normalized Metrics – Retail

(C\$ in millions, except where noted)	Q1 2020	Normalizing Items	Normalized Q1 2020	Q1 2019	Normalizing Items	Normalized Q1 2019	Change ²
Revenue	\$ 2,503.2	—	\$ 2,503.2	\$ 2,564.0	—	\$ 2,564.0	(2.4)%
Cost of producing revenue	1,729.9	—	1,729.9	1,770.1	—	1,770.1	(2.3)%
Gross margin	773.3	—	773.3	793.9	—	793.9	(2.6)%
Gross margin rate	30.9%	—	30.9%	31.0%	—	31.0%	(7) bps
Other (income)	(35.6)	—	(35.6)	(36.3)	—	(36.3)	(1.9)%
Selling, general and administrative expenses	848.7	(7.5)	841.2	781.7	—	781.7	7.6 %
Net finance costs	59.8	—	59.8	62.0	—	62.0	NM ³
(Loss) income before income taxes	\$ (99.6)	7.5	\$ (92.1)	\$ (13.5)	—	\$ (13.5)	(582.2)%







¹ Refer to section 5.1.1 for a description of normalizing items.

² Change is between normalized results.

³ Not meaningful.

5.2.2 Retail Segment Key Operating Performance Measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3.1 in this MD&A for further information.

(Year-over-year percentage change, C\$ in millions, except as noted)		Q1 2020	Q1 2019	Change
 Total Retail	Revenue ¹	\$ 2,503.2	\$ 2,564.0	(2.4)%
	Revenue, excluding Petroleum	2,113.2	2,152.8	(1.8)%
	Store count	1,743	1,693	
	Retail square footage (in millions)	34.4	33.6	
	Retail sales growth	(2.7)%	3.3 %	
	Retail sales growth, excluding Petroleum	(2.5)%	6.3 %	
	Consolidated comparable sales growth ²	(0.3)%	6.1 %	
	Retail ROIC ³	8.5 %	8.9 %	
	Revenue ^{1, 4}	\$ 1,405.4	\$ 1,351.6	4.0 %
	Store count ⁵	666	607	
	Retail square footage (in millions)	23.3	22.5	
	Sales per square foot ⁶	\$ 442	\$ 430	2.8 %
	Retail sales growth ⁷	2.2 %	7.4 %	
	Comparable sales growth ^{2, 7}	0.7 %	7.1 %	
	Revenue ¹	\$ 370.1	\$ 421.1	(12.1)%
	Store count	400	404	
	Retail square footage (in millions)	\$ 7.5	\$ 7.5	
	Sales per square foot ⁸	\$ 297	\$ 299	(0.7)%
	Retail sales growth ⁹	(13.1)%	2.8 %	
	Comparable sales growth ²	(1.8)%	3.4 %	
	Revenue ^{1, 10}	\$ 212.5	\$ 245.7	(13.5)%
	Store count	380	385	
	Retail square footage (in millions)	\$ 3.6	\$ 3.6	
	Sales per square foot ¹¹	\$ 350	\$ 374	(2.4)%
	Retail sales growth ¹²	(15.3)%	5.5 %	
	Comparable sales growth ²	(4.5)%	4.9 %	
	Revenue ¹	\$ 121.5	\$ 131.0	(7.3)%
	Revenue ¹	\$ 390.0	\$ 411.2	(5.1)%
	Gas bar locations	297	297	
	Gross margin dollars	\$ 36.0	\$ 41.4	(12.9)%
	Retail sales growth	(3.4)%	(9.1)%	
	Gasoline volume growth in litres	(8.3)%	2.2 %	
	Comparable store gasoline volume growth in litres ²	(5.2)%	1.1 %	

¹ Revenue reported for Canadian Tire, SportChek, Mark's and Petroleum include inter-segment revenue. Helly Hansen revenue represents external revenue only (the prior period figures for Helly Hansen have been restated to align with current year presentation). Therefore, in aggregate, revenue for Canadian Tire, SportChek, Mark's, Petroleum, and Helly Hansen will not equal total revenue for the Retail segment.

² Comparable sales growth excludes Petroleum. Refer to section 9.3.1 in this MD&A for additional information on comparable sales growth. Comparable sales for SportChek and Mark's were calculated on sales up to March 18, 2020, beyond which their retail stores were closed. Refer to section 3.0 in this MD&A for significant events that impacted the Company this quarter.

³ Retail ROIC is calculated on a rolling 12-month basis based on normalized earnings. Refer to section 9.3.1 in this MD&A for additional information.

⁴ Revenue includes revenue from Canadian Tire, PartSource, PHL, Party City and Franchise Trust.

⁵ Store count includes stores from Canadian Tire, and other banner stores of 163 (2019: 104 stores). Other banners include PartSource, PHL and Party City.

⁶ Sales per square foot figures are calculated on a rolling 12-month basis. Retail space does not include seasonal outdoor garden centres, auto service bays, or warehouse and administrative space.

⁷ Retail sales growth includes sales from Canadian Tire stores, PartSource stores, PHL stores, Party City stores and the labour portion of Canadian Tire's auto service sales.

⁸ Sales per square foot figures are calculated on a rolling 12-month basis, include both corporate and franchise stores and warehouse and administrative space.

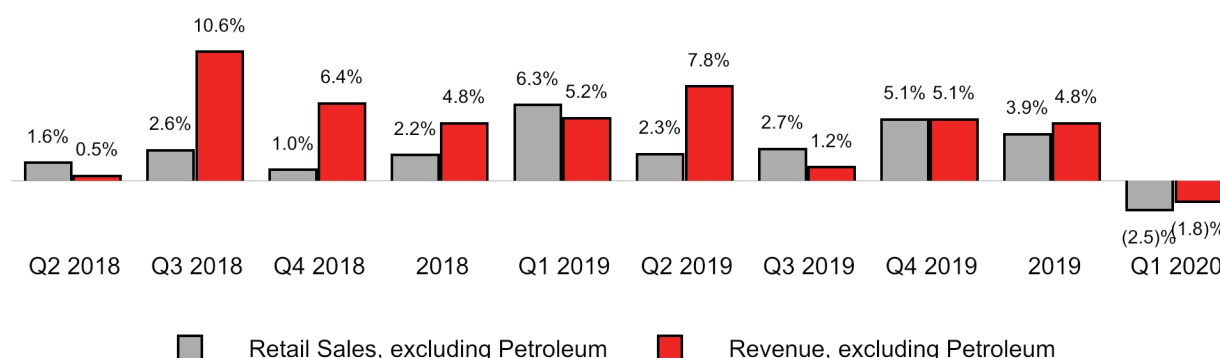
⁹ Retail sales growth includes sales from both corporate and franchise stores.

¹⁰ Revenue includes the sale of goods to Mark's franchise stores, retail sales from Mark's corporate stores, Mark's wholesale revenue from its commercial division, and includes ancillary revenue relating to embroidery and alteration services.

¹¹ Sales per square foot figures are calculated on a rolling 12-month basis, include sales from both corporate and franchise stores and exclude ancillary revenue. Sales per square foot does not include warehouse and administrative space.

¹² Retail sales growth includes retail sales from Mark's corporate and franchise stores, but excludes ancillary revenue relating to alteration and embroidery services.

Year-over-year Retail Sales and Revenue Growth



As a result of the significant equity and foreign exchange market disruptions that occurred during the quarter as well as the impact the COVID-19 pandemic is having on the global economy, Retail segment earnings were negatively impacted by a number of items. Refer to section 3.0 in this MD&A for significant events that impacted the Company this quarter.

Retail Segment Commentary

Q1	
Retail Sales	<p>▼ \$75.7 million or 2.7%</p> <p>▼ 0.3% in comparable sales growth</p> <ul style="list-style-type: none"> Retail sales were negatively impacted by the temporary store closures of the SportChek and Mark's stores in March. Retail and comparable sales at Canadian Tire were positive despite being up against a very strong quarter of 7.1 percent in the prior year. eCommerce penetration growth across all banners, pricing and promotional strategies continue to drive retail sales and comparable sales across the retail banners. ▼ Canadian Tire retail sales increased 2.2 percent and comparable sales grew 0.7 percent. The increase in retail sales was primarily driven by Home Essentials, Exercise, Kitchen and Cleaning categories with categories under 'Playing' and 'Living' driving growth in the last few weeks of March, partially offset by declines in backyard living, tools and automotive categories. The inclusion of Party City also contributed to the increase in retail sales during the quarter compared to prior year. ▼ SPORTCHEK retail sales were lower by 13.1 percent. Comparable sales at SportChek were trending well, with growth of 3.2 percent up to March 11, 2020, the date the global pandemic was declared. On March 18, 2020, comparable sales decline for the quarter was 1.8 percent impacted by the factors discussed in section 3.0 of this MD&A. eCommerce sales continued to contribute positively to the retail sales with an increase in penetration rates. Winter Outerwear, Clothing Accessories and Wellness categories were up for the quarter compared to prior year. ▼ Mark's retail sales were lower by 15.3 percent. Up until March 11, 2020, comparable sales at Mark's was up 0.8 percent. On March 18, 2020, comparable sales decline for the quarter was 4.5 percent impacted by the factors discussed in section 3.0 of this MD&A. eCommerce sales continued to contribute positively to the retail sales with increase in penetration rates. Casualwear and Healthwear categories were up for the quarter compared to prior year. ▼ GAS+ Petroleum retail sales decreased 3.4 percent due to lower gas volume compared to prior year partially offset by higher average gas prices and higher non-gas sales. With government guidelines discouraging non-essential travel, the gas business experienced significant volume declines during the last few weeks of March.

Retail Segment Commentary (continued)

Q1	
Revenue	<p>▼ \$60.8 million or 2.4%</p> <p>▼ 1.8% excluding Petroleum</p> <ul style="list-style-type: none"> The decline in revenue was mainly due to the temporary store closures at SportChek and Mark's banners. These declines were partially offset by Canadian Tire revenue which was up due to higher shipments and the inclusion of Party City compared to prior year. Higher eCommerce penetration across all banners also contributed positively towards revenue.
Gross Margin	<p>▼ \$20.6 million or 2.6%</p> <p>▼ 7 bps in gross margin rate</p> <p>▼ 2.0% excluding Petroleum</p> <p>▼ 10 bps in gross margin rate, excluding Petroleum</p> <ul style="list-style-type: none"> Excluding Petroleum, gross margin dollars decreased by \$15.2 million, primarily attributable to the temporary store closures at SportChek and Mark's. These decreases were partially offset by gross margin dollar increase at Canadian Tire attributable to higher shipments. Excluding Petroleum, gross margin rate decreased by 10 bps driven by lower margin rates at SportChek and Mark's, attributable to pricing and promotional strategies and a higher penetration of eCommerce sales, which typically have a lower margin rate. These decreases were almost completely offset by margin rate increases at Canadian Tire, mainly attributable to favourable assortment changes and freight costs.
Other Income	<p>▼ \$0.7 million or 1.8%</p> <ul style="list-style-type: none"> Other Income was lower by \$0.7 million mainly attributable to the \$7.1 million non-operational foreign exchange losses recognized at Helly Hansen, partially offset by higher real estate related gains compared to prior year.
Selling, General & Administrative Expenses	<p>▲ \$67.0 million or 8.6%</p> <ul style="list-style-type: none"> Normalized SG&A expenses were higher by \$59.5 million, or 7.6 percent, primarily due to the \$41.8 million expense recognized in the quarter relating to the market disruptions in the quarter that caused a significant decline in share price from year end and resulted in a net mark-to-market adjustment on the Company's equity hedges related to share-based compensation awards. Excluding this impact, normalized SG&A expenses increased by \$17.7 million, or 2.3 percent, driven by higher occupancy costs due to new builds at Canadian Tire and higher amortization relating to right-of-use assets mainly attributable to inclusion of Party City, partially offset by a decrease in marketing spend and travel-related expenses compared to prior year.
Net Finance Cost	<p>▼ \$2.2 million or 3.5%</p> <ul style="list-style-type: none"> Net finance costs decreased primarily due to lower finance costs relating to lease liabilities.
Earnings Summary	<p>▼ \$86.1 million</p> <ul style="list-style-type: none"> Normalized income before income taxes decreased \$78.6 million due to the \$48.9 million in higher expenses relating to various factors that impacted the quarter as discussed in section 3.0 of this MD&A. Excluding these impacts, normalized net income before income taxes decreased \$29.7 million, driven by the temporary store closures at SportChek and Mark's. Positive contribution from Canadian Tire, the inclusion of Party City, and strong eCommerce penetration across all banners partially offset these impacts.

5.2.3 Retail Segment Seasonal Trend Analysis

Quarterly operating net income and revenue are affected by seasonality. The fourth quarter typically generates the greatest contribution to revenues and earnings, and the first quarter the least. The following table shows the retail segment financial performance of the Company by quarter for the last two years. The quarterly trend could be impacted by non-operational items.

(C\$ in millions, except per share amounts)	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Retail sales	\$ 2,757.1	\$ 4,838.2	\$ 3,904.3	\$ 4,303.7	\$ 2,832.8	\$ 4,637.7	\$ 3,865.3	\$ 4,250.1
Revenue	2,503.2	3,989.2	3,296.3	3,360.3	2,564.0	3,816.9	3,309.9	3,179.8
Income before income taxes	(99.6)	351.6	170.6	139.1	(13.5)	328.8	166.7	149.9
Normalized ¹ income before income taxes	(92.1)	360.5	192.7	147.2	(13.5)	328.8	189.1	159.0

¹ Refer to section 5.1.1 for a description of normalizing items.

5.3 Financial Services Segment Performance

5.3.1 Financial Services Segment Financial Results

(C\$ in millions)	Q1 2020	Q1 2019	Change
Revenue	\$ 341.9	\$ 328.8	4.0 %
Gross margin dollars	145.2	186.6	(22.2)%
Gross margin as a % of revenue	42.5%	56.8%	NM ¹
Other expense (income)	0.1	(0.3)	NM ¹
Selling, general and administrative expenses	75.0	74.7	0.5 %
Net finance (income)	(0.1)	(0.2)	(48.1)%
Income before income taxes	\$ 70.2	\$ 112.4	(37.6)%

¹ Not meaningful.

Financial Services Segment Commentary

Q1	
Revenue	<p>▲ \$13.1 million or 4.0%</p> <ul style="list-style-type: none"> The increase in revenue was attributable to higher credit charges resulting from GAAR growth. GAAR increased 4.2 percent driven by a 1.3 percent increase in the average number of active accounts and an increase in the average balance per account.
Gross Margin	<p>▼ 22.2% in gross margin dollars</p> <ul style="list-style-type: none"> The decrease in gross margin dollars was primarily due to the \$44.9 million increase in the allowance for expected credit losses recorded in the quarter. Refer to section 3.0 in this MD&A for significant events that impacted the Company this quarter. Excluding this impact, gross margin dollars was relatively flat to prior year as increases in revenue were offset by higher write-offs.
SG&A Expenses	<p>▲ \$0.3 million or 0.5%</p> <ul style="list-style-type: none"> Overall, in line to the prior year.
Earnings Summary	<p>▼ \$42.2 million or 37.6%</p> <ul style="list-style-type: none"> The decrease in the income before income taxes was mainly attributable to the increase in the allowance for expected credit losses as described in section 3.0 in this MD&A. Excluding this impact, net income before income taxes was \$2.7 million higher than prior year.

5.3.2 Financial Services Segment Key Operating Performance Measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3.1 in this MD&A for definitions and further information on performance measures.

(C\$ in millions) except where noted	Q1 2020	Q1 2019	Change
Credit card sales growth ¹	3.6%	3.6%	
GAAR	\$ 6,363.3	\$ 6,104.6	4.2%
Revenue ² (as a % of GAAR)	21.32%	21.55%	
Average number of accounts with a balance ³ (thousands)	2,110	2,082	1.3%
Average account balance ³ (whole \$)	\$ 3,015	\$ 2,930	2.9%
Net credit card write-off rate ^{2, 3, 4}	6.35%	5.49%	
Past due credit card receivables ^{3, 5} ("PD2+")	3.07%	2.83%	
Allowance rate ⁶	13.64%	12.81%	
Operating expenses ² (as a % of GAAR)	4.91%	5.43%	
Return on receivables ²	6.08%	6.86%	

¹ Credit card sales growth excludes balance transfers. Represents year-over-year percentage change.

² Figures are calculated on a rolling 12-month basis.

³ Credit card portfolio only.

⁴ The net credit card write-off rate was favourably impacted by 45 bps in Q1 2019 due to a change in Management's estimate of the present value of regular recoveries.

⁵ Credit card receivables more than 30 days past due as a percentage of total-ending credit card receivables.

⁶ The allowance rate was calculated based on the total-managed portfolio of loans receivable.

Financial Services Scorecard

To evaluate the overall financial performance of the Financial Services segment, the following scorecard provides a balanced view on how the Financial Services segment is moving towards achieving its strategic objectives.

Q1 2020 vs Q1 2019	
Growth	<ul style="list-style-type: none"> ▲ 4.2% in GAAR ▲ 3.6% in credit card sales growth ▲ 1.3% in average number of accounts with a balance ▲ 2.9% in average account balance • Growth was created through continued strong revenue driven by higher credit charges as a result of GAAR growth of 4.2 percent over prior year. • The growth of average receivables in Q1 2020 was the result of a balanced approach, with gains in both average active accounts and average account balances when compared to Q1 2019.
Performance	<ul style="list-style-type: none"> ▼ 78 bps in return on receivables ▼ 23 bps in revenue as a % of GAAR ▼ 52 bps in OPEX as a % of GAAR • Operating expenses remained well controlled during the quarter as operating expenses as a percent of GAAR measured 52 bps better than prior year. • Return on receivables for Q1 2020 declined by 78 bps versus the prior year due to a decrease in income before income taxes of 37.6 percent mainly related to the incremental allowance for expected credit losses as described in section 3.0 in this MD&A.
Operational metrics	<ul style="list-style-type: none"> ▲ 24 bps in PD2+ rate ▲ 86 bps in net credit card write-off rate ▲ 13.64% allowance rate, up 83 bps • The increase in the net credit card write-off rate compared to prior year is related to portfolio maturity and continued higher insolvency trends in the industry. • The allowance rate increased by 83 bps to 13.64 percent primarily due to the \$44.9 million increase to the allowance for expected credit losses as described in section 3.0 in this MD&A.

5.3.3 Financial Services Segment Seasonal Trend Analysis

Quarterly operating net income and revenue are affected by seasonality. In the first quarter, the Financial Services segment contributes the majority of consolidated earnings. The following table shows the consolidated financial performance of the Company by quarter for the last two years. The quarterly trend could be impacted by non-operational items.

(C\$ in millions, except per share amounts)	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Revenue	\$ 341.9	\$ 333.0	\$ 343.0	\$ 329.3	\$ 328.8	\$ 322.8	\$ 325.6	\$ 306.4
Income before income taxes	70.2	109.5	108.9	95.5	112.4	92.1	131.9	71.4
Normalized ¹ income before income taxes	70.2	109.5	108.9	95.5	112.4	92.1	131.9	84.9

¹ Refer to section 5.1.1 for a description of normalizing items.

5.4 CT REIT Segment Performance

5.4.1 CT REIT Segment Financial Results

(C\$ in millions)	Q1 2020	Q1 2019	Change
Property revenue	\$ 126.8	\$ 121.6	4.3 %
Property expense	28.9	28.0	3.4 %
General and administrative expense	3.0	4.8	(37.5)%
Net finance costs	27.5	27.0	2.0 %
Fair value loss (gain) adjustment	24.2	(9.6)	(352.5)%
Income before income taxes	\$ 43.2	\$ 71.4	(39.5)%

CT REIT Segment Commentary

Q1	
Property Revenue	▲ \$5.2 million or 4.3% <ul style="list-style-type: none"> The \$5.2 million increase was mainly due to contractual rent escalation and additional base rent relating to properties acquired and intensifications completed during 2020 and 2019.
Property Expense	▲ \$0.9 million 3.4% <ul style="list-style-type: none"> The increase of \$0.9 million in property expense was attributable to property acquisitions completed compared to the prior year.
SG&A Expenses	▼ \$1.8 million or 37.5% <ul style="list-style-type: none"> A decrease in the SG&A expenses was mainly driven by decreases in personnel-related expenses.
Net Finance Cost	▲ \$0.5 million or 2.0% <ul style="list-style-type: none"> Increase in net finance costs during the quarter was attributable to decreased interest capitalization on development projects compared to prior year.
Fair Value Adjustment on Investment Properties	▼ \$33.8 million or 352.5% <ul style="list-style-type: none"> The decrease in the fair value adjustment on investment properties was attributable to the estimated negative impact of the COVID-19 pandemic to the value across the portfolio during the quarter. This fair value adjustment amount is eliminated upon consolidation and, as such, has not been described in section 3.0 in this MD&A.
Earnings Summary	▼ \$28.2 million or 39.5% <ul style="list-style-type: none"> The decrease in earnings was primarily due to the fair value adjustment on investment properties, partially offset by an increase in property revenue and decrease in SG&A.

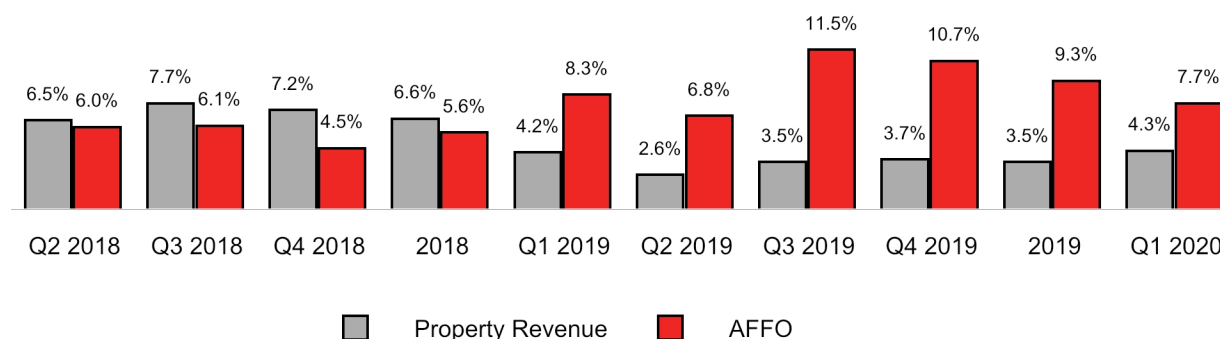
5.4.2 CT REIT Segment Key Operating Performance Measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3.1 in this MD&A for definitions and further information on performance measures.

(C\$ in millions)	Q1 2020	Q1 2019	Change
Net operating income ¹	\$ 95.3	\$ 89.9	6.0%
Funds from operations ¹	66.9	63.4	5.4%
Adjusted funds from operations ¹	58.2	54.0	7.7%

¹ Non-GAAP measures exclude all fair value adjustments, refer to section 9.3.2 in this MD&A for additional information.

Year-over-year Property Revenue and AFFO Growth



Net operating income (NOI)

NOI for the quarter increased by 6.0 percent compared to the prior year primarily due to the acquisition of income-producing properties and Properties Under Development completed in 2020 and 2019. NOI is a non-GAAP measure. Refer to section 9.3.2 for additional information.

Funds from operations (FFO)

FFO for the quarter increased by 5.4 percent compared to the prior year primarily due to the impact of NOI variances and decreased general and administrative expenses, partially offset by higher interest expense. FFO is a non-GAAP measure. Refer to section 9.3.2 for additional information.

Adjusted funds from operations (AFFO)

AFFO for the quarter increased by 7.7 percent primarily due to the impact of NOI variances and decreased general and administrative expenses, discussed earlier, partially offset by higher interest expense. AFFO is a non-GAAP measure. Refer to section 9.3.2 for additional information.

6.0 Balance Sheet Analysis, Liquidity, and Capital Resources

6.1 Balance Sheet Highlights

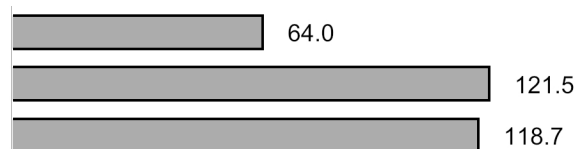
6.1.1 Selected Balance Sheet Highlights

Selected line items from the Company's assets and liabilities, as at March 28, 2020 and the year-over-year change versus March 30, 2019, are noted below:

Total change	▲ \$ 388.1
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Selected Asset	March 28, 2020
Goodwill and intangible assets	2,341.6
Merchandise inventories	2,475.2
Loans receivable	5,431.2

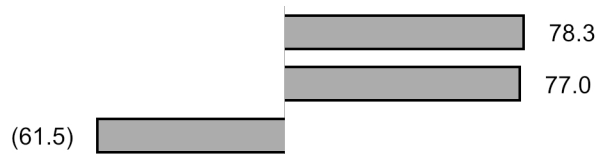
Year-over-year change in assets



Total change	▼ \$ 62.0
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Selected Liability	March 28, 2020
Long-term debt (current and long-term portion)	4,536.7
Short-term borrowings	1,154.5
Deposits and long-term deposits	2,487.3

Year-over-year change in liabilities



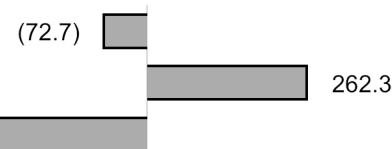
Assets		
Goodwill and intangible assets	▲ \$64.0 million	Primarily due to the acquisition of Party City in the second half of 2019 and additions to software.
Merchandise inventory	▲ \$121.5 million	Increase is due to inclusion of Party City and increased inventory positions at SportChek and at Helly Hansen to meet anticipated customer demand which was impacted by temporary store closures.
Loans receivable	▲ \$118.7 million	Increase was attributable to increases in active accounts and higher average balances, partially offset by an increased allowance for expected credit losses in the Financial Services segment.
Liabilities		
Long-term debt (current and long-term portion)	▲ \$78.3 million	Long-term debt increased mainly due to the issuance of \$560.0 million Glacier Credit Card Trust ("GCCT") senior and subordinated notes in Q2 2019, partially offset by \$500.0 million GCCT repayment in Q3 2019.
Short-term borrowings	▲ \$77.0 million	Increase in short-term borrowings mainly to prepare for the uncertainty surrounding the impacts of the COVID-19 pandemic; before the quarter ended the Company pre-emptively borrowed on its bank line.
Deposits and long-term deposits	▼ \$61.5 million	A net decrease in deposits was attributable to a lower volume of high interest savings accounts partially offset by an increase in GIC deposits in the Financial Services segment.

Selected line items from the Company's assets and liabilities, as at March 28, 2020 and the change versus December 28, 2019, are noted below:

Total change	▲ \$ 14.4
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Selected Asset	March 28, 2020
Goodwill and intangible assets	2,341.6
Merchandise inventories	2,475.2
Loans receivable	5,431.2

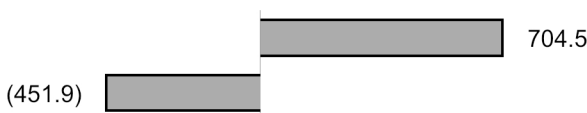
Change in assets



Total change	▲ \$ 131.1
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Selected Liability	March 28, 2020
Short-term borrowings	1,154.5
Trade and other payables	2,040.5

Change in liabilities



Assets		
Goodwill and intangible assets	▼ \$72.7 million	Decrease is mainly due to Helly Hansen's goodwill being recorded in NOK and, with the depreciation of the NOK in the quarter, the currency translation adjustment for the quarter was significantly lower than year end.
Merchandise inventory	▲ \$262.3 million	Mainly due to increase in SportChek and Helly Hansen, typical of Q1, to ensure stores are adequately stocked to meet anticipated customer demand. These increases were also impacted by the temporary store closures that occurred in the quarter.
Loans receivable	▼ \$382.6 million	The decrease is typical of Q1 and the seasonality of the Financial Services segment. In addition, the increase in the allowance for expected credit losses in the quarter contributed to this decline.
Liabilities		
Short-term borrowings	▲ \$704.5 million	Increase in short-term borrowing is typical of Q1 and the seasonality of the Retail business requiring cash to ramp up its inventory in preparation for higher sales seasons. In addition, to prepare for the uncertainty surrounding the impacts of the COVID-19 pandemic, before the quarter ended, the Company pre-emptively borrowed on its bank line.
Trade and other payables	▼ \$451.9 million	The decrease in trade and other payables is mainly due to the timing of payments made to vendors during the quarter.

6.2 Summary Cash Flows

The Company's cash and cash equivalents position, net of bank indebtedness, was \$443.4 million as at March 28, 2020. Selected line items from the Company's Condensed Interim Consolidated Statements of Cash Flows for the quarters ended March 28, 2020 and March 30, 2019 are noted in the following table:

(C\$ in millions)	Q1 2020	Q1 2019	Change
Cash (used for) operating activities	\$ (147.1)	\$ (461.6)	314.5
Cash (used for) investing activities	(99.1)	(167.0)	67.9
Cash generated from financing activities	494.5	449.2	45.3
Cash generated (used) in the period	\$ 248.3	\$ (179.4)	427.7

Q1	
Operating activities	▼ \$314.5 million change <ul style="list-style-type: none"> The decrease in cash used for operating activities was primarily due to lower income taxes paid in the quarter as income tax installments were deferred due to the Federal Government COVID-19 Emergency Tax Measures, as well as an increase in cash generated from loans receivable driven by lower card holder spending offset with steady payments.
Investing activities	▼ \$67.9 million change <ul style="list-style-type: none"> The decrease in cash used for investing activities was primarily due to higher net proceeds from the maturity and disposition of short-term investments.
Financing activities	▲ \$45.3 million change <ul style="list-style-type: none"> The increase in cash generated from financing activities was primarily due to lower spend in connection with the Company's share repurchase program, partially offset by a smaller change in deposits in Q1 2020 compared to prior year.

6.3 Capital Management

The Company's objectives when managing capital are: ensuring sufficient liquidity to support its financial obligations and to execute its operating and strategic plans; maintaining healthy liquidity reserves and access to capital; and minimizing the after-tax cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

Refer to section 3.0 in this MD&A for significant events that impacted the Company this quarter.

6.3.1 Canadian Tire Bank's Regulatory Environment

CTB manages its capital under guidelines established by the Office of the Superintendent of Financial Institutions of Canada ("OSFI"). OSFI's regulatory capital guidelines are based on the international Basel Committee on Banking Supervision framework entitled Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems ("Basel III"), which came into effect in Canada on January 1, 2013, and measures capital in relation to credit, market and operational risks. The Bank has various capital policies and procedures and controls, including an Internal Capital Adequacy Assessment Process ("ICAAP"), which it utilizes to achieve its goals and objectives.

The Bank's objectives include:

- providing sufficient capital to maintain the confidence of investors and depositors; and
- being an appropriately capitalized institution, as measured internally, defined by regulatory authorities and compared with the Bank's peers.

As at March 31, 2020 and 2019, the Bank complied with all regulatory capital guidelines established by OSFI, its internal targets as determined by its ICAAP and all financial covenants under its bank credit agreement.

6.4 Investing

6.4.1 Capital Expenditures

The Company's capital expenditures for periods ended March 28, 2020 and March 30, 2019 were as follows:

(C\$ in millions)	Q1 2020	Q1 2019
Real estate	\$ 36.5	\$ 21.3
Information technology	21.5	26.4
Other operating	2.6	32.1
Operational Efficiency program	8.5	—
Operating capital expenditures	69.1	79.8
CT REIT acquisitions and developments excluding vend-ins from CTC	41.0	27.1
Distribution capacity	4.2	—
Total capital expenditures¹	\$ 114.3	\$ 106.9

¹ Capital expenditures are presented on an accrual basis and include software additions, but exclude right-of-use asset additions, acquisitions relating to business combinations, intellectual properties, and tenant allowances received.

Q1	
Total CAPEX	▲ \$7.4 million <ul style="list-style-type: none"> Total capital expenditure increased by \$7.4 million primarily attributable to higher Real Estate spend mainly due to third-party acquisition at CT REIT, larger number of projects in SportChek and Mark's versus last year, and Company-wide Operational Efficiency costs.

Refer to section 3.0 in this MD&A for significant events that impacted the Company this quarter.

Capital Commitments

The Company had commitments of approximately \$202.0 million as at March 28, 2020 (2019 – \$175.7 million) for the acquisition of tangible and intangible assets.

Operating Capital Expenditures

Due to the fact that there is considerable uncertainty regarding the duration and severity of COVID-19 and its impact on the economy, consumer demand and the Company's operations, Management is withdrawing its previously disclosed 2020 expectations with respect to its capital expenditures. Refer to section 3.0 in this MD&A for significant events that impacted the Company this quarter.

6.5 Liquidity and Financing

The Company is in a strong liquidity position with the ability to access capital from multiple sources. As at March 28, 2020, the Company has adequate liquidity to meet its financial obligations.

Refer to section 3.0 in this MD&A for significant events that impacted the Company this quarter.

Financing Source	
Committed Bank Lines of Credit	<ul style="list-style-type: none"> • Provided by a syndicate of seven Canadian and three international financial institutions, \$1.975 billion in a committed bank line is available to CTC for general corporate purposes, expiring in August 2024. CTC had \$710.0 million of borrowings under its bank line as at March 28, 2020. • Provided by a syndicate of seven Canadian financial institutions, \$300.0 million in a committed bank line is available to CT REIT for general business purposes, expiring in December 2024. CT REIT had no borrowings under its bank line as at March 28, 2020. • Scotiabank has provided CTB with a \$250.0 million unsecured revolving committed credit facility and \$2.0 billion in note purchase facilities for the purchase of senior and subordinated notes issued by GCCT, each of which expire in October 2022. CTB had no borrowings under its bank lines, and no borrowings on the note purchase facilities as at March 28, 2020. • Helly Hansen has a 350.0 million Norwegian Krone ("NOK") secured revolving committed credit facility and a NOK 350.0 million factoring facility (both \$46.6 million C\$ equivalent) provided by a Norwegian bank which expire in October 2022. Helly Hansen had a total of \$51.3 million of C\$ equivalent borrowings (385.4 million NOK) outstanding on its bank lines as at March 28, 2020.
Commercial Paper Programs	<ul style="list-style-type: none"> • As at March 28, 2020, GCCT had \$294.9 million of asset-backed commercial paper notes outstanding. • As at March 28, 2020, the Company had \$98.3 million of C\$ equivalent U.S. commercial paper outstanding (\$70.3 million USD).
Medium-Term Notes and Debentures	<ul style="list-style-type: none"> • As at March 28, 2020, CTC has an aggregate principal amount of \$1.2 billion of medium-term notes outstanding. • As at March 28, 2020, CT REIT has an aggregate principal amount of \$1.075 billion of senior unsecured debentures outstanding. • Additional details on the Company's sources of funding, credit ratings, and a description of credit market conditions are provided in section 6.5 of the Company's 2019 MD&A.
Senior and Subordinated Notes	<ul style="list-style-type: none"> • During the quarter ended March 28, 2020, there were no issuances or repayments of term notes by GCCT. • Additional details on the Company's sources of funding, credit ratings, and a description of credit market conditions are provided in section 6.5 of the Company's 2019 MD&A.
Broker GIC Deposits	<ul style="list-style-type: none"> • Funds continue to be readily available to CTB through broker networks. As at March 28, 2020, CTB held \$1,988.6 million in broker guaranteed investment certificate ("GIC") deposits.
Retail Deposits	<ul style="list-style-type: none"> • Retail deposits consist of HIS and retail GIC deposits held by CTB, available both within and outside a Tax-free savings account. As at March 28, 2020, CTB held \$498.7 million in retail deposits.

Credit Ratings

There have been no changes to the Company's credit ratings as provided in section 6.5 in the Company's 2019 MD&A, except as those noted in section 3.0 in this MD&A.

6.5.1 Contractual Obligations, Guarantees, and Commitments

For a description of contractual obligations as at December 28, 2019, refer to section 6.5.1 of the Company's 2019 MD&A. There were no significant changes to the outstanding contractual obligations identified at year end, other than those discussed in this document. The Company believes it has the ability to meet its contractual obligations as at March 28, 2020.

For a discussion of the Company's significant guarantees and commitments, refer to Note 34 to the Company's 2019 Consolidated Financial Statements. The Company's maximum exposure to credit risk with respect to such guarantees and commitments is provided in Note 5 to the Company's 2019 Consolidated Financial Statements. There were no significant changes in guarantees and commitments identified at year end, other than those discussed in this document.

7.0 Equity

7.1 Shares Outstanding

(C\$ in millions)	March 28, 2020	March 30, 2019	December 28, 2019
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (March 30, 2019 – 3,423,366; December 28, 2019 – 3,423,366)	\$ 0.2	\$ 0.2	\$ 0.2
57,383,758 Class A Non-Voting Shares (March 30, 2019 – 58,352,090; December 28, 2019 – 58,096,958)	586.7	584.2	587.8
	\$ 586.9	\$ 584.4	\$ 588.0

Each year, the Company files a NCIB with the Toronto Stock Exchange ("TSX") which allows it to purchase its Class A Non-Voting Shares on the open market.

The following represents forward-looking information and readers are cautioned that actual results may vary.

On November 7, 2019, the Company announced its intention to repurchase a further \$350 million of its Class A Non-Voting Shares, in excess of the amount required for anti-dilutive purposes, by the end of fiscal 2020 (the "2020 Share Repurchase Intention"). On February 14, 2020, the TSX accepted the Company's notice of intention to make an NCIB to purchase up to 5.5 million Class A Non-Voting Shares during the period from March 2, 2020 through March 1, 2021. All purchases are made by means of open market transactions through the facilities of the TSX and/or alternative Canadian trading systems, if eligible, at the market price of the Class A Non-Voting Shares at the time of purchase or as otherwise permitted under the rules of the TSX and applicable securities laws. Class A Non-Voting Shares purchased by the Company pursuant to the NCIB are restored to the status of authorized but unissued shares. Security holders may obtain a copy of the notice, without charge, by contacting the Corporate Secretary of the Company.

As noted in section 3.0 in this MD&A, purchases of Class A Non-Voting Shares pursuant to the 2020 Share Repurchase Intention were paused after March 13, 2020.

The following table summarizes the Company's purchases relating to the 2020 Share Repurchase Intention:

(C\$ in millions)	
Share buy-back intention announced on November 7, 2019	\$ 350.0
Shares repurchased in 2019 under the November 7, 2019 announcement	11.4
Shares repurchased in 2020 under the November 7, 2019 announcement	96.4
Total shares repurchased under the November 7, 2019 announcement	\$ 107.8

7.2 Dividends

The Company has had a consistent record of increasing its annual dividend and a payout ratio target of approximately 30 to 40 percent of the prior year normalized earnings, after giving consideration to the period-end cash position, future cash flow requirements, capital market conditions, and investment opportunities.

The Company declared dividends payable to holders of Class A Non-Voting Shares and Common Shares at a rate of 1.1375 per share, payable on September 1, 2020 to shareholders of record as of July 31, 2020. The dividend is considered an "eligible dividend" for tax purposes.

7.3 Equity Derivative Contracts

The Company enters into equity-derivative contracts to partially offset its exposure to fluctuations in stock option, performance share unit plan, and deferred share unit plan expenses. The Company currently uses floating-rate equity forwards.

During the quarter, equity forwards that hedged 350,000 stock options and performance share units settled and resulted in a cash payment to the counterparties of approximately \$14.9 million. Also during the quarter, the Company entered into 705,000 floating-rate equity forwards at a weighted average purchase price of \$88.73 to offset its exposure to stock options and performance share units.

8.0 Tax Matters

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company has determined that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities.

There have been no material changes in the status of ongoing audits by tax authorities as disclosed in section 8.0 in the Company's 2019 MD&A.

The Company regularly reviews the potential for adverse outcomes with respect to tax matters. The Company believes that the ultimate disposition of these matters will not have a material adverse effect on its liquidity, consolidated financial position or net income, because the Company has determined that it has adequate provision for these tax matters. Should the ultimate tax liability materially differ from the provision, the Company's effective tax rate and its earnings could be affected positively or negatively in the period in which the matters are resolved. For a discussion of the Company's tax contingency, refer to Note 16 to the Company's interim consolidated financial statements for the first quarter of 2020.

Income taxes for the quarter were a recovery of \$9.3 million, compared to an expense of \$26.0 million in the prior year. The income tax recovery is primarily due to lower income, favourable adjustments to tax estimates, higher non-taxable stock option recovery attributable to share price fluctuations related to market disruptions as a result of COVID-19 and non-controlling interest related to CT REIT in the period. See section 3.0 in this MD&A for significant events that impacted the Company this quarter.

Due to the fact that there is considerable uncertainty regarding the duration and severity of COVID-19 and its impact on the economy, consumer demand and the Company's operations, Management is withdrawing its previously disclosed 2020 expectations with respect to its annual effective tax rate. Refer to section 3.0 in this MD&A for significant events that impacted the Company this quarter.

9.0 Accounting Policies, Estimates, and Non-GAAP Measures

9.1 Critical Accounting Estimates

The Company estimates certain amounts, which are reflected in its condensed interim consolidated financial statements using detailed financial models based on historical experience, current trends, and other assumptions, to be reasonable. Actual results could differ from those estimates. In Management's judgment, the accounting estimates and policies detailed in Note 2 and Note 3 to the Company's 2019 Consolidated Financial Statements do not require Management to make assumptions about matters that are highly uncertain and, accordingly, none of those estimates are considered a "critical accounting estimate" as defined in Form 51-102F1 – *Management Discussion and Analysis*, published by the Canadian Securities Administrators, except for the allowance for loan impairment in the Financial Services segment.

Details of the accounting policies that are subject to judgments and estimates that the Company believes could have the most significant impact on the amounts recognized in its condensed interim consolidated financial statements, including the extent to which the impacts of COVID-19 pandemic affects the judgments and estimates, are described in Note 2 to the Company's 2019 Consolidated Financial Statements and Notes.

9.2 Changes in Accounting Policies

Standards, Amendments and Interpretations Issued and Adopted

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

Effective in the first quarter 2020, the Company adopted "Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7", issued in September 2019. The amendments provide relief during the period of uncertainty arising from the phase out of interest rate benchmarks (e.g. interbank offered rates ["IBOR"s]).

The Company enters into interest rate swap contracts to hedge the exposure against interest rate risk on the future interest payments of debt issuances and deposits. The Company also enters into "swaption" derivative financial instruments that provide it with an option to enter into an interest rate swap as part of the Company's strategy to manage its interest rate exposure risk on the future interest payments of debt issuances and deposits. Where hedge accounting can be applied, the Company accounts for these derivatives as cash flow hedges.

The Company's hedging relationships have significant exposure to the Canadian Dollar Offered Rate ("CDOR"). Under IBOR reform, CDOR may be subject to discontinuance, changes in methodology, or become unavailable. The Bank of Canada has established the Canadian Alternative Reference Rate Working Group ("CARR") to identify and seek to develop a new risk-free Canadian dollar interest rate benchmark. The Canadian Overnight Repo Rate ("CORRA") has been recommended as the alternative to CDOR. Already available in the market, CORRA is currently being enhanced and reformed by its administrator, the Bank of Canada. As a result of these developments, uncertainty exists relating to timing and methods of transition for financial instruments affected by these changes, and also in determining whether hedging relationships that hedge the variability of cash flows due to changes in IBORs continue to qualify for hedge accounting. These adopted amendments modify hedge accounting requirements, allowing the Company to assume that the interest rate benchmark on which the cash flows of the hedged item and the hedging instrument are based are not altered as a result of IBOR reform, thereby allowing hedge accounting to continue.

Management is closely monitoring the impacted hedging relationship for possible changes to CDOR and its possible replacement with a new risk-free Canadian dollar interest rate benchmark. If the new or revised risk-free rates differ from the prior benchmark rates, new or revised hedging strategies may be required to better align derivative hedging instruments with hedged items. However, given the market uncertainty, the assessment of the impact on the Company's hedging strategies and its mitigation plans is in the early stages.

Mandatory application of the amendments ends at the earlier of when the uncertainty regarding the timing and amount of interest rate benchmark-based cash flows is no longer present or when the hedging relationship is discontinued.

For aspects of hedge accounting not covered by the amendments and hedges that are not directly impacted by the IBOR reform, the accounting policies as described in Note 3 of the Company's 2019 Consolidated Financial Statements continue to apply.

The International Accounting Standards Board ("IASB") is currently working through Phase 2 of amendments to IFRS 9 for IBOR reform, which is expected to focus on, amongst other topics, accounting for modifications to contracts following IBOR reform, and amendments to hedge accounting documentation for IBOR reform. The Company continues to follow the status of the IASB's IBOR reform project, and it will assess the impact for the Company as further information becomes available.

Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending January 2, 2021 and, accordingly, have not been applied in preparing the condensed interim consolidated financial statements.

Insurance Contracts

In May 2017, the IASB issued IFRS 17 – *Insurance Contracts* (“IFRS 17”), which replaces IFRS 4 – *Insurance Contracts* and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021. In March 2020, the IASB issued an amendment to IFRS 17 deferring the effective date for two years to January 1, 2023. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

In January 2020, IASB issued *Classification of Liabilities as Current or Non-current*, which amends IAS 1 – *Presentation of Financial Statements*. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

9.3 Key Operating Performance Measures and Non-GAAP Financial Measures

The Company uses certain key operating performance measures and non-GAAP financial measures and believes that they provide useful information to both Management and investors in measuring the financial performance and financial condition of the Company for the following reasons.

9.3.1 Key Operating Performance Measures

Retail Sales

Retail sales refers to the point of sale value of all goods and services sold to retail customers at stores operated by Dealers, Mark's and SportChek franchisees, and Petroleum retailers, at corporately-owned stores across all retail banners, services provided as part of the Home Services offering, and of goods sold through the Company's online sales channels, and in aggregate do not form a part of the Company's condensed interim consolidated financial statements. Sales descriptions for the retail banners can be found in the footnotes to the table contained within section 5.2.2 of this MD&A. Retail sales excludes Helly Hansen retail sales at its retail stores.

Management believes that retail sales and related year-over-year comparisons provide meaningful information to investors and are expected and valued by them to help assess the size and financial health of the Company's retail network of stores. These measures also serve as an indicator of the strength of the Company's brand, which ultimately impacts its consolidated financial performance.

Comparable Sales

Comparable sales is a metric used by Management and is also commonly used in the retail industry to identify sales growth generated by a Company's existing store network and removes the effect of opening and closing stores in the period. The calculation includes sales from all stores that have been open for a minimum of one year and one week, as well as eCommerce sales. The Company also reviews consolidated comparable sales which include comparable sales at Canadian Tire (including PartSource and PHL), SportChek, and Mark's but excludes comparable sales at Petroleum and Helly Hansen. Additional information on comparable sales and retail sales growth descriptions for Canadian Tire, Mark's, and SportChek can be found in section 5.2.2 of this MD&A.

Sales per Square Foot

Management and investors use comparisons of sales per square foot metrics over several periods to help identify whether existing assets are being made more productive by the Company's introduction of new store layouts and merchandising strategies. Sales per square foot descriptions for Canadian Tire, Mark's, and SportChek can be found in section 5.2.2 of this MD&A.

Retail Return on Invested Capital

The Company believes that Retail ROIC is useful in assessing the return on capital invested in its retail assets. Retail ROIC is calculated as the rolling 12-month retail earnings divided by average invested retail capital. Retail earnings are defined as Retail segment after-tax earnings excluding interest expense, lease-related depreciation expense, inter-segment earnings, non-controlling interests, and any normalizing items. Average invested capital is defined as Retail segment total assets (excluding IFRS 16-related ROU assets), including operating leases capitalized at a factor of eight, less Retail segment current liabilities (excluding IFRS 16 lease liabilities) and inter-segment balances for the current and prior year.

Return on Receivables ("ROR")

ROR is used by Management to assess the profitability of the Financial Services' total portfolio of receivables. ROR is calculated by dividing income before income tax and gains/losses on disposal of property and equipment by the average total-managed portfolio over a rolling 12-month period.

9.3.2 Non-GAAP Financial Measures

Consolidated Normalized EBITDA Adjusted for Rent Expense, Normalized EBITDA and EBITDA

The following table reconciles the consolidated normalized income before income taxes, net finance costs, depreciation and amortization and certain one-time normalizing items, or normalized EBITDA adjusted for rent expense and normalized EBITDA respectively, to net income attributable to shareholders of Canadian Tire Corporation, which is a GAAP measure reported in the condensed interim consolidated financial statements for the periods ended March 28, 2020 and March 30, 2019. Management uses normalizations to exclude one-time, non-operational items and has adjusted EBITDA to include an estimate of rent expense, a significant operating expense for its retail business. Normalized EBITDA adjusted for rent expense and normalized EBITDA, which include normalized gross margin and normalized selling, general and administrative expenses with adjustments for an estimate of rent expense, are used as a supplementary measure when assessing the performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital expenditures.

(C\$ in millions)	Q1 2020	Q1 2019
Normalized EBITDA adjusted for rent expense	\$ 156.4	\$ 263.1
Add:		
Depreciation of right-of-use assets	69.7	63.2
Net finance costs, related to leases	24.1	25.5
Normalized EBITDA	\$ 250.2	\$ 351.8
Less normalizing items:		
Operational Efficiency program	7.5	—
EBITDA	\$ 242.7	\$ 351.8
Less:		
Depreciation and amortization, other than right-of-use assets ¹	101.9	98.2
Depreciation of right-of-use assets	69.7	63.2
Net finance costs, other than related to leases	44.1	41.5
Net finance costs, related to leases	24.1	25.5
Income before income taxes	\$ 2.9	\$ 123.4
Income taxes (recovery) expense	(9.3)	26.0
Net income	\$ 12.2	\$ 97.4
Net income attributable to non-controlling interests	25.5	27.7
Net income attributable to shareholders of Canadian Tire Corporation	\$ (13.3)	\$ 69.7

¹ Depreciation and amortization reported in cost of producing revenue for the 13 weeks ended March 28, 2020 was \$3.1 million (2019 – \$2.0 million).

Retail Segment Normalized EBITDA Adjusted for Rent Expense, Normalized EBITDA and EBITDA

The following table reconciles the Retail segment normalized income before income taxes, net finance costs, depreciation and amortization and certain one-time normalizing items, or normalized EBITDA adjusted for rent expense and normalized EBITDA respectively, to income before income taxes, which is a supplementary GAAP measure reported in the notes to the condensed interim consolidated financial statements for the periods ended March 28, 2020 and March 30, 2019. Management uses normalizations to exclude one-time, non-operational items and has adjusted EBITDA to include an estimate of rent expense, a significant operating expense for its retail business. Normalized EBITDA adjusted for rent expense and normalized EBITDA, which include normalized gross margin and normalized SG&A expenses with adjustments for an estimate of rent expense, are used as a supplementary measure when assessing the performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital expenditures.

(C\$ in millions)	Q1 2020	Q1 2019
Normalized EBITDA adjusted for rent expense	\$ (5.2)	\$ 70.2
Add:		
Depreciation of right-of-use assets	129.0	120.5
Net finance costs, related to leases	57.0	59.5
Normalized EBITDA	\$ 180.8	\$ 250.2
Less normalizing items:		
Operational Efficiency program	7.5	—
EBITDA	\$ 173.3	\$ 250.2
Less:		
Depreciation and amortization, other than right-of-use assets ¹	84.1	81.2
Depreciation of right-of-use assets	129.0	120.5
Net finance costs, other than related to leases	2.8	2.5
Net finance costs, related to leases	57.0	59.5
Income before income taxes	\$ (99.6)	\$ (13.5)

¹ Depreciation and amortization reported in cost of producing revenue for the 13 weeks ended March 28, 2020 was \$3.1 million (2019 – \$2.0 million).

Normalized Selling, General and Administrative Expenses Adjusted for Rent Expense

The following table reconciles the normalized SG&A expenses, adjusted for rent expenses, normalized SG&A expenses, to SG&A expenses, which is a supplementary GAAP measure reported in the notes to the condensed interim consolidated financial statements for the periods ended March 28, 2020 and March 30, 2019. Management uses normalizations to exclude one-time, non-operational items and has adjusted SG&A expenses to include an estimate of rent expense, a significant operating expense for our retail business. Normalized SG&A expenses adjusted for rent expense and normalized SG&A expenses, are used as a supplementary measure when assessing the performance of its ongoing operations.

(C\$ in millions)	Q1 2020	Q1 2019
Normalized selling, general and administrative expenses adjusted for rent expense	\$ 794.5	\$ 742.2
Add:		
Depreciation and amortization, other than right-of-use assets	98.8	96.2
Less:		
Net finance costs, related to leases	24.1	25.5
Normalized selling, general and administrative expenses	\$ 869.2	\$ 812.9
Add normalizing items:		
Operational Efficiency program	7.5	—
Selling, general and administrative expenses	\$ 876.7	\$ 812.9

Retail Normalized Selling, General and Administrative Expenses Adjusted for Rent Expense

The following table reconciles the Retail normalized SG&A expenses, adjusted for rent expenses, Retail normalized SG&A expenses, to Retail SG&A expenses, which is a supplementary GAAP measure reported in the notes to the condensed interim consolidated financial statements for the periods ended March 28, 2020 and March 30, 2019. Management uses normalizations to exclude one-time, non-operational items and has adjusted SG&A expenses to include an estimate of rent expense, a significant operating expense for our retail business. Normalized SG&A expenses adjusted for rent expense and normalized SG&A expenses, are used as a supplementary measure when assessing the performance of its ongoing operations.

(C\$ in millions)	Q1 2020	Q1 2019
Normalized selling, general and administrative expenses adjusted for rent expense	\$ 817.2	\$ 762.0
Add:		
Depreciation and amortization, other than right-of-use assets	81.0	79.2
Less:		
Net finance costs, related to leases	57.0	59.5
Normalized selling, general and administrative expenses	\$ 841.2	\$ 781.7
Add normalizing items:		
Operational Efficiency program	7.5	—
Selling, general and administrative expenses	\$ 848.7	\$ 781.7

Normalized Net Income

The following table reconciles normalized net income to net income which is a supplementary GAAP measure reported in the notes to the condensed interim consolidated financial statements for the periods ended March 28, 2020 and March 30, 2019. Management believes that normalizing GAAP net income provides a useful method for assessing the Company's underlying operating performance and assists in making decisions regarding the ongoing operations of its business.

(C\$ in millions)	Q1 2020	Q1 2019
Normalized net income	\$ 17.7	\$ 97.4
Less normalizing items:		
Operational Efficiency program	5.5	—
Net income	\$ 12.2	\$ 97.4

Normalized Net Income Attributable to Shareholders and Earnings per Share

Management believes that normalizing GAAP net income attributable to shareholders of the Company and basic EPS for non-operating items provides a useful method for assessing the Company's underlying operating performance and assists in making decisions regarding the ongoing operations of its business.

The following table is a reconciliation of normalized net income attributable to shareholders of the Company and normalized basic and diluted EPS to the respective GAAP measures:

(C\$ in millions, except per share amounts)	Q1 2020	EPS	Q1 2019	EPS
Net income/basic EPS	\$ (13.3)	\$ (0.22)	\$ 97.4	\$ 1.12
Add the after-tax impact of the following, attributable to shareholders of the Company:				
Operational Efficiency program	5.5	0.09	—	—
Normalized net income/normalized basic EPS	\$ (7.8)	\$ (0.13)	\$ 97.4	\$ 1.12
Normalized net income/normalized diluted EPS	\$ (7.8)	\$ (0.13)	\$ 97.4	\$ 1.12

Adjusted Net Debt

The following tables reconcile adjusted net debt to GAAP measures. The Company believes that adjusted net debt is relevant in assessing the amount of financial leverage employed.

As at March 28, 2020

(C\$ in millions)	Consolidated	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	\$ —	\$ —	\$ —	—
Short-term deposits	770.9	—	—	770.9
Long-term deposits	1,716.4	—	—	1,716.4
Short-term borrowings	1,154.0	859.1	—	294.9
Current portion of long-term debt	751.0	250.4	0.6	500.0
Long-term debt	3,786.0	950.7	1,136.8	1,698.5
Debt	8,178.3	2,060.2	1,137.4	4,980.7
Liquid assets ¹	(764.6)	(285.6)	(20.2)	(458.8)
Net debt (cash)	7,413.7	1,774.6	1,117.2	4,521.9
Inter-company debt	—	(1,516.7)	1,451.6	65.1
Adjusted net debt (cash)	\$ 7,413.7	\$ 257.9	\$ 2,568.8	\$ 4,587.0

¹ Liquid assets include cash and cash equivalents, short-term investments and long-term investments.

As at March 30, 2019

(C\$ in millions)	Consolidated	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	\$ 8.1	\$ 8.1	\$ —	—
Short-term deposits	964.3	—	—	964.3
Long-term deposits	1,584.5	—	—	1,584.5
Short-term borrowings	1,077.5	771.5	10.0	296.0
Current portion of long-term debt	538.6	1.0	37.6	500.0
Long-term debt	3,919.8	1,199.6	1,081.3	1,638.9
Debt	8,092.8	1,980.2	1,128.9	4,983.7
Liquid assets ¹	(671.8)	(64.6)	(8.1)	(599.1)
Net debt (cash)	7,421.0	1,915.6	1,120.8	4,384.6
Inter-company debt	—	(1,521.8)	1,451.6	70.2
Adjusted net debt (cash)	\$ 7,421.0	\$ 393.8	\$ 2,572.4	\$ 4,454.8

¹ Liquid assets include cash and cash equivalents, short-term investments and long-term investments.

CT REIT Non-GAAP Financial Measures

Net Operating Income

NOI is defined as cash rental revenue from investment properties less property operating costs. NOI is used as a key indicator of performance as it represents a measure of property operations over which Management has control.

CT REIT evaluates its performance by comparing the performance of the portfolio adjusted for the effects of non-operational items and current-year acquisitions.

The following table shows the relationship of NOI to GAAP property revenue and property expense in CT REIT's Consolidated Statements of Income and Comprehensive Income:

(C\$ in millions)	Q1 2020	Q1 2019
Property revenue	\$ 126.8	\$ 121.6
Less:		
Property expense	28.9	28.0
Property straight-line rent revenue	2.6	3.7
Net operating income	\$ 95.3	\$ 89.9

Funds from Operations and Adjusted Funds from Operations

CT REIT calculates its FFO and AFFO in accordance with the *Real Property Association of Canada's* White Paper on FFO and AFFO for IFRS issued in February 2019. FFO and AFFO should not be considered as alternatives to net income or cash flow provided by operating activities determined in accordance with IFRS.

Management believes that FFO provides an operating performance measure that, when compared period over period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and property taxes, acquisition activities and interest costs, and provides a perspective of the financial performance that is not immediately apparent from net income determined in accordance with IFRS. FFO adds back items to net income that do not arise from operating activities, such as fair value adjustments. FFO, however, still includes non-cash revenues relating to accounting for straight-line rent and makes no deduction for the recurring capital expenditures necessary to sustain the existing earnings stream.

AFFO is a supplemental measure of recurring economic earnings used in the real estate industry to assess an entity's distribution capacity. CT REIT calculates AFFO by adjusting net income for all adjustments used to calculate FFO as well as adjustments for non-cash income and expense items such as amortization of straight-line rents. Net income is also adjusted by a reserve for maintaining productive capacity required to sustain property infrastructure and revenue from real estate properties and direct leasing costs. Property capital expenditures do not occur evenly during the fiscal year or from year to year. The capital expenditure reserve in the AFFO calculation is intended to reflect an average annual spending level.

The following table reconciles income before income taxes, as reported in CT REIT's Consolidated Statements of Income and Comprehensive Income, to FFO and AFFO:

(C\$ in millions)	Q1 2020	Q1 2019
Income before income taxes	\$ 43.2	\$ 71.4
Fair value loss (gain) adjustment	24.2	(9.6)
Deferred taxes	1.0	0.6
Lease principal payments on right-of-use assets	(0.1)	(0.1)
Fair value of equity awards	(1.6)	1.1
Internal leasing expense	0.2	—
Funds from operations	66.9	63.4
Properties straight-line rent adjustment	(2.6)	(3.7)
Capital expenditure reserve	(6.1)	(5.7)
Adjusted funds from operations	\$ 58.2	\$ 54.0

10.0 Key Risks and Risk Management

CTC is exposed to a number of opportunities and risks through the normal course of its business activities. The effective management of risk is a key priority for the Company to support CTC in achieving its strategies and business

objectives. Accordingly, CTC has adopted an Enterprise Risk Management Framework ("ERM Framework") which is designed to:

- safeguard the Company and its reputation;
- support the achievement of the Company's strategic objectives; and
- support business planning and operations by providing a cross-functional perspective to risk management integrated with strategic planning and reporting processes across all lines of business.

Refer to section 10.0 in the Company's 2019 MD&A for a full description of CTC's ERM Framework.

The Company promotes a strong risk culture by fostering a common set of values, beliefs, knowledge and understanding about risk. This culture is essential to support the ERM Framework across the Company.

Refer to section 3.0 in this MD&A for significant events that impacted the Company this quarter.

11.0 Internal Controls and Procedures

Details relating to disclosure controls and procedures, and internal control over financial reporting, are disclosed in section 11.0 of the Company's 2019 MD&A.

Changes in Internal Control Over Financial Reporting

During the quarter ended March 28, 2020, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

12.0 Environmental and Social Responsibility

12.1 Overview

CTC prides itself on being a trusted Canadian brand and an integral part of Canadian communities, with a strong commitment to improving environmental and social outcomes for Canadians, our communities and our planet. Our environmental and social strategy is aligned with and contributes to the United Nations Sustainable Development Goals. Our initiatives are intended to deliver improved outcomes in the areas of climate risk mitigation, product and packaging, sourcing, and inclusion. We identify, measure, and report on environmental and social benefits that result from these initiatives.

Benefits from the Company's sustainability initiatives and its annual environmental footprint reporting are included in section 12.0 of the Company's 2019 MD&A. For further details refer to the Company's sustainability site at:

<https://corp.canadiantire.ca/English/sustainability/default.aspx>

12.2 Social Responsibility: Corporate Philanthropy

CTC supports a variety of social causes but the largest single beneficiary is Canadian Tire Jumpstart Charities. This charity is an independent organization committed to assisting financially-challenged families in communities across Canada by funding costs associated with children participating in organized sport and physical activity. Additional information regarding Jumpstart is available on its website at: <http://jumpstart.canadiantire.ca>.

12.3 Social Responsibility: Community Building

Helping Canadians enjoy life in Canada has always been at the centre of the Company's activities. CTC's family of companies is proud to support local initiatives through community and organizational support, including amateur sport, injury prevention programs, and disaster relief.

12.4 Social Responsibility: Responsible Sourcing Practices

Canadian Tire Corporation is one of Canada's most trusted companies and, to maintain and build that trust, we operate responsible sourcing programs that require our employees, suppliers, and other participants in our supply chain to act in accordance with our Codes of Conduct. Details on CTC's Responsible Sourcing policies and activities are available on the Company's website at: <https://corp.canadiantire.ca/English/sustainability/social-responsibility/>.

13.0 Forward-Looking Statements and Other Investor Communication

Caution Regarding Forward-looking Statements

This document contains forward-looking statements that reflect Management's current expectations relating to matters such as future financial performance and operating results of the Company. Specific forward-looking statements included or incorporated by reference in this document include, but are not limited to, statements with respect to:

- the impacts of COVID-19, including statements concerning the Company's store operations, store closures and consumer purchasing behaviours in section 3.0;
- the Company's Operational Efficiency program, including the target annualized savings in section 3.0; and
- the Company's intention with respect to the purchase of its Class A Non-Voting Shares in section 7.1.

Forward-looking statements provide information about Management's current expectations and plans, and allow investors and others to better understand the Company's anticipated financial position, results of operations and operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Certain statements other than statements of historical facts included in this document may constitute forward-looking statements, including, but not limited to, statements concerning Management's current expectations relating to possible or assumed future prospects and results, the Company's strategic goals and priorities, its actions and the results of those actions and the economic and business outlook for the Company. Often, but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "believe", "estimate", "plan", "can", "could", "should", "would", "outlook", "forecast", "anticipate", "aspire", "foresee", "continue", "ongoing" or the negative of these terms or variations of them or similar terminology. Forward-looking statements are based on the reasonable assumptions, estimates, analyses, beliefs and opinions of Management, made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that Management believes to be relevant and reasonable at the date that such statements are made.

By their very nature, forward-looking statements require Management to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that the Company's assumptions, estimates, analyses, beliefs and opinions may not be correct and that the Company's expectations and plans will not be achieved. Examples of material assumptions and Management's beliefs, which may prove to be incorrect, include, but are not limited to, the length, duration and impact of COVID-19, including measures adopted by governmental or public authorities in response to the pandemic, the effectiveness of certain performance measures, current and future competitive conditions and the Company's position in the competitive environment, the Company's core capabilities, and expectations around the availability of sufficient liquidity to meet the Company's contractual obligations. Management's expectations with respect to the Operational Efficiency program are based on a number of assumptions relating to anticipated cost savings and operational efficiencies. Although the Company believes that the forward-looking information in this document is based on information, assumptions and beliefs that are current, reasonable, and complete, such information is necessarily subject to a number of factors that could cause actual results to differ materially from Management's expectations and plans as set forth in such forward-looking statements. Some of the factors, many of which are beyond the Company's control and the effects of which can be difficult to predict, include: (a) credit, market, currency, operational, liquidity and funding risks, including changes in economic conditions, interest rates or tax rates; (b) the ability of the Company to attract and retain high-quality employees for all of its businesses, Dealers, Canadian Tire Petroleum retailers, and Mark's and SportChek franchisees, as well as the Company's financial arrangements with such parties; (c) the growth of certain business categories and market segments and the willingness of customers to shop at its stores or acquire the Company's consumer brands or its financial products and services; (d) the Company's margins and sales and those of its competitors; (e) the changing consumer preferences and expectations related to eCommerce, online retailing and the introduction of new technologies; (f)

the possible effects on our business from international conflicts, political conditions, and other developments including changes relating to or affecting economic or trade matters as well as the outbreak of contagions or pandemic diseases; (g) risks and uncertainties relating to information management, technology, cyber threats, property management and development, environmental liabilities, supply chain management, product safety, changes in law, regulation, competition, seasonality, weather patterns, climate change, commodity prices and business disruption, the Company's relationships with suppliers, manufacturers, partners and other third parties, changes to existing accounting pronouncements, the risk of damage to the reputation of brands promoted by the Company and the cost of store network expansion and retrofits; (h) the Company's capital structure, funding strategy, cost management program, and share price; (i) the Company's ability to obtain all necessary regulatory approvals; (j) the Company's ability to complete any proposed acquisition; and (k) the Company's ability to realize the anticipated benefits or synergies from its acquisitions. With respect to the statements concerning the Company's Operational Efficiency program, such factors also include: (a) the possibility that the Company does not achieve the targeted annualized savings; (b) the possibility that the program results in unforeseen impacts to overall performance; (c) the possibility that the one-time costs and capital investments associated with the program are more significant than expected; and (d) the possibility that the Company does not achieve the expected payback during the anticipated timeframe for the severance, store closure and other related expenses recorded. Additional risks and uncertainties related to COVID-19 are discussed in section 3.0 (Significant Events that Impacted the Company this Quarter) of this MD&A. Management cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect the Company's results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements.

For more information on the risks, uncertainties and assumptions that could cause the Company's actual results to differ from current expectations, refer to section 10.0 (Key Risks and Risk Management) of this MD&A and all subsections thereunder. Also refer to section 2.8 (Risk Factors) of the 2019 AIF, as well as the Company's other public filings, available on the SEDAR (System for Electronic Document Analysis and Retrieval) website at www.sedar.com and at <https://investors.canadiantire.ca>.

The forward-looking information contained herein is based on certain factors and assumptions as of the date hereof and does not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on the Company's business. The Company does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by it or on its behalf, to reflect new information, future events or otherwise, except as required by applicable securities laws.

Information contained in or otherwise accessible through the websites referenced in this MD&A does not form part of this MD&A and is not incorporated by reference into this MD&A. All references to such websites are inactive textual references and are for information only.

This document contains trade names, trademarks and service marks of CTC and other organizations, all of which are the property of their respective owners. Solely for convenience, the trade names, trademarks, and service marks referred to herein appear without the ® or ™ symbol.

Commitment to Disclosure and Investor Communication

The Company strives to maintain a high standard of disclosure and investor communication and has been recognized as a leader in financial reporting practices. Reflecting the Company's commitment to full and transparent disclosure, the Investor Relations section of the Company's website at: <https://investors.canadiantire.ca>, includes the following documents and information of interest to investors:

- Report to Shareholders;
- the Annual Information Form;
- the Management Information Circular;
- quarterly reports;
- quarterly fact sheets and other supplementary information;
- reference materials on the Company's reporting changes; and
- conference call webcasts (archived for one year).

The Company's Report to Shareholders, Annual Information Form, Management Information Circular and quarterly reports are also available at www.sedar.com.

If you would like to contact the Investor Relations department directly, email investor.relations@cantire.com.

May 6, 2020

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Condensed Interim Consolidated Balance Sheets

As at (C\$ in millions)(unaudited)	March 28, 2020	March 30, 2019	December 28, 2019
ASSETS			
Cash and cash equivalents (Note 14)	\$ 443.4	\$ 299.1	\$ 205.5
Short-term investments	205.2	228.2	201.7
Trade and other receivables	998.4	986.5	938.3
Loans receivable (Note 6)	5,431.2	5,312.5	5,813.8
Merchandise inventories	2,475.2	2,353.7	2,212.9
Income taxes recoverable	35.9	74.8	33.2
Prepaid expenses and deposits	152.7	154.1	139.3
Assets classified as held for sale	14.2	4.1	10.6
Total current assets	9,756.2	9,413.0	9,555.3
Long-term receivables and other assets	835.2	790.4	807.8
Long-term investments	116.0	144.5	138.9
Goodwill and intangible assets	2,341.6	2,277.6	2,414.3
Investment property	391.2	372.6	389.1
Property and equipment	4,280.7	4,166.9	4,283.3
Right-of-use assets	1,540.3	1,672.8	1,610.4
Deferred income taxes	271.5	306.8	319.2
Total assets	\$ 19,532.7	\$ 19,144.6	\$ 19,518.3
LIABILITIES			
Bank indebtedness (Note 14)	\$ —	\$ 8.1	\$ 10.4
Deposits	770.9	964.3	790.8
Trade and other payables	2,040.5	2,020.6	2,492.4
Provisions	186.9	154.0	190.2
Short-term borrowings	1,154.5	1,077.5	450.0
Loans	629.9	662.4	621.5
Current portion of lease liabilities	343.1	314.1	335.3
Income taxes payable	26.7	17.0	72.6
Current portion of long-term debt	751.0	538.6	788.2
Total current liabilities	5,903.5	5,756.6	5,751.4
Long-term provisions	64.5	54.7	61.1
Long-term debt	3,785.7	3,919.8	3,730.2
Long-term deposits	1,716.4	1,584.5	1,653.4
Long-term lease liabilities	1,775.4	1,985.2	1,871.0
Deferred income taxes	126.1	149.9	136.4
Other long-term liabilities	773.1	756.0	810.1
Total liabilities	14,144.7	14,206.7	14,013.6
EQUITY			
Share capital (Note 7)	586.9	584.4	588.0
Contributed surplus	2.9	2.9	2.9
Accumulated other comprehensive (loss)	(117.3)	(25.3)	(129.9)
Retained earnings	3,601.5	3,321.6	3,729.6
Equity attributable to shareholders of Canadian Tire Corporation	4,074.0	3,883.6	4,190.6
Non-controlling interests	1,314.0	1,054.3	1,314.1
Total equity	5,388.0	4,937.9	5,504.7
Total liabilities and equity	\$ 19,532.7	\$ 19,144.6	\$ 19,518.3

The related notes form an integral part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Income

For the (C\$ in millions, except share and per share amounts)(unaudited)	13 weeks ended	
	March 28, 2020	March 30, 2019
Revenue (Note 9)	\$ 2,848.3	\$ 2,894.4
Cost of producing revenue (Note 10)	1,909.1	1,896.1
Gross margin	939.2	998.3
Other (income)	(8.6)	(5.0)
Selling, general and administrative expenses (Note 11)	876.7	812.9
Net finance costs (Note 12)	68.2	67.0
Income before income taxes	2.9	123.4
Income tax (recovery) expense	(9.3)	26.0
Net income	\$ 12.2	\$ 97.4
Net (loss) income attributable to:		
Shareholders of Canadian Tire Corporation	\$ (13.3)	\$ 69.7
Non-controlling interests	25.5	27.7
	\$ 12.2	\$ 97.4
Basic earnings per share	\$ (0.22)	\$ 1.12
Diluted earnings per share	\$ (0.22)	\$ 1.12
Weighted average number of Common and Class A Non-Voting Shares outstanding:		
Basic	61,170,366	62,243,116
Diluted	61,170,366	62,325,684

The related notes form an integral part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Comprehensive Income

For the (C\$ in millions)(unaudited)	13 weeks ended	
	March 28, 2020	March 30, 2019
Net income	\$ 12.2	\$ 97.4
Other comprehensive income (loss), net of taxes		
Items that may be reclassified subsequently to net income:		
Net fair value (losses) on hedging instruments entered into for cash flow hedges not subject to basis adjustment	(27.3)	(13.9)
Deferred cost of hedging not subject to basis adjustment – Changes in fair value of the time value of an option in relation to time-period related hedged items	14.4	(4.9)
Reclassification of losses (gains) to income	0.5	(0.3)
Currency translation adjustment	(74.4)	(4.6)
Items that will not be reclassified subsequently to net income:		
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges subject to basis adjustment	104.9	(36.0)
Other comprehensive income (loss)	\$ 18.1	\$ (59.7)
Other comprehensive income (loss) attributable to:		
Shareholders of Canadian Tire Corporation	\$ 20.6	\$ (56.0)
Non-controlling interests	(2.5)	(3.7)
	\$ 18.1	\$ (59.7)
Comprehensive income	\$ 30.3	\$ 37.7
Comprehensive income attributable to:		
Shareholders of Canadian Tire Corporation	\$ 7.3	\$ 13.7
Non-controlling interests	23.0	24.0
	\$ 30.3	\$ 37.7

The related notes form an integral part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Cash Flows

For the (C\$ in millions)(unaudited)	13 weeks ended	
	March 28, 2020	March 30, 2019
Cash (used for) generated from:		
Operating activities		
Net income	\$ 12.2	\$ 97.4
Adjustments for:		
Depreciation of property and equipment, investment property, assets held for sale and right-of-use assets (Notes 10 and 11)	145.3	134.0
Income tax (recovery) expense	(9.3)	26.0
Net finance costs (Note 12)	68.2	67.0
Amortization of intangible assets (Note 11)	26.3	27.4
(Gain) on disposal of property and equipment, investment property, assets held for sale and right-of-use assets	(10.9)	(11.5)
Total except as noted below	231.8	340.3
Interest paid	(78.3)	(86.6)
Interest received	4.1	4.5
Income taxes paid	(24.4)	(186.6)
Change in loans receivable	375.6	206.4
Change in operating working capital and other	(655.9)	(739.6)
Cash (used for) operating activities	(147.1)	(461.6)
Investing activities		
Additions to property and equipment and investment property	(84.8)	(115.1)
Additions to intangible assets	(38.4)	(36.5)
Total additions	(123.2)	(151.6)
Acquisition of short-term investments	(77.0)	(114.8)
Proceeds from maturity and disposition of short-term investments	104.4	78.4
Proceeds on disposition of property and equipment, investment property and assets held for sale	0.8	12.6
Lease payments for finance subleases (principal portion)	4.3	4.1
Acquisition of long-term investments and other	(8.4)	4.3
Cash (used for) investing activities	(99.1)	(167.0)
Financing activities		
Dividends paid	(66.3)	(60.3)
Distributions paid to non-controlling interests	(27.5)	(20.0)
Total dividends and distributions paid	(93.8)	(80.3)
Net issuance of short-term borrowings	704.5	699.4
Issuance of loans	71.6	57.1
Repayment of loans	(63.1)	(49.2)
Issuance of long-term debt	18.6	10.9
Repayment of long-term debt	(0.5)	—
Payment of lease liabilities (principal portion)	(83.9)	(76.3)
Repurchase of share capital	(100.4)	(176.2)
Payments on financial instruments	(0.6)	(12.8)
Change in deposits	42.1	76.6
Cash generated from financing activities	494.5	449.2
Cash generated (used) in the period	248.3	(179.4)
Cash and cash equivalents, net of bank indebtedness, beginning of period	195.1	470.4
Cash and cash equivalents, net of bank indebtedness, end of period	\$ 443.4	\$ 291.0

The related notes form an integral part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Changes in Equity

(C\$ in millions)(unaudited)	Total accumulated other comprehensive income (loss)					Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
	Share capital	Contributed surplus	Cashflow hedges	Currency translation adjustment	Total accumulated other comprehensive income (loss)				
Balance at December 28, 2019	588.0	2.9	(28.3)	(101.6)	(129.9)	3,729.6	4,190.6	1,314.1	5,504.7
Net (loss) income	—	—	—	—	—	(13.3)	(13.3)	25.5	12.2
Other comprehensive income (loss)	—	—	95.0	(74.4)	20.6	—	20.6	(2.5)	18.1
Total comprehensive income (loss)	—	—	95.0	(74.4)	20.6	(13.3)	7.3	23.0	30.3
Transfers of cash flow hedge (gains) to non-financial assets	—	—	(8.0)	—	(8.0)	—	(8.0)	—	(8.0)
Contributions and distributions to shareholders of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 7)	3.4	—	—	—	—	—	3.4	—	3.4
Repurchase of Class A Non-Voting Shares (Note 7)	(99.6)	—	—	—	—	—	(99.6)	—	(99.6)
Reversal of accrued liability for automatic share purchase plan commitment (Note 7)	3.0	—	—	—	—	46.1	49.1	—	49.1
Excess of purchase price over average cost (Note 7)	92.1	—	—	—	—	(92.1)	—	—	—
Dividends	—	—	—	—	—	(68.8)	(68.8)	—	(68.8)
Contributions and distributions to non-controlling interests									
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	—	—	4.4	4.4
Distributions and dividends to non-controlling interests	—	—	—	—	—	—	—	(27.5)	(27.5)
Total contributions and distributions	(1.1)	—	(8.0)	—	(8.0)	(114.8)	(123.9)	(23.1)	(147.0)
Balance at March 28, 2020	\$ 586.9	\$ 2.9	\$ 58.7	\$ (176.0)	\$ (117.3)	\$ 3,601.5	\$ 4,074.0	\$ 1,314.0	\$ 5,388.0

(C\$ in millions)(unaudited)	Total accumulated other comprehensive income (loss)					Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
	Share capital	Contributed surplus	Cashflow hedges	Currency translation adjustment	Total accumulated other comprehensive income (loss)				
December 30, 2018, as previously reported	\$ 591.5	\$ 2.9	\$ 92.0	\$ (40.9)	\$ 51.1	\$ 3,720.7	\$ 4,366.2	\$ 1,048.8	\$ 5,415.0
Transition adjustments – IFRS 16	—	—	—	—	—	(246.9)	(246.9)	(0.1)	(247.0)
Restated balance at December 30, 2018	591.5	2.9	92.0	(40.9)	51.1	3,473.8	4,119.3	1,048.7	5,168.0
Net income	—	—	—	—	—	69.7	69.7	27.7	97.4
Other comprehensive (loss)	—	—	(51.4)	(4.6)	(56.0)	—	(56.0)	(3.7)	(59.7)
Total comprehensive (loss) income	—	—	(51.4)	(4.6)	(56.0)	69.7	13.7	24.0	37.7
Transfers of cash flow hedge (gains) to non-financial assets	—	—	(20.4)	—	(20.4)	—	(20.4)	—	(20.4)
Contributions and distributions to shareholders of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 7)	4.4	—	—	—	—	—	4.4	—	4.4
Repurchase of Class A Non-Voting Shares (Note 7)	(169.8)	—	—	—	—	—	(169.8)	—	(169.8)
Excess of purchase price over average cost (Note 7)	158.3	—	—	—	—	(158.3)	—	—	—
Dividends	—	—	—	—	—	(63.6)	(63.6)	—	(63.6)
Contributions and distributions to non-controlling interests									
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	—	—	1.6	1.6
Distributions and dividends to non-controlling interests	—	—	—	—	—	—	—	(20.0)	(20.0)
Total contributions and distributions	(7.1)	—	(20.4)	—	(20.4)	(221.9)	(249.4)	(18.4)	(267.8)
Balance at March 30, 2019	\$ 584.4	\$ 2.9	\$ 20.2	\$ (45.5)	\$ (25.3)	\$ 3,321.6	\$ 3,883.6	\$ 1,054.3	\$ 4,937.9

The related notes form an integral part of these condensed interim consolidated financial statements.

1. The Company and its Operations

Canadian Tire Corporation, Limited is a Canadian public company primarily domiciled in Canada. Its registered office is located at 2180 Yonge Street, Toronto, Ontario, M4P 2V8, Canada. It is listed on the Toronto Stock Exchange (TSX – CTC, CTC.A). Canadian Tire Corporation, Limited and entities it controls are together referred to in these condensed interim consolidated financial statements as the “Company” or “Canadian Tire Corporation”.

The Company comprises three main business operations, which offer a range of retail goods and services, including general merchandise, apparel, sporting goods, petroleum, Financial Services including a bank and real estate operations. Details of the Company’s three reportable operating segments are provided in Note 5.

Quarterly net income and revenue are affected by seasonality. The fourth quarter typically generates the greatest contribution to revenue and earnings and the first quarter the least.

This document contains trade names, trademarks and service marks of CTC and other organizations, all of which are the property of their respective owners. Solely for convenience, the trade names, trademarks and service marks referred to herein appear without the ® or TM symbol.

2. Basis of Preparation

Statement of Compliance

These condensed interim consolidated financial statements (“interim financial statements”) for the 13 weeks ended March 28, 2020 (and comparative results for the 13 weeks ended March 30, 2019) have been prepared in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting* and therefore do not contain all disclosures required by International Financial Reporting Standards (“IFRS”). These interim financial statements should be read in conjunction with the Company’s 2019 Consolidated Financial Statements and Notes and have been prepared using the same accounting policies described in Note 3 to the 2019 Consolidated Financial Statements and Notes.

These interim financial statements were authorized for issuance by the Company’s Board of Directors on May 6, 2020.

Basis of Presentation

These interim financial statements have been prepared on a historical cost basis, except for the following items, which are measured at fair value:

- financial instruments at fair value through profit or loss (“FVTPL”);
- derivative financial instruments;
- liabilities for share-based payment plans; and
- initial recognition of assets acquired and liabilities assumed in a business combination.

In addition, the post-employment defined benefit obligation is recorded at its discounted present value.

Functional and Presentation Currency

These interim consolidated financial statements are presented in Canadian dollars (“C\$”), the Company’s functional currency. Each of the Company’s foreign subsidiaries determines its own functional currency and items included in the consolidated financial statements of each foreign subsidiary are measured using that functional currency. Assets and liabilities of foreign operations having a functional currency other than the Canadian dollar are translated at the rate of exchange prevailing at the reporting date, and revenues and expenses at average rates during the period. Gains or losses on translation are accumulated as a component of equity. On the disposal of a foreign operation, or the loss of control, the component of accumulated other comprehensive income relating to that foreign operation is reclassified to net income.

Judgments and Estimates

The preparation of these interim financial statements in accordance with IAS 34 requires Management to make judgments and estimates that affect:

- the application of accounting policies;
- the reported amounts of assets and liabilities;
- disclosures of contingent assets and liabilities; and
- the amounts of revenue and expenses recognized during the reporting periods.

Actual results may differ from estimates made in these interim financial statements.

Judgments are made in the selection and assessment of the Company's accounting policies. Estimates are used mainly in determining the measurement of recognized transactions and balances. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Judgments and estimates are often interrelated. The Company's judgments and estimates are continually re-evaluated to assess whether they remain appropriate. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

On March 12, 2020, the World Health Organization declared the outbreak of Coronavirus ("COVID-19") a pandemic. There is significant uncertainty regarding the extent and duration of the impact that the COVID-19 pandemic will have on Company's operations. The extent to which the impacts of COVID-19 pandemic affects the judgments and estimates described in Note 2 to the Company's 2019 Consolidated Financial Statements and Notes depend on future developments, which are highly uncertain and cannot be predicted. Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in these condensed interim consolidated financial statements, including but not limited to Impairment of Assets and Financial Instruments, Fair Value of Redeemable Financial Instruments and Loans Receivable.

During the quarter, COVID-19, which was considered an indication of impairment, impacted assumptions relating to the discount rate and forecasted cash flows used in performing the impairment analysis of the Company's investment property, right-of-use assets, property and equipment and goodwill and intangible assets; the inputs used to fair value the redeemable financial instrument and the forward looking information used in the estimate of allowances on credit card loans receivables. The changes in assumptions and inputs did not impact these condensed interim consolidated financial statements, except as it relates to the allowance on credit card loans receivable as described in Note 6.

Details of the accounting policies that are subject to judgments and estimates that the Company believes could have the most significant impact on the amounts recognized in these condensed interim consolidated financial statements are described in Note 2 to the Company's 2019 Consolidated Financial Statements and Notes.

Standards, Amendments and Interpretations Issued and Adopted

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

Effective in the first quarter 2020, the Company adopted "Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7", issued in September 2019. The amendments provide relief during the period of uncertainty arising from the phase out of interest rate benchmarks (e.g. interbank offered rates ["IBOR"s]).

The Company enters into interest rate swap contracts to hedge the exposure against interest rate risk on the future interest payments of debt issuances and deposits. The Company also enters into "swaption" derivative financial instruments that provide it with an option to enter into an interest rate swap as part of the Company's strategy to manage its interest rate exposure risk on the future interest payments of debt issuances and deposits. Where hedge accounting can be applied, the Company accounts for these derivatives as cash flow hedges.

The Company's hedging relationships have significant exposure to the Canadian Dollar Offered Rate ("CDOR"). Under IBOR reform, CDOR may be subject to discontinuance, changes in methodology, or become unavailable. The Bank of Canada has established the Canadian Alternative Reference Rate Working Group ("CARR") to identify and seek to develop a new risk-free Canadian dollar interest rate benchmark. The Canadian Overnight Repo Rate

("CORRA") has been recommended as the alternative to CDOR. Already available in the market, CORRA is currently being enhanced and reformed by its administrator, the Bank of Canada. As a result of these developments, uncertainty exists relating to timing and methods of transition for financial instruments affected by these changes, and also in determining whether hedging relationships that hedge the variability of cash flows due to changes in IBORs continue to qualify for hedge accounting. These adopted amendments modify hedge accounting requirements, allowing the Company to assume that the interest rate benchmark on which the cash flows of the hedged item and the hedging instrument are based are not altered as a result of IBOR reform, thereby allowing hedge accounting to continue.

Management is closely monitoring the impacted hedging relationship for possible changes to CDOR and its possible replacement with a new risk-free Canadian dollar interest rate benchmark. If the new or revised risk-free rates differ from the prior benchmark rates, new or revised hedging strategies may be required to better align derivative hedging instruments with hedged items. However, given the market uncertainty, the assessment of the impact on the Company's hedging strategies and its mitigation plans is in the early stages.

Mandatory application of the amendments ends at the earlier of when the uncertainty regarding the timing and amount of interest rate benchmark-based cash flows is no longer present or when the hedging relationship is discontinued.

For aspects of hedge accounting not covered by the amendments and hedges that are not directly impacted by the IBOR reform, the accounting policies as described in Note 3 of the Company's 2019 Consolidated Financial Statements continue to apply.

The International Accounting Standards Board ("IASB") is currently working through Phase 2 of amendments to IFRS 9 for IBOR reform, which is expected to focus on, amongst other topics, accounting for modifications to contracts following IBOR reform, and amendments to hedge accounting documentation for IBOR reform. The Company continues to follow the status of the IASB's IBOR reform project, and it will assess the impact for the Company as further information becomes available.

Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending January 2, 2021 and, accordingly, have not been applied in preparing these interim financial statements.

Insurance Contracts

In May 2017, the IASB issued IFRS 17 – *Insurance Contracts* ("IFRS 17"), which replaces IFRS 4 – *Insurance Contracts* and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021. In March 2020, the IASB issued an amendment to IFRS 17 deferring the effective date for two years to January 1, 2023. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

In January 2020, IASB issued *Classification of Liabilities as Current or Non-current*, which amends IAS 1 – *Presentation of Financial Statements*. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

3. Capital Management

The Company's objectives when managing capital are:

- ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- maintaining healthy liquidity reserves and access to capital; and
- minimizing the after-tax cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

The Company manages its capital structure over the long term to optimize the balance among capital efficiency, financial flexibility, and risk mitigation. Management calculates its ratios to approximate the methodologies of credit rating agencies and other market participants on a current and prospective basis. To assess its effectiveness in managing capital, Management monitors these ratios against targeted ranges.

The current economic, operating and capital market environment has led to an increased emphasis on liquidity and capital management. Management is focused on ensuring sufficient liquidity, both through maintaining a strong balance sheet and ensuring access to capital.

The Company was in compliance with all financial covenants under its existing debt agreements as at March 28, 2020. The Company has sufficient flexibility to remain in compliance with such covenants during the current disruption to certain of its businesses due to the COVID-19 pandemic and to support growth in its business.

Helly Hansen is required to comply with covenants established under its bank credit agreements and was in compliance with all financial covenants thereunder as at March 28, 2020.

CT Real Estate Investment Trust ("CT REIT") is required to comply with covenants established under its Trust Indenture, bank credit agreement and the Declaration of Trust and was in compliance with all financial covenants thereunder as at March 28, 2020.

In addition, the Company is required to comply with regulatory requirements for capital associated with the operations of Canadian Tire Bank ("CTB" or "the Bank"), a federally chartered bank, and other regulatory requirements that have an impact on its business operations and certain covenants established under its bank credit agreement. As at March 28, 2020, CTB was in compliance with all external regulatory capital requirements and all financial covenants under its bank credit agreement.

4. Liquidity and Financing

As at March 28, 2020, Glacier Credit Card Trust ("GCCT") had \$294.9 million of asset-backed commercial paper notes outstanding.

As at March 28, 2020, the Company (excluding Helly Hansen and CT REIT) had \$710.0 million drawn on its bank lines and \$98.3 million of C\$ equivalent U.S. Commercial Paper outstanding under its committed bank line of credit (\$70.3 million USD). Helly Hansen had a total of \$51.3 million of C\$ equivalent borrowings outstanding on its committed bank line of credit (180 million Norwegian Krone ["NOK"]) and its factoring facility (205.4 million NOK), CT REIT had no borrowings under its committed bank line of credit and CTB had no borrowings outstanding under either of its committed bank line of credit or note purchase facilities.

5. Operating Segments

The Company has three reportable operating segments: Retail, CT REIT, and Financial Services. The reportable operating segments are strategic business units offering different products and services. They are separately

managed due to their distinct nature. The following summary describes the operations of each of the Company's reportable segments:

- The retail business is conducted under a number of banners including Canadian Tire, Canadian Tire Gas ("Petroleum"), Mark's, PartSource, Helly Hansen, Party City in Canada and various SportChek banners. Retail also includes the Dealer Loan Program (the portion [silo] of Franchise Trust that issues loans to Dealers). Non-CT REIT real estate is included in Retail.
- CT REIT is an unincorporated, closed-end real estate investment trust. CT REIT holds a geographically-diversified portfolio of properties mainly comprising Canadian Tire banner stores, Canadian Tire anchored retail developments, mixed-use commercial property, and distribution centres.
- Financial Services issues Canadian Tire's Triangle branded credit cards, including Triangle Mastercard, Triangle World Mastercard and Triangle World Elite Mastercard. Financial Services also offers Cash Advantage Mastercard and Gas Advantage Mastercard products, markets insurance and warranty products, and provides settlement services to the Company's affiliates. Financial Services includes CTB, a federally-regulated financial institution that manages and finances the Company's consumer Mastercard and retail credit card portfolios, as well as an existing block of Canadian Tire branded line of credit loans. CTB also offers high-interest savings deposit accounts, TFSAs and GIC deposits, both directly and through third-party brokers. Financial Services includes GCCT, a structured entity established to purchase co-ownership interests in the Company's credit card loans. GCCT issues debt to third-party investors to fund its purchases.

Performance is measured based on segment income before income taxes, as included in internal management reports. Management has determined that this measure is the most relevant in evaluating segment results and allocating resources. Information regarding the results of each reportable operating segment is as follows:

For the	13 weeks ended									
	March 28, 2020					March 30, 2019				
(C\$ in millions)	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	\$ 2,502.6	\$ 13.9	\$ 334.5	\$ (2.7)	\$ 2,848.3	\$ 2,562.4	\$ 13.3	\$ 321.2	\$ (2.5)	\$ 2,894.4
Intercompany revenue	0.6	112.9	7.4	(120.9)	—	1.6	108.3	7.6	(117.5)	—
Total revenue	2,503.2	126.8	341.9	(123.6)	2,848.3	2,564.0	121.6	328.8	(120.0)	2,894.4
Cost of producing revenue	1,729.9	—	196.7	(17.5)	1,909.1	1,770.1	—	142.2	(16.2)	1,896.1
Gross margin	773.3	126.8	145.2	(106.1)	939.2	793.9	121.6	186.6	(103.8)	998.3
Other (income) expense	(35.6)	—	0.1	26.9	(8.6)	(36.3)	—	(0.3)	31.6	(5.0)
Selling, general and administrative expenses	848.7	31.9	75.0	(78.9)	876.7	781.7	32.8	74.7	(76.3)	812.9
Net finance costs (income)	59.8	27.5	(0.1)	(19.0)	68.2	62.0	27.0	(0.2)	(21.8)	67.0
Fair value (gain) loss on investment properties	—	24.2	—	(24.2)	—	—	(9.6)	—	9.6	—
(Loss) income before income taxes	\$ (99.6)	\$ 43.2	\$ 70.2	\$ (10.9)	\$ 2.9	\$ (13.5)	\$ 71.4	\$ 112.4	\$ (46.9)	\$ 123.4
Items included in the above:										
Depreciation and amortization	\$ 213.1	\$ —	\$ 3.0	\$ (44.5)	\$ 171.6	\$ 201.7	\$ —	\$ 3.2	\$ (43.5)	\$ 161.4
Interest income	24.8	0.1	289.0	(18.2)	295.7	27.6	—	271.7	(17.2)	282.1
Interest expense	79.9	27.6	33.5	(52.6)	88.4	84.3	27.0	32.6	(52.4)	91.5

The eliminations and adjustments include the following items:

- reclassifications of certain revenues and costs in the Financial Services segment to net finance (income) costs;
- conversion from CT REIT's fair value investment property valuation policy to the Company's cost model, including the recording of depreciation; and
- intersegment eliminations and adjustments including intercompany rent, property management fees, credit card processing fees and the change in fair value of the redeemable financial instrument.

While the Company primarily operates in Canada, it also operates in foreign jurisdictions through Helly Hansen. Foreign revenue earned by Helly Hansen for the 13 weeks ended March 28, 2020 amounted to \$114.2 million (2019 – \$122.8 million). Property and equipment, intangible assets (brand and goodwill) and right-of-use assets located outside of Canada was \$890.7 million as at March 28, 2020 (2019 – \$1.0 billion).

Capital expenditures by reportable operating segment are as follows:

For the	13 weeks ended				March 30, 2019			
	March 28, 2020							
(C\$ in millions)	Retail	CT REIT	Financial Services	Total	Retail	CT REIT	Financial Services	Total
Capital expenditures ¹	\$ 72.4	\$ 41.0	\$ 0.9	\$ 114.3	\$ 76.1	\$ 27.1	\$ 3.7	\$ 106.9

¹ Capital expenditures are presented on an accrual basis and include software additions, but exclude right-of-use asset additions, acquisitions relating to business combinations, intellectual property additions and tenant allowances received.

Right-of-use asset additions by reportable operating segment are as follows:

For the	13 weeks ended				March 30, 2019			
	March 28, 2020							
(C\$ in millions)	Retail	CT REIT	Financial Services	Total	Retail	CT REIT	Financial Services	Total
Right-of-use asset additions	\$ 11.3	\$ 3.0	\$ 1.8	\$ 16.1	\$ 43.8	\$ —	\$ —	\$ 43.8

Total assets by reportable operating segment are as follows:

(C\$ in millions)	March 28, 2020		March 30, 2019	December 28, 2019
As at				
Retail	\$	15,990.2	\$ 16,038.2	\$ 15,995.4
CT REIT		6,069.0	5,853.3	6,024.5
Financial Services		6,255.8	6,208.2	6,606.4
Eliminations and adjustments		(8,782.3)	(8,955.1)	(9,108.0)
Total assets ¹	\$	19,532.7	\$ 19,144.6	\$ 19,518.3

¹ The Company employs a shared-services model for several of its back-office functions including finance, information technology, human resources, and legal. As a result, expenses relating to these functions are allocated on a systematic and rational basis to the reportable operating segments. The associated assets and liabilities are not allocated among segments in the presented measures of segmented assets and liabilities.

Total liabilities by reportable operating segment are as follows:

(C\$ in millions)	March 28, 2020		March 30, 2019	December 28, 2019
As at				
Retail	\$	9,972.5	\$ 10,153.5	\$ 9,870.2
CT REIT		2,732.4	2,735.4	2,690.4
Financial Services		5,274.7	5,265.9	5,589.9
Eliminations and adjustments		(3,834.9)	(3,948.1)	(4,136.9)
Total liabilities ¹	\$	14,144.7	\$ 14,206.7	\$ 14,013.6

¹ The Company employs a shared-services model for several of its back-office functions including finance, information technology, human resources, and legal. As a result, expenses relating to these functions are allocated on a systematic and rational basis to the reportable operating segments. The associated assets and liabilities are not allocated among segments in the presented measures of segmented assets and liabilities.

The eliminations and adjustments include the following items:

- conversion from CT REIT's fair value investment property valuation policy to the Company's cost model, including the recording of depreciation; and
- intersegment eliminations.

6. Loans Receivable

Quantitative information about the Company's loans receivable portfolio is as follows:

(C\$ in millions) As at	Total principal amount of receivables ¹			
	March 28, 2020	March 30, 2019	December 28, 2019	
Credit card loans ²	\$ 5,410.0	\$ 5,273.9	\$ 5,794.1	
Dealer loans ³	631.0	665.9	622.5	
Total loans receivable	6,041.0	5,939.8	6,416.6	
Less: long-term portion ⁴	609.8	627.3	602.8	
Current portion of loans receivable	\$ 5,431.2	\$ 5,312.5	\$ 5,813.8	

¹ Amounts shown are net of allowance for loan impairment.

² Includes line of credit loans.

³ Dealer loans primarily relates to loans issued by Franchise Trust.

⁴ The long-term portion of loans receivable is included in long-term receivables and other assets and includes Dealer loans of \$608.7 million (March 30, 2019 – \$626.4 million and December 28, 2019 – \$601.6 million).

Company's allowance for loans receivable increased \$50.3 million primarily due to the economic uncertainty as a result of COVID-19 as well as receivables growth. This increase in allowance comprise \$30.0 million driven by an increase in the ECL model's economic overlay resulting from changes in Management's assumptions on forward looking economic indicators and \$14.9 million resulting from increased probability of card holder default, while the remainder \$5.4 million was due to receivable growth.

A continuity of the Company's allowances for loans receivable is as follows:

(C\$ in millions)	2020			
	12-month ECL ¹ (Stage 1)	Lifetime ECL ¹ – not credit-impaired (Stage 2)	Lifetime ECL ¹ – credit-impaired (Stage 3)	Total
Balance at December 28, 2019	\$ 300.5	\$ 192.1	\$ 304.2	\$ 796.8
Increase (decrease) during the period				
Write-offs	(2.0)	(5.7)	(119.6)	(127.3)
Recoveries	—	—	21.1	21.1
New loans originated	3.0	—	—	3.0
Transfers				
to Stage 1	61.8	(48.8)	(13.0)	—
to Stage 2	(24.2)	27.0	(2.8)	—
to Stage 3	(7.7)	(41.1)	48.8	—
Net remeasurements	(19.8)	98.1	75.2	153.5
Balance at March 28, 2020	\$ 311.6	\$ 221.6	\$ 313.9	\$ 847.1

¹ Expected Credit Loss ("ECL") model.

2019

(C\$ in millions)	12-month ECL ¹ (Stage 1)	Lifetime ECL ¹ – not credit- impaired (Stage 2)	Lifetime ECL ¹ – credit- impaired (Stage 3)	Total
Balance at December 29, 2018	\$ 253.0	\$ 186.1	\$ 325.5	\$ 764.6
Increase (decrease) during the period				
Write-offs	(1.7)	(4.1)	(107.7)	(113.5)
Recoveries	—	—	20.1	20.1
New loans originated	5.4	—	—	5.4
Transfers				
to Stage 1	52.3	(46.6)	(5.7)	—
to Stage 2	(18.4)	19.4	(1.0)	—
to Stage 3	(6.6)	(30.7)	37.3	—
Net remeasurements	(30.7)	63.6	65.6	98.5
Balance at March 30, 2019	\$ 253.3	\$ 187.7	\$ 334.1	\$ 775.1

¹ Expected Credit Loss ("ECL") model.

Credit card loans are considered impaired when a payment is 90 days past due or there is sufficient doubt regarding the collectability of the outstanding balance. No collateral is held against loans receivable, except for loans to Dealers. The Bank continues to seek recovery on amounts that were written off during the period, unless the Bank no longer has the right to collect, the receivable has been sold to a third party, or all reasonable efforts to collect have been exhausted.

The following table sets out information about the credit risk exposure of loans receivable:

	March 28, 2020			
(C\$ in millions)	Stage 1	Stage 2	Stage 3	Total
Low risk	\$ 2,161.1	\$ 61.9	\$ —	\$ 2,223.0
Moderate risk	1,929.1	161.1	—	2,090.2
High risk	968.5	340.4	635.0	1,943.9
Total gross carrying amount	5,058.7	563.4	635.0	6,257.1
ECL allowance	311.6	221.6	313.9	847.1
Net carrying amount	\$ 4,747.1	\$ 341.8	\$ 321.1	\$ 5,410.0

	March 30, 2019			
(C\$ in millions)	Stage 1	Stage 2	Stage 3	Total
Low risk	\$ 1,889.8	\$ 199.0	\$ —	\$ 2,088.8
Moderate risk	1,859.1	244.7	—	2,103.8
High risk	870.3	299.4	686.7	1,856.4
Total gross carrying amount	4,619.2	743.1	686.7	6,049.0
ECL allowance	253.3	187.7	334.1	775.1
Net carrying amount	\$ 4,365.9	\$ 555.4	\$ 352.6	\$ 5,273.9

December 28, 2019				
(C\$ in millions)	Stage 1	Stage 2	Stage 3	Total
Low risk	\$ 2,536.5	\$ 67.0	\$ —	2,603.5
Moderate risk	1,982.5	137.0	—	2,119.5
High risk	923.9	325.7	618.3	1,867.9
Total gross carrying amount	5,442.9	529.7	618.3	6,590.9
ECL allowance	300.5	192.1	304.2	796.8
Net carrying amount	\$ 5,142.4	\$ 337.6	\$ 314.1	\$ 5,794.1

During the 13 weeks ended March 28, 2020, the amount of cash received from interest earned on credit cards and loans was \$270.2 million (2019 – \$256.3 million).

7. Share Capital

Share capital consists of the following:

(C\$ in millions)	December 28, 2019		
As at	March 28, 2020	March 30, 2019	December 28, 2019
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (March 30, 2019 – 3,423,366; December 28, 2019 – 3,423,366)	\$ 0.2	0.2	0.2
57,383,758 Class A Non-Voting Shares (March 30, 2019 – 58,352,090; December 28, 2019 – 58,096,958)	586.7	584.2	587.8
	\$ 586.9	\$ 584.4	\$ 588.0

All issued shares are fully paid. The Company does not hold any of its Common or Class A Non-Voting Shares. Neither the Common nor Class A Non-Voting Shares has a par value.

During 2020 and 2019, the Company issued and repurchased Class A Non-Voting Shares. The Company's share repurchases were made pursuant to its normal course issuer bid ("NCIB") program. Share repurchases are charged to share capital at the average cost per share outstanding and the excess between the repurchase price and the average cost is first allocated to contributed surplus, with any remainder allocated to retained earnings.

During Q4 2019, the Company entered into an Automatic Share Purchase Plan ("ASPP") to purchase Class A Non-Voting Shares for cancellation under the NCIB during the Company's blackout period. As at December 28, 2019, an obligation to repurchase shares of \$49.1 million was recognized under the ASPP in trade and other payables. In Q1 2020, upon completion of the purchases made pursuant to the notice issued in Q4 2019 under the ASPP, the Company reversed the accrual previously recorded. During Q1 2020, the Company did not provide notice to its broker under its ASPP to purchase Class A Non-Voting Shares for cancellation under the NCIB during the Company's blackout period.

The following transactions occurred with respect to Class A Non-Voting Shares:

For the (C\$ in millions)	13 Weeks Ended			
	March 28, 2020		March 30, 2019	
	Number	\$	Number	\$
Shares outstanding at beginning of the period	58,096,958	\$ 587.8	59,478,460	\$ 591.3
Issued under the dividend reinvestment plan and stock option plan	24,971	3.4	30,430	4.4
Repurchased ¹	(738,171)	(99.6)	(1,156,800)	(169.8)
Reversal of accrued liability for ASPP commitment	—	3.0	—	—
Excess of repurchase price over average cost	—	92.1	—	158.3
Shares outstanding at end of the period	57,383,758	\$ 586.7	58,352,090	\$ 584.2

¹ Repurchased shares, pursuant to the Company's NCIB program, have been restored to the status of authorized but unissued shares. The Company records shares repurchased on a transaction date basis.

As of March 28, 2020, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of \$69.2 million (2019 – \$64.1 million) at a rate of \$1.1375 per share (2019 – \$1.0375 per share).

On May 6, 2020, the Company's Board of Directors declared dividends at a rate of \$1.1375 payable on September 1, 2020 to shareholders of record as of July 31, 2020.

For the 13 weeks ended March 28, 2020, 210,986 stock options were not included in the calculation of diluted earnings per share as they were anti-dilutive (2019 – nil). These options could potentially dilute basic earnings per share in the future.

8. Share-Based Payments

During the 13 weeks ended March 28, 2020, the Company granted the following share-based payment awards:

Stock options

The Company granted 1,021,688 (2019 – 420,492) stock options to certain employees. These stock options vest on a graduated basis over a three-year period, are exercisable over a term of seven years and have an exercise price of \$80.49 (2019 – \$144.35).

9. Revenue

Revenue by reportable operating segment is as follows:

For the (C\$ in millions)	13 weeks ended									
	March 28, 2020					March 30, 2019				
	Retail	CT REIT	Financial Services	Adjustments	Total	Retail	CT REIT	Financial Services	Adjustments	Total
Sale of goods	\$ 2,384.0	\$ —	\$ —	\$ —	\$ 2,384.0	\$ 2,441.1	\$ —	\$ —	\$ —	\$ 2,441.1
Interest income on loans receivable	4.7	—	288.6	(1.8)	291.5	5.2	—	271.3	(2.5)	274.0
Royalties and licence fees	11.7	—	—	—	11.7	12.5	—	—	—	12.5
Services rendered	4.1	—	45.9	(0.9)	49.1	3.7	—	49.9	—	53.6
Rental income	98.1	13.9	—	—	112.0	99.9	13.3	—	—	113.2
	\$ 2,502.6	\$ 13.9	\$ 334.5	\$ (2.7)	\$ 2,848.3	\$ 2,562.4	\$ 13.3	\$ 321.2	\$ (2.5)	\$ 2,894.4

Retail revenue breakdown is as follows:

For the (C\$ in millions)	13 weeks ended	
	March 28, 2020	March 30, 2019
Canadian Tire	\$ 1,405.4	\$ 1,351.6
SportChek	370.1	421.1
Mark's	212.5	245.7
Helly Hansen ¹	121.5	131.0
Petroleum	390.0	411.2
Other and intersegment eliminations ¹	3.1	1.8
	\$ 2,502.6	\$ 2,562.4

¹ Helly Hansen revenue represents external revenue only. The prior period figures have been restated to align with current year presentation.

Major customers

The Company does not rely on any one customer.

10. Cost of Producing Revenue

For the (C\$ in millions)	13 weeks ended	
	March 28, 2020	March 30, 2019
Inventory cost of sales ¹	\$ 1,724.9	\$ 1,769.8
Net impairment loss on loans receivable	151.8	98.5
Finance costs	16.0	16.4
Other	16.4	11.4
	\$ 1,909.1	\$ 1,896.1

¹ Inventory cost of sales includes depreciation for the 13 weeks ended March 28, 2020 of \$3.1 million (2019 – \$2.0 million).

Inventory writedowns as a result of net realizable value being lower than cost, recognized in the 13 weeks ended March 28, 2020, were \$14.0 million (2019 – \$10.6 million).

Inventory writedowns recognized in prior periods and reversed in the 13 weeks ended March 28, 2020 were \$1.9 million (2019 – \$1.4 million). The reversal of writedowns was the result of actual losses being lower than previously estimated.

The writedowns and reversals are included in inventory cost of sales.

11. Selling, General and Administrative Expenses

For the (C\$ in millions)	13 weeks ended	
	March 28, 2020	March 30, 2019
Personnel expenses	\$ 364.4	\$ 313.3
Occupancy	112.6	106.7
Marketing and advertising	57.9	61.8
Depreciation of property and equipment and investment property ¹	72.5	68.8
Depreciation of right-of-use assets	69.7	63.2
Amortization of intangible assets	26.3	27.4
Information systems	50.9	43.7
Other	122.4	128.0
	\$ 876.7	\$ 812.9

¹ Refer to Note 10 for depreciation included in cost of producing revenue.

12. Net Finance Costs

For the (C\$ in millions)	13 weeks ended	
	March 28, 2020	March 30, 2019
Finance (income)	\$ (2.7)	\$ (6.5)
Finance (income) on lease receivables ¹	(1.5)	(1.6)
Finance costs	46.8	48.0
Finance costs on lease liabilities	25.6	27.1
	\$ 68.2	\$ 67.0

¹ Relates to properties where the Company is an intermediate lessor in a sublease arrangement classified as a finance sublease under IFRS 16.

13. Income Taxes

Income tax expense (benefit) recognized in other comprehensive income is as follows:

For the (C\$ in millions)	13 weeks ended	
	March 28, 2020	March 30, 2019
Net fair value (losses) on hedging instruments entered into for cash flow hedges not subject to basis adjustment	\$ (9.8)	\$ (5.0)
Deferred cost of hedging not subject to basis adjustment – Changes in fair value of the time value of an option in relation to time-period related hedged items	5.2	(1.8)
Reclassification of losses (gains) to income	0.2	(0.1)
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges subject to basis adjustment	37.8	(13.2)
	\$ 33.4	\$ (20.1)

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company has determined that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities.

There have been no material changes in ongoing audits by tax authorities as disclosed in Note 16 to the 2019 Consolidated Financial Statements and Notes.

The Company regularly reviews the potential for adverse outcomes with respect to tax matters. The Company believes that the ultimate disposition of these matters will not have a material adverse effect on its liquidity, consolidated financial position, or net income because the Company has determined that it has adequate provision for these tax matters. Should the ultimate tax liability materially differ from the provision, the Company's effective tax rate and its earnings could be affected positively or negatively in the period in which the matters are resolved.

14. Notes to the Condensed Interim Consolidated Statements of Cash Flows

Cash and cash equivalents, net of bank indebtedness, comprise the following:

(C\$ in millions)

As at	March 28, 2020	March 30, 2019	December 28, 2019
Cash	\$ 152.2	\$ 89.7	\$ 117.9
Cash equivalents	281.8	202.4	69.4
Restricted cash and cash equivalents ¹	9.4	7.0	18.2
Total cash and cash equivalents ²	443.4	299.1	205.5
Bank indebtedness	—	(8.1)	(10.4)
Cash and cash equivalents, net of bank indebtedness	\$ 443.4	\$ 291.0	\$ 195.1

¹ Restricted cash and cash equivalents relates to GCCT and is restricted for the purpose of paying note holders and additional funding costs \$5.6 million (March 30, 2019 – \$2.0 million and December 28, 2019 – \$12.8 million) and other operational items \$3.8 million (March 30, 2019 – \$5.0 million and December 28, 2019 – \$5.4 million).

² Included in cash and cash equivalents are amounts held in reserve in support of Financial Services' liquidity and regulatory requirements.

The total cash outflow for leases during the 13 weeks ended March 28, 2020 was \$109.1 million (2019 – \$103.0 million)

Capital Commitments

As at March 28, 2020, the Company had capital commitments for the acquisition of property and equipment, investment property and intangible assets for an aggregate cost of approximately \$202.0 million (2019 – \$175.7 million).

15. Financial Instruments

15.1 Fair Value of Financial Instruments

Fair values have been determined for measurement and/or disclosure purposes based on the following:

The carrying amount of the Company's cash and cash equivalents, trade and other receivables, loans receivable, bank indebtedness, trade and other payables, short-term borrowings and loans payable approximate their fair value either due to their short-term nature or because they are derivatives, which are carried at fair value.

The carrying amount of the Company's long-term receivables and other assets approximate their fair value either because the interest rates applied to measure their carrying amount approximate current market interest rates or because they are derivatives, which are carried at fair value.

Fair values of financial instruments reflect the credit risk of the Company and counterparties when appropriate.

Investments in Debt Securities

The fair values of financial assets traded in active markets are determined by reference to their quoted closing bid price or dealer price quotations at the reporting date. For investments that are not traded in active markets, the Company determines fair values using a combination of discounted cash flow models, comparison to similar instruments for which market-observable prices exist and other valuation models.

Derivatives

The fair value of a foreign exchange forward contract is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps and swaptions reflects the estimated amounts the Company would receive or pay if it were to settle the contracts at the measurement date and is determined by an external service provider using valuation techniques based on observable market input data.

The fair value of equity derivatives is determined by reference to share price movement, adjusted for interest, using market interest rates specific to the terms of the underlying derivative contracts.

Redeemable Financial Instrument

The fair value of the redeemable financial instrument is calculated based on a discounted cash flow model using normalized earnings attributable to the Financial Services business, adjusted for any undistributed earnings and Scotiabank's proportionate interest in the Financial Services business. This recurring fair value measurement is categorized within Level 3 of the fair value hierarchy. Refer to Note 3 and Note 33 to the Company's 2019 Consolidated Financial Statements and Notes for further information regarding this financial instrument.

15.2 Fair Value of Financial Assets and Financial Liabilities Classified Using the Fair Value Hierarchy

The Company uses a fair value hierarchy to categorize the inputs used to measure the fair value of financial assets and financial liabilities.

The following table presents the financial instruments measured at fair value classified by the fair value hierarchy:

(C\$ in millions)

As at		March 28, 2020		March 30, 2019		December 28, 2019	
Balance sheet line	Category	Level		Level		Level	
Trade and other receivables	FVTPL ¹	2	\$ 27.6	2	\$ 24.0	2	\$ 12.1
Trade and other receivables	Effective hedging instruments	2	106.0	2	56.1	2	9.1
Long-term receivables and other assets	Effective hedging instruments	2	65.3	2	22.0	2	42.9
Trade and other payables	FVTPL ¹	2	63.0	2	12.3	2	9.2
Trade and other payables	Effective hedging instruments	2	22.8	2	9.5	2	19.1
Redeemable financial instrument	FVTPL	3	567.0	3	567.0	3	567.0
Other long-term liabilities	FVTPL ¹	2	—	2	1.3	2	0.4
Other long-term liabilities	Effective hedging instruments	2	5.9	2	10.0	2	5.2

¹ Relates to derivatives not designated as hedging instruments.

There were no transfers in either direction among categories during the 13 weeks ended March 28, 2020 or the 13 weeks ended March 30, 2019.

15.3 Fair Value Measurement of Investments, Debt and Deposits

The fair value measurement of investments, debt, and deposits is categorized within Level 2 of the fair value hierarchy described in Note 33.2 to the Company's 2019 Consolidated Financial Statements and Notes. The fair values of the Company's investments, debt and deposits compared to the carrying amounts are as follows:

As at	March 28, 2020		March 30, 2019		December 28, 2019	
(C\$ in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short-term investments	\$ 205.2	\$ 205.6	\$ 228.2	\$ 228.3	\$ 201.7	\$ 201.7
Long-term investments	116.0	115.4	144.5	145.3	138.9	139.5
Debt	4,536.7	4,640.3	4,458.4	4,634.5	4,518.4	4,711.7
Deposits	2,487.3	2,497.5	2,548.8	2,543.3	2,444.2	2,459.0

The difference between the fair values and the carrying amounts (excluding transaction costs that are included in the carrying amount of debt) is due to changes in market interest rates for similar instruments. The fair values are determined by discounting the associated future cash flows using current market interest rates for items of similar risk.

16. Contingencies

Legal Matters

The Company is party to a number of legal and regulatory proceedings. The Company has determined that each such proceeding constitutes a routine matter incidental to the business conducted by the Company and that the ultimate disposition of the proceedings will not have a material effect on its consolidated net income, cash flows, or financial position.

The Bank's commodity tax assessments for the years 2011 through 2015 have been appealed to the Tax Court of Canada. In addition, the 2016 and 2017 tax years have also been reassessed and Management is taking the necessary steps to add them to the appeal. The Bank is of the view that certain credit card processing services are exempt financial services under the *Excise Tax Act* (Canada). Although the Court has recently ruled in a proceeding unrelated to the Bank that similar processing services are subject to Federal and Quebec sales taxes, that decision is currently under appeal and the Bank is of the view that there is a more likely than not chance that its position will be accepted by the Courts and the services will be viewed as exempt financial services. Accordingly, no provision has been made for amounts that would be payable in the event of an adverse outcome. If the Court rules against the Bank, the total aggregate exposure as of the first quarter of 2020 would not be significant.

17. Subsequent Events

Subsequent to March 28, 2020 the following events and transactions occurred:

- The Company entered into a one-year committed bank credit facility for \$650 million with four Canadian financial institutions. The new facility expires on March 30, 2021.
- CTB raised \$400 million of funding through its use of the same-day note purchase facility. To facilitate the transaction, Glacier issued variable funding notes series 2016-A of \$400 million.
- On April 5, 2020, all 203 Canadian Tire Retail stores in Ontario were closed to the public, with Curbside Pick Up, auto service centres and Gas+ locations remaining operational.