Management's Discussion and Analysis

Canadian Tire Corporation, Limited
Second 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 operated 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 of 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 12.0 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 August 5, 2020.

1.4 Quarterly and Annual Comparisons in the MD&A

Unless otherwise indicated, all comparisons of results for Q2 2020 (26 weeks ended June 27, 2020) are compared against results for Q2 2019 (26 weeks ended June 29, 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 8.1 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 8.3.1 and 8.3.2 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 1,742 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 second quarter of 2020, the global spread of Coronavirus (COVID-19) continued to have a significant impact on the Canadian and global economy and customer purchasing behaviour, while equity markets remained volatile. These factors impacted the Company's operations, financial results for the quarter, and forward-looking information provided in the Company's 2019 Report to Shareholders.

Meeting the needs of Canadians and communities, protecting the health and well-being of employees, customers, Dealers and franchisees and maintaining a financially strong business remained the Company's main priorities throughout the quarter.

Impact on operations

Early in the second quarter, restrictions issued by government authorities resulted in temporary store closures of the 203 Canadian Tire stores in Ontario, the stores operating under the Company's SportChek and Mark's banners nationwide and all of Helly Hansen stores globally. Throughout the quarter, the Company continued to serve customers digitally, offering curbside pickup at Canadian Tire Retail and eCommerce services at all banners. Canadian Tire stores outside of Ontario remained open throughout the quarter, with Quebec stores closed on Sundays. Stores across all banners began to re-open in May as local restrictions eased. By the end of the quarter, substantially all of the Company's stores in Canada were open for business. The table below shows the store opening and closings for the Canadian retail operations:

Store count

	Total	Temporarily Closed	Date of Closure	Dates of Re-opening	Open at the end of Quarter
Canadian Tire	504	203	April 5, 2020	May 9, 2020	504
Other Canadian Tire Retail banners[1]	163	163	March 19, 2020	May 7, 2020 – June 22, 2020	163
SportChek[2]	398	398	March 19, 2020	May 4, 2020 – June 24, 2020	396
Mark's[3]	380	380	March 19, 2020	May 14, 2020 – June 24, 2020	376

[1] *Other Canadian Tire Retail banners include PartSource, PHL and Party City*
[2] *Includes Franchise stores and stores operating under the SportChek, Atmosphere, and, National Sports banners*
[3] *Includes Franchise stores*

To ensure the safety of its customers and employees, the Company enhanced cleaning protocols and actions to support physical distancing were rolled out to all stores as they re-opened.

Beginning March 22, 2020, the Company and its Dealers implemented a special support payment, for active front line employees in recognition of their hard work in continuing to serve their communities, which was paid throughout the quarter.

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.

Impact on customers

Throughout the quarter the Company saw a shift in Canadians' shopping behaviour. With the temporary store closures in Ontario at the beginning of the quarter, the Company saw increases in eCommerce demand as more customers began to shop online. Consolidated eCommerce sales[1] for the quarter were up almost 400 percent versus the second quarter of 2019. Canadian Tire Retail also saw basket size increases, especially within the Active Families customer segment, which is indicative of evolving Canadian shopping behaviour. Beginning in the first quarter, and continuing throughout the second quarter, Canadian Tire saw significant demand in key categories throughout the quarter, including Back Yard Living, Gardening, and, Cycling, among others, which far exceeded historical demand and available inventory.

[1] *eCommerce sales is net of cancellations and returns during the quarter through individual respective banner websites and include orders placed online for in-store or curbside pick up and exclude in-store tablet sales for SportChek and Mark's banners.*

The Company's ongoing ability to satisfy its customers' shopping habits and achieve its operational objectives depends upon its ability to maintain key supply chain operations including distribution, logistics and transportation arrangements. The Company's supply chain processes and technologies 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. Key strategic relationships with vendors as well as the ability to utilize inventory across banners aided the Company's ability to address customer demand during the quarter.

The Company also saw a reduction in customer spending at Financial Services during the quarter, resulting in a decline in revenue. Financial Services continued to support its cardholders by expanding its relief program offerings to cater to each individual cardholder's need.

Impact on financial performance

The financial implications of the Company modifying its operations to meet the shopping needs of Canadians, to keep its customers and employees safe, and to respond to the restrictions issued by government authorities, to second quarter results were significant. The Company was also impacted by store closures as noted above, throughout the quarter across a number of banners, notably SportChek and Mark's, and a decline in wholesale and retail revenue at Helly Hansen due to retail closures around the world. Compared to prior year, the revenue decline for all SportChek banners, Mark's, PHL, PartSource and Helly Hansen for the quarter was approximately $300 million.

Excluding the impact of store closures on revenue, the Company has estimated that the COVID-19 pandemic, net of the positive impact of the volatility in the equity markets in the quarter, negatively impacted consolidated earnings by $41.7 million or $0.57 on earnings per share. All impacts are attributable to the Retail segment and are described below.

- $41.2 million of additional operating expenses directly attributable to the Company's COVID-19 efforts, including a special support payment for active front line employees and enhanced safety protocols for employees and customers, which are included in the selling, general and administrative ("SG&A") expenses;
- $27.9 million of impairment costs related to the impact that the current macro economic environment is expected to have on the timing to execute certain growth strategies related to the Company's Musto sailing brand and on future cash flows for select SportChek stores and was included in other expenses (income); and
- $27.4 million of additional net income due to the recovery in share price from the first quarter resulting in a mark-to-market adjustment on the Company's equity hedges related to share-based compensation awards, included in the SG&A expenses.

As a result of the above, the impact to other expense (income) was an increase of $27.9 million and the impact to SG&A expenses was a net increase of costs of $13.8 million in the quarter.

The Financial Services business was also impacted by COVID-19 during the quarter. Gross margin was negatively impacted by an increase in the expected credit loss ("ECL") allowance as a result of Management's expectations of further increases in future delinquencies due to the continuing impact of COVID-19 on the economy and the eventual end of debt payment relief programs.

Operational Efficiency Program

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 in the first quarter some resources were reprioritized to focus on COVID-19 crisis management, during the second quarter, resources were deployed back into the program. The Company continued to execute on Operational Efficiency initiatives in the quarter and benefited from savings related to the executed initiatives during the quarter.

4.0 Financial Performance

4.1 Consolidated Financial Performance

4.1.1 Consolidated Financial Results

(C$ in millions, except where noted)	**Q2 2020**	Q2 2019	Change	**YTD Q2 2020**	YTD Q2 2019	Change
Retail sales[1]	**$ 4,375.7**	$ 4,303.7	1.7 %	**$ 7,132.8**	$ 7,136.5	(0.1)%
Revenue	**$ 3,161.8**	$ 3,686.6	(14.2)%	**$ 6,010.1**	$ 6,581.0	(8.7)%
Gross margin dollars	**$ 940.7**	$ 1,143.9	(17.8)%	**$ 1,879.9**	$ 2,142.2	(12.2)%
Gross margin as a % of revenue	**29.8 %**	31.0 %	(128) bps	**31.3 %**	32.6 %	(127) bps
Other expense (income)	**$ 32.8**	$ (28.3)	(216.1)%	**$ 24.2**	$ (33.3)	(172.6)%
Selling, general and administrative expenses	**830.2**	848.6	(2.2)%	**1,706.9**	1,661.5	2.7 %
Net finance costs	**69.4**	62.3	11.3 %	**137.6**	129.3	6.4 %
Income before income taxes	**$ 8.3**	$ 261.3	(96.8)%	**$ 11.2**	$ 384.7	(97.1)%
Income taxes expense (recovery)	**6.0**	57.5	(89.6)%	**(3.3)**	83.5	(104.0)%
Effective tax rate	**NM[2]**	22.0 %	NM[2]	**NM[2]**	21.7 %	NM[2]
Net income	**$ 2.3**	$ 203.8	(98.9)%	**$ 14.5**	$ 301.2	(95.2)%
Net (loss) income attributable to:						
Shareholders of Canadian Tire Corporation	**$ (20.0)**	$ 177.4	(111.2)%	**$ (33.3)**	$ 247.1	(113.5)%
Non-controlling interests	**22.3**	26.4	(15.9)%	**47.8**	54.1	(11.6)%
	$ 2.3	$ 203.8	(98.9)%	**$ 14.5**	$ 301.2	(95.2)%
Basic EPS	**$ (0.33)**	$ 2.87	(111.4)%	**$ (0.55)**	$ 3.99	(113.7)%
Diluted EPS	**$ (0.33)**	$ 2.87	(111.4)%	**$ (0.55)**	$ 3.98	(113.7)%
Weighted average number of Common and Class A Non-Voting Shares outstanding:						
Basic	**60,808,137**	61,722,798	NM[2]	**60,989,252**	61,982,957	NM[2]
Diluted	**60,808,137**	61,792,649	NM[2]	**60,989,252**	62,058,127	NM[2]

[1] *Key operating performance measures. Refer to section 8.3.1 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)	**Q2 2020**	Q2 2019	**YTD Q2 2020**	YTD Q2 2019
Financial Services Non-controlling interest percentage 20.0% (2019 – 20.0%)	**$ 7.3**	$ 13.8	**$ 17.4**	$ 30.0
CT REIT Non-controlling interest percentage 30.8% (2019 – 23.9%)	**15.4**	12.0	**30.8**	22.9
Retail segment subsidiary Non-controlling interest percentage 50.0% (2019 – 50.0%)	**(0.4)**	0.6	**(0.4)**	1.2
Net income attributable to non-controlling interests	**$ 22.3**	$ 26.4	**$ 47.8**	$ 54.1

Normalizing Item

The results of operations in 2020 and 2019 include costs related to the Company's Operational Efficiency program which was considered a normalizing item.

(C$ in millions)	Q2 2020	Q2 2019	YTD Q2 2020	YTD Q2 2019
Operational Efficiency program	$ 6.3	$ 8.1	$ 13.8	$ 8.1

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 8.3.2 in this MD&A.

Selected Normalized Metrics – Consolidated

(C$ in millions, except where noted)	Q2 2020	Normalizing Items[1]	Normalized Q2 2020	Q2 2019	Normalizing Items[1]	Normalized Q2 2019	Change[2]
Revenue	$ 3,161.8	$ —	$ 3,161.8	$ 3,686.6	$ —	$ 3,686.6	(14.2)%
Cost of producing revenue	2,221.1	—	2,221.1	2,542.7	—	2,542.7	(12.6)%
Gross margin	940.7	—	940.7	1,143.9	—	1,143.9	(17.8)%
Gross margin rate	29.8 %	—	29.8 %	31.0 %	—	31.0 %	(128) bps
Other expense (income)	32.8	—	32.8	(28.3)	—	(28.3)	NM[3]
Selling, general and administrative expenses	830.2	(6.3)	823.9	848.6	(8.1)	840.5	(2.0)%
Net finance costs	69.4	—	69.4	62.3	—	62.3	11.4 %
Income before income taxes	$ 8.3	6.3	$ 14.6	$ 261.3	8.1	$ 269.4	(94.6)%
Income tax expense	6.0	1.7	7.7	57.5	2.2	59.7	(87.1)%
Net income	2.3	4.6	6.9	203.8	5.9	209.7	(96.7)%
Net (loss) income attributable to shareholders of CTC	(20.0)	4.6	(15.4)	177.4	5.9	183.3	(108.4)%
Diluted EPS	$ (0.33)	$ 0.08	$ (0.25)	$ 2.87	$ 0.10	$ 2.97	(108.4)%

[1] *Refer to Normalizing Items table in this section for more details.*
[2] *Change is between normalized results.*
[3] *Not meaningful*

(C$ in millions, except where noted)	**YTD Q2 2020**	**Normalizing Items[1]**	**Normalized YTD Q2 2020**	YTD Q2 2019	Normalizing Items[1]	Normalized YTD Q2 2019	Change[2]
Revenue	**$ 6,010.1**	**$ —**	**$ 6,010.1**	$ 6,581.0	$ —	$ 6,581.0	(8.7)%
Cost of producing revenue	**4,130.2**	**—**	**4,130.2**	4,438.8	—	4,438.8	(7.0)%
Gross margin	**1,879.9**	**—**	**1,879.9**	2,142.2	—	2,142.2	(12.2)%
Gross margin rate	**31.3 %**	—	**31.3 %**	32.6 %	—	32.6 %	(127)bps
Other expense (income)	**24.2**	**—**	**24.2**	(33.3)	—	(33.3)	(172.7)%
Selling, general and administrative expenses	**1,706.9**	**(13.8)**	**1,693.1**	1,661.5	(8.1)	1,653.4	2.4%
Net finance costs	**137.6**	**—**	**137.6**	129.3	—	129.3	6.4%
Income before income taxes	**$ 11.2**	**13.8**	**$ 25.0**	$ 384.7	$ 8.1	$ 392.8	(93.6)%
Income tax (recovery) expense	**(3.3)**	**3.7**	**0.4**	83.5	2.2	85.7	(99.5)%
Net income	**14.5**	**10.1**	**24.6**	301.2	5.9	307.1	(92.0)%
Net (loss) income attributable to shareholders of CTC	**(33.3)**	**10.1**	**(23.2)**	247.1	5.9	253.0	(109.2)%
Diluted EPS	**$ (0.55)**	**$ 0.17**	**$ (0.38)**	$ 3.98	$ 0.10	$ 4.08	(109.3)%

1 *Refer to Normalizing Items table in this section for more details.*
2 *Change is between normalized results.*

Consolidated Results Commentary

As a result of COVID-19, consolidated earnings and EPS were impacted by a number of items in the first quarter and the second quarter of 2020. Refer to section 3.0 in this MD&A for further information regarding the significant events that impacted the Company this quarter, section 4.2.2 for specific impacts to the Retail segment, section 4.3.1 for specific impacts to the Financial Services segment and the Q1, 2020 MD&A, section 3.0 for COVID-19 related impacts relating to the first quarter of 2020.

	Q2 2020	Year-to-Date
Consolidated Results Summary	▼ **Diluted EPS: $3.20 per share, or 111.4%**	▼ **Diluted EPS: $4.53 per share, or 113.7%**
	• Consolidated revenue decreased $524.8 million, or 14.2 percent. Excluding Petroleum, consolidated revenue decreased 8.0 percent attributable to revenue decline in the Retail and Financial Services segments. Retail segment revenue decline was primarily due to the temporary store closures at all banners which was partially offset by higher shipments at Canadian Tire and the inclusion of Party City. The revenue decline in the Financial Services segment was attributable to lower card sales revenue and lower credit charges.	• Consolidated revenue decreased $570.9 million, or 8.7 percent. Excluding Petroleum, consolidated revenue decreased 4.9 percent attributable to the revenue decline in the Retail and Financial Services segments. Retail segment revenue decline was primarily due to the temporary store closures at all banners which was partially offset by higher shipments at Canadian Tire and the inclusion of Party City. The revenue decline in Financial Services segment was attributable to lower card sales revenue and lower credit charges.
	• Consolidated gross margin decreased $203.2 million or 17.8 percent which is mainly attributable to the temporary store closures at all banners in the Retail segment and lower revenue and an increase in the ECL allowance in the Financial Services segment.	• Consolidated gross margin dollars decreased $262.3 million, or 12.2 percent which is mainly attributable to the temporary store closures in the Retail Segment and lower revenue and an increase in the ECL allowance in the Financial Services segment.
	• Other income decreased by $61.1 million driven by an impairment charge of $27.9 million related to the Retail segment in Q2, 2020 and real estate gains related to property disposition and foreign exchange related gains at Helly Hansen incurred in the prior year.	Other income decreased by $57.5 million, driven by an impairment charge of $27.9 million related to the Retail segment in Q2, 2020 and real estate gains related to property disposition incurred in the prior year.
	• Consolidated SG&A expenses decreased by $18.4 million, or 2.2 percent. Normalized consolidated SG&A included net cost increases of $13.8 million in relation to significant events that impacted the Company this quarter. Excluding these impacts, the decrease in SG&A was $30.4 million, or 3.6 percent, mainly attributable to a decrease in marketing spend and Operational Efficiency program savings.	• Consolidated SG&A expenses increased by $45.4 million or 2.7 percent. Normalized consolidated SG&A expenses increased by $39.7 million or 2.4 percent. Excluding the net costs in relation to significant events that impacted the Company this year of $55.6 million, normalized consolidated SG&A decreased by $15.9 million or 1.0 percent mainly attributable to a decrease in marketing spend and Operational Efficiency program savings.
	• Net finance costs during the quarter increased primarily due to pre-emptive draws on short-term funding facilities for liquidity flexibility as well as a one-time benefit of $6.9 million relating to interest income on tax settlement in the prior year which was partially offset by lower lease related finance costs compared to the prior year.	• Net finance costs increased, primarily attributable to a decrease in finance income attributable to a one-time benefit of $6.9 million relating to interest income on tax settlement in the prior year.
	• Income taxes for the quarter were an expense of $6.0 million, compared to $57.5 million in the prior year. The decrease in income tax expense was primarily due to lower income, and higher non-controlling interest related to CT REIT, partially offset by higher non-deductible stock option expense attributable to share price fluctuations in the quarter.	• Income tax recovery for this year was $3.3 million compared to an expense of $83.5 million a decrease of $86.8 million compared to the prior year. The decrease during this year was primarily driven by lower income, favourable adjustments to tax estimates and higher non-controlling interest related to CT REIT.

Consolidated Results Commentary *(continued)*

	Q2 2020	Year-to-Date
	• Normalized diluted EPS in the quarter was $(0.25), a decrease of $3.22 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 lower income taxes. Diluted EPS and Normalized Diluted EPS were negatively impacted by $0.57, due to certain net expenses relating to significant events that impacted the Company this quarter.	Normalized diluted EPS was $(0.38), a decrease of $4.46 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 lower income taxes. Diluted EPS and Normalized Diluted EPS were negatively impacted by $1.53, due to certain net expenses relating to significant events that impacted the Company this year.

4.1.2 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 8.3.1 in this MD&A for definitions and further information.

(C$ in millions) increase/(decrease)	**Q2 2020**	Q2 2019	Change
Normalized[1] SG&A expenses adjusted for rent expense[2] (excluding depreciation and amortization[3]) and excluding Petroleum, as a percentage of revenue[4, 5]	**25.5 %**	24.4 %	108 bps
Normalized[1] EBITDA adjusted for rent expense[2] and excluding Petroleum, as a percentage of revenue[4, 5]	**4.5 %**	11.3 %	(688 bps)

1 Refer to section 4.1.1 for a description of normalizing items.
2 Adjustments to SG&A include an 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 $103.3 million (2019 - $92.0 million).
4 Revenue excludes Petroleum revenue, EBITDA excludes Petroleum gross margin.
5 Normalized SG&A adjusted for rent expense and normalized EBITDA adjusted for rent expense are non-GAAP measures; refer to section 8.3.2 in this MD&A for a reconciliation of these non-GAAP measures to the related GAAP measure and additional information.

(C$ in millions) increase/(decrease)	**YTD Q2 2020**	YTD Q2 2019	Change
Normalized[1] SG&A expenses adjusted for rent expense[2] (excluding depreciation and amortization[3]) and excluding Petroleum, as a percentage of revenue[4, 5]	**28.6 %**	26.8 %	180 bps
Normalized[1] EBITDA adjusted for rent expense[2] and excluding Petroleum, as a percentage of revenue[4, 5]	**4.7 %**	10.3 %	(562 bps)

1 Refer to section 4.1.1 for a description of normalizing items.
2 Adjustments to SG&A include an 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 $202.1 million (2019 - $188.2 million).
4 Revenue excludes Petroleum revenue, EBITDA excludes Petroleum gross margin.
5 Normalized SG&A adjusted for rent expense and normalized EBITDA adjusted for rent expense are non-GAAP measures; refer to section 8.3.2 in this MD&A for a reconciliation of these non-GAAP measures to the related GAAP measure and additional information.

Commentary - Key Operating Performance Measures, Excluding Petroleum

As a result of COVID-19, key operating performance measures, excluding Petroleum, were impacted by a number of items in the first quarter and the current quarter. Refer to section 3.0 in this MD&A for further information regarding the significant events that impacted the Company this quarter, section 4.2.2 for specific impacts to the Retail segment and section 4.3.1 for specifics impacts to the Financial Services segment and the Q1, 2020 MD&A, section 3.0 for COVID-19 related impacts relating to the prior quarter.

	Q2 2020	Year-to-Date
Normalized SG&A expenses adjusted for rent expense (excluding depreciation and amortization) and excluding Petroleum as a percentage of Revenue	▲ **108 bps** • Normalized SG&A expenses adjusted for rent (excluding depreciation and amortization) and Petroleum, as a percentage of revenue, increased 108 bps. The increase in rate is mainly attributable to the decrease in revenue in the Retail and Financial Services segments as well as net costs in relation to significant events that impacted the Company this quarter which amounted to $13.8 million. Excluding the above noted impacts including the impact of revenue decline from store closures and net costs in relation to significant events in the Retail segment, the normalized SG&A expenses adjusted for rent (excluding depreciation and amortization) and excluding Petroleum, as a percentage of revenue decreased by 170 bps. The decrease was mainly attributable to a decrease in marketing spend and Operational Efficiency program savings.	▲ **180 bps** • Normalized SG&A expenses adjusted for rent (excluding depreciation and amortization) and Petroleum, as a percentage of revenue, increased 180 bps. The increase in rate is mainly attributable to the decrease in revenue in the Retail and Financial Services segments as well as net costs in relation to significant events that impacted the Company during this year which amounted to $55.6 million. Excluding the above noted impacts including the impact of revenue decline from store closures and net costs in relation to significant events, normalized SG&A expenses adjusted for rent expense (excluding depreciation and amortization) as a percentage of revenue, excluding Petroleum would be favourable mainly attributable to a decrease in marketing spend and Operational Efficiency program savings.
Normalized EBITDA adjusted for rent expense and excluding Petroleum, as a percentage of Revenue	▼ **688 bps** • Normalized EBITDA adjusted for rent expense as a percentage of revenue, excluding Petroleum decreased 688 bps. The decrease in rate is mainly attributable to the decrease in revenue in the Retail and Financial Services segments as well as the $41.7 million in net costs recognized in relation to significant events that impacted the Company this quarter. Excluding the above noted impacts of increased costs, normalized EBITDA adjusted for rent expense and excluding Petroleum, as a percentage of revenue, decreased by 537 bps. The decrease is mainly due to lower earnings during the quarter attributable to temporary store closures in the Retail segment, and lower earnings in Financial Services segment, one-time gains in the prior year relating to property disposition, foreign exchange related gains at Helly Hansen and interest income on tax settlement in the Retail segment, which was partially offset by a decrease in marketing spend and Operational Efficiency program savings.	▼ **562 bps** • Normalized EBITDA adjusted for rent expense as a percentage of revenue, excluding Petroleum decreased 562 bps. The decrease in rate is mainly attributable to the decrease in revenue in the Retail and Financial Services segments as well as the $135.5 million in net costs recognized in relation to significant events that impacted the Company this year. Excluding the above noted impacts of increased costs, normalized EBITDA adjusted for rent expense as a percentage of revenue, excluding Petroleum decreased by 310 bps. The decrease is mainly due lower earnings attributable to Retail segment, and Financial Services segment as well as one-time gains in the prior year which were partially offset by a decrease in marketing spend and Operational Efficiency program savings.

4.1.3 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, such as those items referenced in section 3.0 of this MD&A.

(C$ in millions, except per share amounts)	**Q2 2020**	Q1 2020	Q4 2019	Q3 2019	**Q2 2019**	Q1 2019	Q4 2018	Q3 2018
Revenue	**$ 3,161.8**	$ 2,848.3	$ 4,316.7	$ 3,636.7	**$ 3,686.6**	$ 2,894.4	$ 4,131.7	$ 3,631.3
Net income	**2.3**	12.2	365.9	227.7	**203.8**	97.4	278.2	231.3
Normalized net income[1]	**6.9**	17.7	372.4	243.8	**209.7**	97.4	328.2	252.1
Diluted EPS	**(0.33)**	(0.22)	5.42	3.20	**2.87**	1.12	3.99	3.15
Normalized diluted EPS[1]	**(0.25)**	(0.13)	5.53	3.46	**2.97**	1.12	4.78	3.47

[1] *Refer to section 4.1.1 for a description of normalizing items.*

4.2 Retail Segment Performance

4.2.1 Retail Segment Financial Results

(C$ in millions)		**Q2 2020**		Q2 2019	Change			**YTD Q2 2020**		YTD Q2 2019	Change	
Retail sales[1]	**$**	**4,375.7**	$	4,303.7	1.7	%	**$**	**7,132.8**	$	7,136.5	(0.1)	%
Revenue	**$**	**2,849.8**	$	3,360.3	(15.2)	%	**$**	**5,353.0**	$	5,924.3	(9.6)	%
Gross margin dollars	**$**	**793.7**	$	954.7	(16.9)	%	**$**	**1,567.0**	$	1,748.6	(10.4)	%
Gross margin as a % of revenue		**27.9 %**		28.4 %	(56)	bps		**29.3%**		29.5%	(24)	bps
Other (income)	**$**	**1.1**	$	(60.9)	(101.9)	%	**$**	**(34.5)**	$	(97.2)	(64.5)	%
Selling, general and administrative expenses		**800.1**		819.8	(2.4)	%		**1,648.8**		1,601.5	3.0	%
Net finance costs		**58.7**		56.7	3.5	%		**118.5**		118.7	(0.2)	%
(Loss) income before income taxes	**$**	**(66.2)**	$	139.1	(147.6)	%	**$**	**(165.8)**	$	125.6	(232.0)	%

[1] *Retail sales is a key operating performance measure. Refer to section 8.3.1 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 8.3.2 in this MD&A.

Selected Normalized Metrics – Retail

(C$ in millions, except where noted)	**Q2 2020**	**Normalizing Items[1]**	**Normalized Q2 2020**	Q2 2019	Normalizing Items[1]	Normalized Q2 2019	Change[2]
Revenue	**$ 2,849.8**	**—**	**$ 2,849.8**	$ 3,360.3	—	$ 3,360.3	(15.2)%
Cost of producing revenue	**2,056.1**	**—**	**2,056.1**	2,405.6	—	2,405.6	(14.5)%
Gross margin	**793.7**	**—**	**793.7**	954.7	—	954.7	(16.9)%
Gross margin rate	**27.9 %**	**—**	**27.9 %**	28.4 %	—	28.4 %	(56) bps
Other loss (income)	**1.1**	**—**	**1.1**	(60.9)	—	(60.9)	(101.8)%
Selling, general and administrative expenses	**800.1**	**(6.3)**	**793.8**	819.8	(8.1)	811.7	(2.2)%
Net finance costs	**58.7**	**—**	**58.7**	56.7	—	56.7	3.5 %
(Loss) income before income taxes	**$ (66.2)**	**6.3**	**$ (59.9)**	$ 139.1	8.1	$ 147.2	(140.7)%

[1] *Refer to section 4.1.1 for a description of normalizing items.*
[2] *Change is between normalized results.*

(C$ in millions, except where noted)	**YTD Q2 2020**	**Normalizing Items[1]**	**Normalized YTD Q2 2020**	YTD Q2 2019	Normalizing Items[1]	Normalized YTD Q2 2019	Change[2]
Revenue	**$5,353.0**	**—**	**$ 5,353.0**	$5,924.3	—	$ 5,924.3	(9.6) %
Cost of producing revenue	**3,786.0**	**—**	**3,786.0**	4,175.7	—	4,175.7	(9.3) %
Gross margin	**1,567.0**	**—**	**1,567.0**	1,748.6	—	1,748.6	(10.4) %
Gross margin rate	**29.3 %**	—	**29.3 %**	29.5 %	—	29.5 %	(24)bps
Other (income)	**(34.5)**	**—**	**(34.5)**	(97.2)	—	(97.2)	(64.5) %
Selling, general and administrative expenses	**1,648.8**	**(13.8)**	**1,635.0**	1,601.5	(8.1)	1,593.4	2.6 %
Net finance costs	**118.5**	**—**	**118.5**	118.7	—	118.7	(0.2) %
(Loss) income before income taxes	**$ (165.8)**	**13.8**	**$ (152.0)**	$ 125.6	8.1	$ 133.7	(213.7) %

1 *Refer to section 4.1.1 for a description of normalizing items.*
2 *Change is between normalized results.*

4.2.2 Retail Segment Key Operating Performance Measures

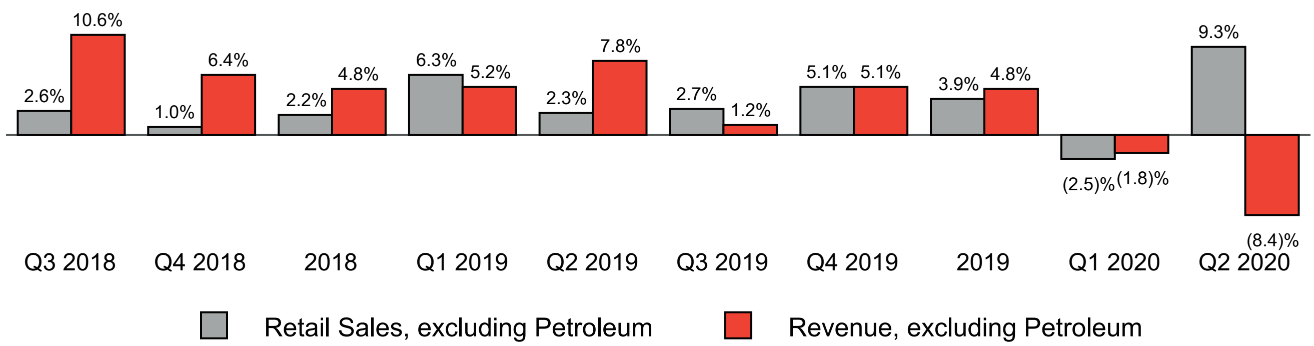
Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 8.3.1 in this MD&A for further information. Due to the pervasive temporary store closures across all banners during the quarter, Management believes Comparable Sales is not a meaningful metric in the quarter. Management believes that Retail sales is a more meaningful metric with the store count at Canadian Tire, SportChek and Mark's remaining relatively consistent year-over-year. Due to the fact that the Company's sales per square foot metric utilizes comparable sales, Management believes that this metric is also not a meaningful metric in the quarter.

(Year-over-year percentage change, C$ in millions, except as noted)		**Q2 2020**	Q2 2019	Change	**YTD Q2 2020**	YTD Q2 2019	Change
	Revenue[1]	**$ 2,849.8**	$ 3,360.3	(15.2)%	**$ 5,353.0**	$ 5,924.3	(9.6)%
	Revenue, excluding Petroleum	**2,610.6**	2,849.9	(8.4)%	**4,723.8**	5,002.7	(5.6)%
	Store count	**1,742**	1,683				
	Retail square footage (in millions)	**34.5**	33.7				
	Retail sales growth	**1.7 %**	1.3 %		**(0.1)%**	2.1 %	
	Retail sales growth, excluding Petroleum	**9.3 %**	2.3 %		**4.7 %**	3.8 %	
	Consolidated comparable sales growth[2]	**NM[12]**	2.2 %		**NM[12]**	3.8 %	
	Retail ROIC[3]	**7.1 %**	9.2 %		**n/a**	n/a	
CANADIAN TIRE	Revenue[1, 4]	**$ 2,047.4**	$ 2,019.5	1.4 %	**$ 3,452.8**	$ 3,371.1	2.4 %
	Store count[5]	**667**	606				
	Retail square footage (in millions)	**23.4**	22.6				
	Sales per square foot[6]	**NM[12]**	$ 433	NM[12]	**NM[12]**	NM[12]	
	Retail sales growth[7]	**20.3 %**	2.1 %		**13.7 %**	4.0 %	
	Comparable sales growth[2, 7]	**NM[12]**	1.9 %		**NM[12]**	3.8 %	
SPORTCHEK	Revenue[1]	**$ 306.7**	$ 452.5	(32.2)%	**$ 676.8**	$ 873.6	(22.5)%
	Store count	**398**	402				
	Retail square footage (in millions)	**7.5**	7.5				
	Sales per square foot[8]	**NM[12]**	$ 301	NM[12]	**NM[12]**	NM[12]	
	Retail sales growth[9]	**(24.9)%**	3.0 %		**(19.5)%**	2.9 %	
	Comparable sales growth[2]	**NM[12]**	3.7 %		**NM[12]**	3.6 %	
Mark's	Revenue[1, 10]	**$ 181.0**	$ 285.7	(36.7)%	**$ 393.5**	$ 531.4	(26.0)%
	Store count	**380**	380				
	Retail square footage (in millions)	**3.6**	3.6				
	Sales per square foot[8]	**NM[12]**	$ 360	NM[12]	**NM[12]**	NM[12]	
	Retail sales growth[11]	**(36.4)%**	2.7 %		**(26.9)%**	4.0 %	
	Comparable sales growth[2]	**NM[12]**	2.6 %		**NM[12]**	3.9 %	
HH HELLY HANSEN	Revenue[1]	**$ 68.9**	$ 87.7	(21.4)%	**$ 190.4**	$ 218.7	(12.9)%
GAS+	Revenue[1]	**$ 239.2**	$ 510.4	(53.1)%	**$ 629.2**	$ 921.6	(31.7)%
	Gas bar locations	**297**	295				
	Gross margin dollars	**$ 36.8**	$ 39.9	(7.7)%	**$ 72.8**	$ 81.3	(10.4)%
	Retail sales growth	**(46.4)%**	(4.8)%		**(27.0)%**	(6.8)%	
	Gasoline volume growth in litres	**(37.8)%**	(0.3)%		**(23.4)%**	0.9 %	
	Comparable store gasoline volume growth in litres[2]	**(39.4)%**	0.8 %		**(22.7)%**	1.0 %	

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 8.3.1 in this MD&A for additional information on comparable sales growth.*
3 *Retail ROIC is calculated on a rolling 12-month basis based on normalized earnings. Refer to section 8.3.1 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: 102 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 *Retail sales growth includes retail sales from Mark's corporate and franchise stores, but excludes ancillary revenue relating to alteration and embroidery services.*
12 *Not meaningful.*

The following chart shows the Retail Segment, excluding Petroleum, retail sales and revenue performance by quarter for the last two years. The quarterly trend could be impacted by non-operational items, such as those items referenced in section 3.0 of this MD&A.

Year-over-year Retail Sales and Revenue Growth



Retail Segment Commentary

As a result of 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 and the Q1, 2020 MD&A, section 3.0 for COVID-19 related impacts relating to the prior quarter. The following is a summary of the specific impacts that the COVID-19 pandemic had on the Company's Retail Segment retail sales and revenue in the quarter:

- Retail sales, excluding Petroleum were up 9.3 percent compared to prior year, despite the temporary store closures, led by Canadian Tire Retail growth of 20.3 percent. The Canadian Tire Retail stores that were open for the full quarter saw retail sales growth of 29.8 percent.
- Retail sales and revenue performance were significantly impacted by store closures, with 203 Canadian Tire stores in Ontario closed for the majority of April, re-opening on May 9, and all SportChek, Mark's, Helly Hansen PartSource, PHL, and Party City stores closed with staggered re-openings starting in mid May. For specific dates, refer to Section 3.0 in this MD&A.
- eCommerce sales across all banners saw unprecedented sales and penetration growth in the quarter. As stores re-opened and customers began to become more comfortable with shopping in-store, the Company saw eCommerce penetration rates decline slightly, but they still remained significantly higher than 2019. Total eCommerce sales grew almost 400 percent in the quarter and the total dollar value of over $600 million was greater than total eCommerce sales for the full year of 2019.
- By the end of the quarter, substantially all of the Company's 1,445 stores in Canada were open for business.
- Retail sales at Canadian Tire Ontario stores declined 36.4 percent while the stores were closed and grew 35.4 percent after re-opening[1].
- SportChek sales were down 24.9% and Mark's sales were down 36.4% in the quarter, as strength in eCommerce sales was not enough to offset the impact of stores closures in April and May[1].
- Once stores began to re-open, both SportChek and Mark's saw a rebound in June with sales up 3.2% and 3.4% respectively versus last year.
- For the quarter, Canadian Tire Retail revenue (which was up 1.4 percent) lagged retail sales, as in April and May Ontario Dealers were cautious in ordering due to the uncertain environment. When Ontario stores were closed, shipments[2] to Ontario Dealers decreased by 26.3 percent. Despite the Company's strong supply chain capabilities, due to global demand for certain items across multiple categories, Dealer and customer demand was not fully met, which also contributed to the discrepancy between revenue and retail sales.

[1] *Refers to Canadian Tire stores only, excluding PartSource, PHL and Party City stores.*

[2] *Shipments represent the total retail value of product ordered by Canadian Tire Dealers and fulfilled by the Company which is received by the Dealers in the time period. The retail value of the product is determined based on the deal the order is placed on.*

Retail Segment Commentary *(continued)*

- As store and supply chain operations stabilized, Canadian Tire Retail revenue recovered in June in line with retail sales performance, ending the month with growth of 23.8 percent compared to prior year.
- As noted in Section 3.0, compared to prior year, revenue decline for all SportChek banners, Mark's, PHL, PartSource and Helly Hansen for the quarter was approximately $300 million.

	Q2 2020	Year-to-Date
Retail Sales	▲ **$72.0 million or 1.7%**	▼ **$3.7 million or 0.1%**
	• Retail sales, excluding Petroleum, grew 9.3 percent or $346.4 million, despite the temporary store closures across the Retail segment. The retail sales growth was driven by strong Canadian Tire retail performance which offset a decline in retail sales from the other banners. eCommerce penetration growth across all banners and pricing and promotional strategies continue to drive retail sales.	• Retail sales were negatively impacted by temporary store closures across the Retail segment. Excluding Petroleum, retail sales grew by 4.7 percent or $287.0 million. The increase in the retail sales was driven by strong sales growth at Canadian Tire retail which offset the retail sales decline across other retail banners.
	• **Canadian Tire** retail sales increased 20.3 percent, despite the temporary store closures in Ontario. The increase in retail sales was across the majority of categories, with strong growth in Back Yard Living, Gardening, Cycling, Kitchen and Tools, which were partially offset by declines in Automotive's maintenance and repair businesses attributable to restrictions on travel in Canada. As Canadians' buying patterns changed, the banner saw strong growth in basket size attributable to the multi category assortment with both average units and average unit prices increasing. The inclusion of Party City also contributed to the increase in retail sales during the quarter compared to the prior year.	• **Canadian Tire** retail sales increased by 13.7 percent despite the closure of its Ontario stores during April. Retail sales growth was driven by strength in product assortment with top performing categories of Back Yard Living and Kitchen. The inclusion of Party City also contributed to the increase in retail sales.
	• SportChek retail sales were lower by 24.9 percent due to store closures during the months of April and May. The staggered re-opening of stores across Canada began in May. By the end of June, almost all SportChek stores were re-open across Canada. eCommerce sales continued to contribute positively to the retail sales with an increase in penetration rates. Cycling and Wellness categories were up for the quarter compared to the prior year while Licensed Apparel saw a decline due to Raptors Championship sales in the prior year.	• SportChek retail sales decreased 19.5 percent primarily attributable to temporary store closures which remained closed from March 18 and saw staggered re-opening from May onward. Top performing categories were Cycling and Wellness. eCommerce continued to contribute positively to retail sales with an increase in penetration rates.
	• Mark's retail sales were lower by 36.4 percent due to store closures during the month of April and part of May which saw staggered re-opening of stores across Canada. By the end of June, almost all stores were re-open. eCommerce sales continued to contribute positively to the retail sales with increase in penetration rates. The Industrial Businesses category driven by Healthwear was the top performing category for the quarter.	• Mark's retail sales decreased 26.9 percent primarily attributable to temporary store closures which remained closed from March 18 and saw staggered re-opening from May onward. Top performing categories were Industrial Businesses and Casualwear. eCommerce continued to contribute positively to retail sales with an increase in penetration rates.
	• GAS+ **Petroleum** retail sales decreased 46.4 percent due to lower gas volume and lower per litre gas prices compared to the prior year partially offset by higher non-gas sales. With government guidelines discouraging non-essential travel, the gas business experienced significant volume declines during the quarter.	• GAS+ **Petroleum** retail sales decreased by 27.0 percent attributable to lower per litre gas prices and lower gas volume which were partially offset by higher non-gas sales.

Retail Segment Commentary *(continued)*

	Q2 2020	Year-to-Date
Revenue	▼ **$510.5 million or 15.2%** ▼ **8.4% excluding Petroleum** • The decline in revenue was mainly attributable to the negative impact of temporary store closures across the retail banners during the quarter. The decline in revenue from store closures at SportChek and Mark's was partially offset by higher shipments at Canadian Tire and the inclusion of Party City. Canadian Tire revenue lagged retail sales growth in April and May as Ontario Dealers were cautious in ordering for future customer demand in the uncertain environment in which stores were closed. Despite our strong supply chain capabilities, due to global demand for certain items across multiple categories, Dealer and customer demand was not fully met, which contributed to the discrepancy between revenue and retail sales. As store operations began to stabilize, growth in June improved. Higher eCommerce penetration across all banners also contributed positively towards revenue.	▼ **$571.3 million or 9.6%** ▼ **5.6% excluding Petroleum** • Retail revenue decreased primarily driven by temporary store closures across the retail banners which was partially offset by an increase in revenue at Canadian Tire attributable to shipment growth and the inclusion of Party City.
Gross Margin	▼ **$161.0 million or 16.9%** ▼ **7 bps in gross margin rate** ▼ **17.3% excluding Petroleum** ▼ **311 bps in gross margin rate, excluding Petroleum** • Excluding Petroleum, gross margin dollars decreased by $157.9 million, primarily attributable to the temporary store closures at SportChek and Mark's which was partially offset by gross margin dollar increase at Canadian Tire attributable to higher shipments and the inclusion of Party City compared to the prior year. • Excluding Petroleum, gross margin rate decreased by 311 bps driven by lower margin rates at SportChek and Mark's, attributable to a significantly higher penetration of eCommerce sales, which typically have a lower margin rate, and, pricing and promotional strategies. These decreases were partially offset by margin rate increases at Canadian Tire, mainly attributable to favourable assortment changes and the inclusion of Party City.	▼ **$181.6 million or 10.4%** ▲ **4 bps in gross margin rate** ▼ **10.4% excluding Petroleum** ▼ **170 bps in gross margin rate, excluding Petroleum** • Excluding Petroleum, gross margin dollars decreased by $173.1 million, which was mainly attributable to lower revenue at SportChek and Mark's due to temporary store closures. These declines were partially offset by an increase in gross margin at Canadian Tire attributable to an increase in shipments and the inclusion of Party City. • Excluding Petroleum, gross margin rate declined by 170 bps, driven primarily by lower margin rates at SportChek and Mark's, attributable to a significantly higher penetration of eCommerce sales, which typically have a lower margin rate, and, pricing and promotional strategies. These decreases were partially offset by margin rate increases at Canadian Tire and the inclusion of Party City.

Retail Segment Commentary *(continued)*

	Q2 2020	Year-to-Date
Other Income	▼ **$62.0 million or 101.9%** • Other Income was lower by $62.0 million primarily attributable to an impairment charge of $27.9 million during the quarter, real estate gains related to property disposition and foreign exchange related gains at Helly Hansen incurred in the prior year also contributed to the decrease in other income during the quarter.	▼ **$62.7 million or 64.5%** • The decrease in other income is attributable mainly to an impairment charge of $27.9 million and a decline in real estate gains compared to the prior year.
Selling, General & Administr-ative Expenses	▼ **$19.7 million or 2.4%** • Normalized SG&A expenses included net costs in relation to significant events that impacted the Company this quarter which amounted to $13.8 million. • Excluding the above noted impacts, normalized SG&A expenses decreased by $31.7 million, or 3.9 percent, attributable to a decrease in marketing spend and variable occupancy costs related to store closures and Operational Efficiency program savings, which were partially offset by higher IT related expenses and higher amortization mainly attributable to the inclusion of Party City compared to the prior year.	▲ **$47.3 million or 3.0%** • Normalized selling, general and administrative expenses included costs in relation to significant events that impacted the Company this year which amounted to $55.6 million. • Excluding this impact, normalized SG&A expenses decreased by $14.0 million or 0.9 percent attributable to a decrease in marketing spend and Operational Efficiency program savings, partially offset by higher amortization and depreciation expense mainly relating to the inclusion of Party City and an increase in the amortization of intangible assets (software) compared to the prior year.
Earnings Summary	▼ **$205.3 million or 147.6%** • Normalized income before income taxes decreased $207.1 million, partially due to $41.7 million in higher net expenses relating to significant events that impacted the Company this quarter. Excluding these impacts, normalized net income before income taxes decreased $165.4 million primarily attributable to lower gross margin resulting from temporary store closures across the banners which was partially offset by positive margin contribution from Canadian Tire Retail as well as strong eCommerce penetration growth across all banners. Savings in SG&A also partially offset the decrease in margin. Prior year income in relation to interest from tax settlement and gain on sale of property also contributed to the decrease in earnings compared to the prior year.	▼ **$291.4 million or 232.0%** • Normalized income before income taxes decreased by $285.7 million due to $90.6 million in higher net expenses relating to significant events that impacted the Company this year. Excluding these impacts, normalized net income before income taxes decreased $195.1 million primarily attributable to lower gross margin resulting from temporary store closures across the banners which was partially offset by an increase in gross margin contribution from Canadian Tire Retail, savings in SG&A and a strong eCommerce penetration growth across all banners. Prior year income in relation to interest from tax settlement and gain on sale of property disposition also contributed to a decrease in earnings compared to the prior year.

4.2.3 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, such as those items referenced in section 3.0 of this MD&A.

(C$ in millions, except per share amounts)	**Q2 2020**	Q1 2020	Q4 2019	Q3 2019	**Q2 2019**	Q1 2019	Q4 2018	Q3 2018
Retail sales	**$ 4,375.7**	$ 2,757.1	$ 4,838.2	$ 3,904.3	**$ 4,303.7**	$ 2,832.8	$ 4,637.7	$ 3,865.3
Revenue	**2,849.8**	2,503.2	3,989.2	3,296.3	**3,360.3**	2,564.0	3,816.9	3,309.9
(Loss) income before income taxes	**(66.2)**	(99.6)	351.6	170.6	**139.1**	(13.5)	328.8	166.7
Normalized[1] (loss) income before income taxes	**(59.9)**	(92.1)	360.5	192.7	**147.2**	(13.5)	328.8	189.1

1 *Refer to section 4.1.1 for a description of normalizing items.*

4.3 Financial Services Segment Performance

4.3.1 Financial Services Segment Financial Results

(C$ in millions)	**Q2 2020**	Q2 2019	Change	**2020**	2019	Change
Revenue	**$ 309.9**	$ 329.3	(5.9)%	**$ 651.8**	$ 658.1	(0.9)%
Gross margin dollars	**126.3**	175.4	(28.0)%	**271.5**	362.0	(25.0)%
Gross margin as a % of revenue	**40.7%**	53.3 %	NM[1]	**41.7 %**	55.0 %	NM[1]
Other expense	**0.5**	0.8	(29.5)%	**0.6**	0.5	26.6 %
Selling, general and administrative expenses	**75.2**	79.4	(5.4)%	**150.2**	154.1	(2.5)%
Net finance (income)	**(0.4)**	(0.3)	65.5 %	**(0.5)**	(0.5)	9.5 %
Income before income taxes	**$ 51.0**	$ 95.5	(46.6)%	**$ 121.2**	$ 207.9	(41.7)%

1 *Not meaningful*

Financial Services Segment Commentary

In response to the impact that COVID-19 was having on its cardholders, during the quarter Financial Services expanded on its various relief program offerings, allowing for annual percentage rate ("APR") reductions and payment deferrals or payment matching opportunities, depending on individual cardholder needs. Daily volumes of accounts entering into these arrangements declined significantly in June when compared to April and the majority of the cardholders who were accepted into the program earlier in the year are back on original terms.

Financial Services income before income tax declined $44.5 million resulting primarily from a revenue decline of $19.4 million, an increase in net impairment losses of $27.4 million driven by incremental allowance charges, and, an increase in costs associated with incremental pre-emptive funding of $3.7 million which were partially offset by a reduction in SG&A expenses of $4.2 million attributable to lower marketing spend and lower volume driven operational expenses. Refer to section 3.0 in this MD&A for further information regarding the significant events that impacted the Company this quarter, and the Q1, 2020 MD&A, section 3.0 for COVID-19 related impacts relating to the first quarter of 2020.

Financial Services Segment Commentary *(continued)*

	Q2 2020	Year-to-Date
Revenue	▼ **$19.4 million or 5.9%** • The decrease in revenue was mainly attributable to lower credit card sales leading to lower transaction fee revenue and credit charges which resulted in a reduction in receivables of $351.8 million relative to last year.	▼ **$6.3 million or 0.9%** • The decline in revenue is primarily attributable to lower credit card sales leading to lower transaction fee revenue and insurance revenue which were partially offset by higher credit charges and higher yield.
Gross Margin	▼ **28.0% in gross margin dollars** • The decrease in gross margin dollars was primarily attributable to a decrease in revenue and an increase in net impairment losses of $27.4 million driven by incremental allowance charges in the quarter. The incremental ECL allowance was as a result of Management's expectations of further increases in future delinquencies due to the continuing impact of COVID-19 on the economy and the eventual end of debt payment relief programs. Excluding these impacts, the decrease in gross margin dollars was attributable to higher regular write-offs and funding costs.	▼ **25.0% in gross margin dollars** • The decrease in gross margin dollars was primarily attributable to a decrease in revenue and an increase in net impairment losses of $80.7 million driven by incremental allowance charges driven by Management's expectations of further increases in delinquencies and defaults of accounts. Excluding these impacts, the decrease in gross margin dollars was attributable to higher regular write-offs which was partially offset by lower transaction processing costs.
SG&A Expenses	▼ **4.2 million or 5.4%** • The decrease in SG&A expenses is primarily due to savings in marketing as a result of lower acquisitions in the quarter and lower volume-driven operational expenses.	▼ **$3.9 million or 2.5%** • The decline in SG&A expenses is primarily due to savings in marketing as a result of lower acquisitions and lower volume-driven operational expenses.
Earnings Summary	▼ **$44.5 million or 46.6%** • Earnings was negatively impacted by lower credit charges and transaction revenues in addition to, higher net impairment and higher funding costs, which was partially offset by lower SG&A expenses relating to lower marketing spend and lower volume-driven operational expenses.	▼ **$86.7 million or 41.7%** • The decrease in the income before income taxes was primarily due to an increase in net impairment which is mainly a result of the increase in allowance for ECL and a decline in revenue compared to the prior year.

4.3.2 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 8.3.1 in this MD&A for definitions and further information on performance measures.

(C$ in millions) except where noted	Q2 2020	Q2 2019	Change	YTD Q2 2020	YTD Q2 2019	Change
Credit card sales growth[1]	**(15.6)%**	6.7%		**(7.1)%**	5.3%	
GAAR	**$ 5,962.3**	$ 6,187.3	(3.6)%	**$ 6,162.8**	$ 6,145.9	0.3 %
Revenue[2] (as a % of GAAR)	**21.21%**	21.51%		**n/a**	n/a	
Average number of accounts with a balance[3] (thousands)	**2,013**	2,093	(3.8)%	**2,061**	2,088	(1.3)%
Average account balance[3] (whole $)	**$ 2,961**	$ 2,955	0.2 %	**$ 2,989**	$ 2,942	1.6 %
Net credit card write-off rate[2, 3, 4]	**6.34%**	5.58%		**n/a**	n/a	
Past due credit card receivables[3, 5] ("PD2+")	**2.42%**	2.59%		**n/a**	n/a	
Allowance rate[6]	**14.98%**	12.49%		**n/a**	n/a	
Operating expenses[2] (as a % of GAAR)	**4.89%**	5.12%		**n/a**	n/a	
Return on receivables[2]	**5.42%**	7.12%		**n/a**	n/a	

[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 Q2 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.

Q2 2020 vs Q2 2019	
Growth	▼ **3.6% in GAAR** ▼ **15.6% in credit card sales growth** ▼ **3.8% in average number of accounts with a balance** ▲ **0.2% in average account balance** • Lower credit card sales due to retail store closures across Canada and fewer new accounts, which also contributed to the decline in GAAR by 3.6 percent compared to the prior year. • The decrease in average active accounts was due primarily to lower acquisitions.
Performance	▼ **170 bps in return on receivables** ▼ **30 bps in revenue as a % of GAAR** ▼ **23 bps in OPEX as a % of GAAR** • Operating expenses remained well controlled during the quarter as operating expenses as a percentage of GAAR measured 23 bps better compared to the prior year. • Return on receivables declined by 170 bps versus the prior year due to a decrease in income before taxes mainly related to an increase in the allowance for ECL as described in section 4.3.1 in this MD&A.
Operational metrics	▼ **17 bps in PD2+ rate** ▲ **76 bps in net credit card write-off rate** ▲ **14.98% allowance rate, up 249 bps** • Various economic relief programs offered internally and externally to mitigate the economic impacts of COVID-19 contributed to an improvement in the PD2+ rate. • The increase in the net write-off rate compared to the prior year is primarily driven by lower GAAR and higher regular write-offs which have been partially offset by lower insolvency trends in the industry. • The allowance rate increased by 249 bps to 14.98 percent primarily due to the decline in receivables and an increase in ECL a result of Management's expectations of further increases in future delinquencies due to the continuing impact of COVID-19 on the economy and the eventual end of debt payment relief programs.

4.3.3 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, such as those items referenced in section 3.0 of this MD&A.

(C$ in millions, except per share amounts)	**Q2 2020**	Q1 2020	Q4 2019	Q3 2019	**Q2 2019**	Q1 2019	Q4 2018	Q3 2018
Revenue	**$ 309.9**	$ 341.9	$ 333.0	$ 343.0	**$ 329.3**	$ 328.8	$ 322.8	$ 325.6
Income before income taxes	**51.0**	70.2	109.5	108.9	**95.5**	112.4	92.1	131.9
Normalized[1] income before income taxes	**51.0**	70.2	109.5	108.9	**95.5**	112.4	92.1	131.9

[1] *Refer to section 4.1.1 for a description of normalizing items.*

4.4 CT REIT Segment Performance

4.4.1 CT REIT Segment Financial Results

(C$ in millions)	**Q2 2020**	Q2 2019	Change	**YTD Q2 2020**	YTD Q2 2019	Change
Property revenue	**$ 125.5**	$ 122.0	2.9 %	**$ 252.3**	$ 243.6	3.6 %
Property expense	**28.5**	27.1	4.8 %	**57.4**	55.1	4.1 %
General and administrative expense	**3.2**	2.9	10.8 %	**6.2**	7.7	(18.9)%
Net finance costs	**26.9**	27.3	(1.5)%	**54.4**	54.3	0.2 %
Fair value loss (gain) adjustment	**4.9**	(14.1)	(134.8)%	**29.1**	(23.7)	(222.9)%
Income before income taxes	**$ 62.0**	$ 78.8	(21.3)%	**$ 105.2**	$ 150.2	(30.0)%

CT REIT Segment Commentary

	Q2 2020	Year-to-Date
Property Revenue	▲ **$3.5 million or 2.9%** • The $3.5 million increase was mainly due to contractual rent escalation, additional base rent relating to properties acquired and intensifications completed during 2020 and 2019.	▲ **$8.7 million or 3.6%** • The $8.7 million increase was mainly due to contractual rent escalation, additional base rent relating to properties acquired and intensifications completed during 2020 and 2019.
Property Expense	▲ **$1.4 million or 4.8%** • The increase of $1.4 million in property expense was mainly driven by an increase in bad debt provisions and higher operating expenses related to property acquisitions completed during 2020 and 2019.	▲ **$2.3 million or 4.1%** • The increase of $2.3 million in property expense was attributable to an increase in bad debt provisions and operating expenses related to property acquisitions completed during 2020 and 2019.
SG&A Expenses	▲ **$0.3 million or 10.8%** • SG&A is overall in line with the prior year.	▼ **$1.5 million or 18.9%** • The decrease in SG&A was mainly driven by personnel-related expenses and lower operating costs partially offset by higher income tax expense during the period.
Net Finance Cost	▼ **$0.4 million or 1.5%** • Decrease was attributable to lower interest on Class C LP Units.	▲ **$0.1 million or 0.2%** • Net finance cost is overall in line with the prior year.
Fair Value Adjustment on Investment Properties	▲ **$19.0 million or 134.8%** • The fair value adjustment on investment properties was a loss attributable to the estimated negative impact of the COVID-19 pandemic to the value across the portfolio during the quarter. This fair value adjustment is eliminated upon consolidation and, as such, has not been described in Section 3.0 of this MD&A.	▲ **$52.8 million or 222.9%** • The fair value adjustment on investment properties was a loss attributable to the estimated negative impact of the COVID-19 pandemic to the value across the portfolio during the period. This fair value adjustment is eliminated upon consolidation and, as such, has not been described in Section 3.0 of this MD&A.
Earnings Summary	▼ **$16.8 million or 21.3%** • The decrease in earnings was primarily due to the fair value adjustments on investment properties, partially offset by an increase in property revenue.	▼ **$45.0 million or 30.0%** • The decrease in earnings was primarily due to the fair value adjustments on investment properties, partially offset by an increase in property revenue and a decrease in SG&A.

4.4.2 CT REIT Segment Key Operating Performance Measures

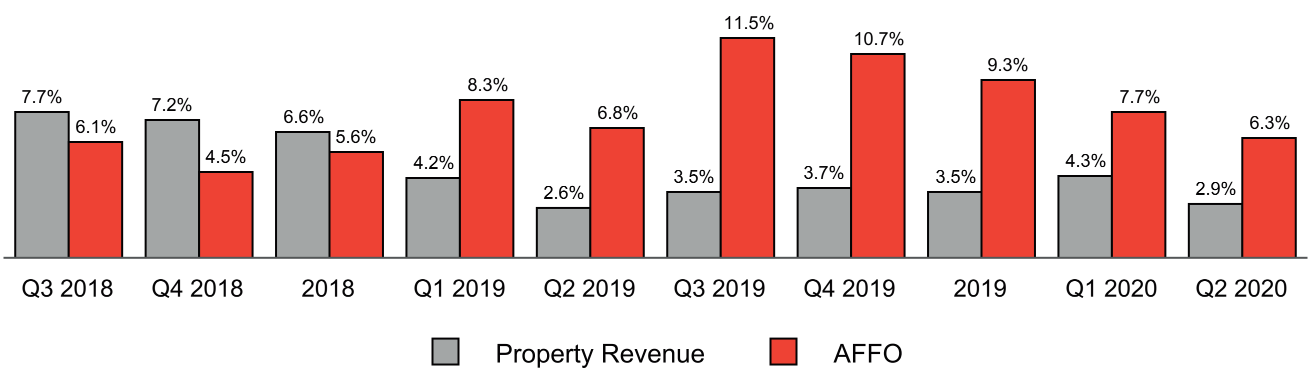
Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 8.3.1 in this MD&A for definitions and further information on performance measures.

(C$ in millions)	Q2 2020	Q2 2019	Change	YTD Q2 2020	YTD Q2 2019	Change
Net operating income[1]	**$ 94.2**	$ 91.5	3.1 %	**$ 189.5**	$ 181.4	4.5 %
Funds from operations[1]	**67.3**	64.3	4.6 %	**134.1**	127.7	5.0 %
Adjusted funds from operations[1]	**58.6**	55.0	6.3 %	**116.6**	109.0	7.0 %

[1] *Non-GAAP measures exclude all fair value adjustments, refer to section 8.3.2 in this MD&A for additional information.*

The following shows the CT REIT year-over-year property revenue and AFFO performance by quarter for the last two years. The quarterly trend could be impacted by non-operational items, such as those items reference in section 3.0 of this MD&A.

Year-over-year Property Revenue and AFFO Growth



Net operating income (NOI)

NOI for the quarter increased by 3.1 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 8.3.2 for additional information.

Funds from operations (FFO)

FFO for the quarter increased by 4.6 percent compared to the prior year primarily due to the impact of NOI variances and lower interest expense. FFO is a non-GAAP measure. Refer to section 8.3.2 for additional information.

Adjusted funds from operations (AFFO)

AFFO for the quarter increased by 6.3 percent primarily due to the impact of NOI variances and lower interest expense. AFFO is a non-GAAP measure. Refer to section 8.3.2 for additional information.

5.0 Balance Sheet Analysis, Liquidity, and Capital Resources

5.1 Balance Sheet Highlights

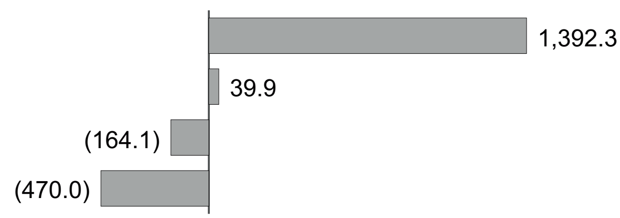
5.1.1 Selected Balance Sheet Highlights

Selected line items from the Company's assets and liabilities, as at June 27, 2020 and the year-over-year change versus June 29, 2019, are noted below:

Total change	▲ $ **813.7**

Selected Asset	**June 27, 2020**
Cash and cash equivalents	1,991.8
Goodwill and intangible assets	2,337.0
Merchandise inventories	2,114.3
Loans receivable	5,102.1

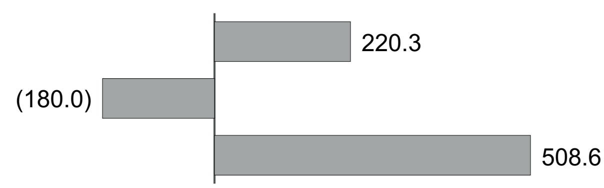
Year-over-year change in assets



Total change	▲ $ **517.8**

Selected Liability	**June 27, 2020**
Long-term debt (current and long-term portion)	5,236.8
Short-term borrowings	388.9
Deposits and long-term deposits	3,055.2

Year-over-year change in liabilities



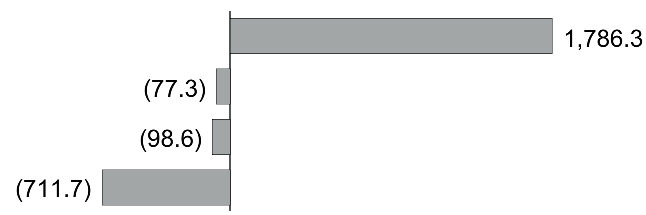
Assets		
Cash and cash equivalents	▲ **$1,392.3 million**	Increase was primarily due to cash generated from operating and financing activities. Refer to section 5.2 for further details.
Goodwill and intangible assets	▲ **$39.9 million**	Increase was primarily due to the acquisition of Party City in the second half of 2019 partially offset by a $27.9 million impairment charge during the quarter. Refer to section 3.0 of this MD&A for significant events impacting the quarter.
Merchandise inventory	▼ **$164.1 million**	Decrease was attributable to higher shipments at Canadian Tire driven by strong growth in retail sales and decreases of inventory at SportChek and Mark's attributable to promotional activities and limited purchasing as the stores were temporarily closed during the first half of the quarter compared to higher seasonal and planned inventory increases at SportChek in the prior year, partially offset by increases attributable to the inclusion of Party City.
Loans receivable	▼ **$470.0 million**	Decrease was attributable to lower active accounts along with lower credit card sales and credit charges attributable to lower cardholder activity and an increase in the allowance for ECL in the Financial Services segment.

Liabilities			
Long-term debt (current and long-term portion)	▲	**$220.3 million**	Increase mainly attributable to issuance of Series 2020-A two-year pre-payable term notes totaling $700 million to Scotia bank, partially offset by a $500 million Glacier Credit Card Trust ("GCCT") repayment in Q3 2019.
Short-term borrowings	▼	**$180.0 million**	Decrease due to the Company's improved liquidity position in the quarter.
Deposits and long-term deposits	▲	**$508.6 million**	A net increase in deposits was attributable to a higher volume of high interest savings accounts and an increase in GIC deposits in the Financial Services segment.

Selected line items from the Company's assets and liabilities, as at June 27, 2020 and the change versus December 28, 2019, are noted below:

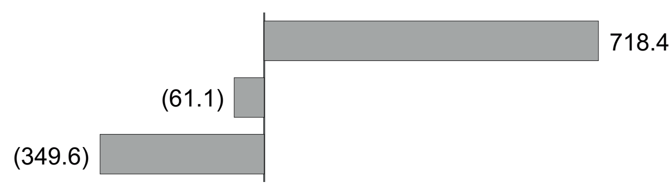
Total change	▲ $ **532.7**
Selected Asset	**June 27, 2020**
Cash and cash equivalents	1,991.8
Goodwill and intangible assets	2,337.0
Merchandise inventories	2,114.3
Loans receivable	5,102.1

Change in assets



Total change	▲ $ **779.1**
Selected Liability	**June 27, 2020**
Long-term debt (current and long-term portion)	5,236.8
Short-term borrowings	388.9
Trade and other payables	2,142.8

Change in liabilities



Assets			
Cash and cash equivalents	▲	**$1,786.3 million**	Increase was primarily due to cash generated from operating and financing activities. Refer to section 5.2 for further details.
Goodwill and intangible assets	▼	**$77.3 million**	Decrease was mainly due to Helly Hansen's goodwill being recorded in NOK and with the depreciation of the NOK during the period, the currency translation adjustment was lower than year end and a $27.9 million impairment charge during the quarter. Refer to section 3.0 of this MD&A for significant events impacting the quarter.
Merchandise inventory	▼	**$98.6 million**	Decrease was attributable to higher shipments at Canadian Tire driven by strong growth in retail sales and decreases of inventory at SportChek and Mark's attributable to promotional activities and limited purchasing as the stores were temporarily closed during the period.
Loans receivable	▼	**$711.7 million**	Decrease was attributable to lower active accounts along with lower credit card sales and credit charges attributable to lower cardholder activity and seasonal decreases as well as an increase in the allowance for ECL in the Financial Services segment.

Liabilities			
Long-term debt (current and long-term portion)	▲	**$718.4 million**	Increase was mainly attributable to the issuance of Series 2020-A two-year pre-payable term notes totaling $700 million to Scotiabank during the quarter.
Short-term borrowings	▼	**$61.1 million**	Working capital management in the Retail segment as stores closed as well as a decrease in loans receivable and issuance of long-term debt from the Financial Services segment reduced the short-term borrowing requirements.
Trade and other payables	▼	**$349.6 million**	Decrease was mainly due to payments made during the quarter, improved working capital management and a lower amount of new orders placed from the suppliers due to lower sales expectations.

5.2 Summary Cash Flows

The Company's cash and cash equivalents position, net of bank indebtedness, was $1,991.8 million as at June 27, 2020. Selected line items from the Company's Condensed Interim Consolidated Statements of Cash Flows for the quarters ended June 27, 2020 and June 29, 2019 are noted in the following table:

(C$ in millions)	**Q2 2020**	Q2 2019	Change
Cash generated from operating activities	**$ 1,339.1**	$ 539.5	$ 799.6
Cash (used for) investing activities	**(90.0)**	(88.6)	(1.4)
Cash generated from (used for) financing activities	**299.3**	(161.3)	460.6
Cash generated in the period	**$ 1,548.4**	$ 289.6	$ 1,258.8

(C$ in millions)	**YTD Q2 2020**	YTD Q2 2019	Change
Cash generated from operating activities	**$ 1,192.0**	$ 77.9	$ 1,114.1
Cash (used for) investing activities	**(189.1)**	(255.6)	66.5
Cash generated from financing activities	**793.8**	287.9	505.9
Cash generated from in the period	**$ 1,796.7**	$ 110.2	$ 1,686.5

	Q2 2020	Year-to-Date
Operating activities	▲ **$799.6 million change** • The increase in cash generated from operating activities was primarily due to less cash used in the quarter since the loans receivable balance declined as a result of lower cardholder activity and payments received against credit card receivables, cash inflows from working capital due primarily to lower inventory across banners as CTR experienced strong sales and Mark's and SportChek lowered purchase activity in addition to lower income tax paid as income tax installments were deferred due to the Federal Government COVID-19 Emergency Tax Measures.	▲ **$1,114.1 million change** • The increase in cash generated from operating activities was primarily due to less cash used since the loans receivable balance declined as a result of lower cardholder activity and higher payments received against credit card receivables, cash inflows from working capital primarily due to lower inventory purchases compared to the prior year in addition to lower income tax paid as income tax installments were deferred due to the Federal Government COVID-19 Emergency Tax Measures.
Investing activities	▲ **$1.4 million change** • The change in cash used for investing activities was relatively flat compared to last year.	▼ **$66.5 million change** • The decrease in cash used for investing activities was primarily due to lower spending on capital expenditures, particularly intangible assets related to information technology.
Financing activities	▲ **$460.6 million change** • The increase in cash generated from financing activities was primarily driven by long-term deposits due to the increase in the amount of GICs raised in the quarter and a higher issuance of long-term debt by GCCT to support the Company's liquidity position in the quarter compared to the prior year. These increases were partially offset by a decrease in short-term borrowings.	▲ **$505.9 million change** • The increase in cash generated from financing activities was primarily driven by long-term deposits as a significant amount of GICs were raised in Q2 2020 to support the Company's liquidity position, and a higher issuance of long-term debt by GCCT in Q2 2020 compared to the prior year. These increases were partially offset by a decrease in short-term borrowings.

5.3 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.

5.3.1 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 June 30, 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.

5.4 Investing

5.4.1 Capital Expenditures

The Company's capital expenditures for periods ended June 27, 2020 and June 29, 2019 were as follows:

(C$ in millions)	**Q2 2020**	Q2 2019	**YTD Q2 2020**	YTD Q2 2019
Real estate	**$ 12.5**	$ 68.4	**$ 49.0**	$ 89.7
Information technology	**14.5**	31.4	**29.5**	57.8
Other operating	**13.5**	16.3	**22.8**	48.4
Operational Efficiency program	**11.5**	—	**19.7**	—
Operating capital expenditures	**52.0**	116.1	**121.0**	195.9
CT REIT acquisitions and developments excluding vend-ins from CTC	**6.6**	10.4	**47.6**	37.5
Distribution capacity	**12.8**	—	**17.1**	—
Total capital expenditures[1]	**$ 71.4**	$ 126.5	**$ 185.7**	$ 233.4

[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.*

	Q2 2020	Year-to-Date
Total CAPEX	▼ **$55.1 million**	▼ **$47.7 million**
	• During the quarter and the first half of 2020, the Company took measures to ensure a strong cash position and financial flexibility. As a result of these measures, discretionary capital expenditures were significantly reduced.	

Capital Commitments

The Company had commitments of approximately $188.2 million as at June 27, 2020 (2019 – $233.3 million) for the acquisition of tangible and intangible assets.

5.5 Liquidity and Financing

The Company is in a strong liquidity position with the ability to access capital from multiple sources. As at June 27, 2020, the Company has adequate liquidity to meet its financial obligations.

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

During the quarter, the Company secured additional credit by entering into a one-year committed bank credit facility for $710 million with five Canadian financial institutions. The new facility expires on March 30, 2021 and has not yet been used. The Company pre-emptively drew on its Retail bank credit facility in the quarter as a precautionary measure given the uncertain environment. At the end of the quarter, this line had been repaid. In addition, during the quarter, Financial Services also pre-emptively drew a net $700 million under its note purchase facility with Scotiabank, expected to be repaid in October. The Company ended the quarter with $2.3 billion in cash and marketable securities and $2.6 billion, $1.6 billion and $294 million in available credit at its Retail, Financial Services and CT REIT segments, respectively.

Financing Source	
Committed Bank Lines of Credit	• Provided by a syndicate of seven Canadian and three international financial institutions, $1.975 billion in a committed bank line of credit is available to CTC for general corporate purposes, expiring in August 2024. CTC had no borrowings under its $1.975 billion bank line as at June 27, 2020. At the beginning of the quarter, CTC entered into a one-year committed bank line of credit for $710 million, provided by five Canadian financial institutions and expiring March 30, 2021. CTC had no borrowings on the new facility as at June 27, 2020. • Provided by a syndicate of seven Canadian financial institutions, $300.0 million in a committed bank line of credit is available to CT REIT for general business purposes, expiring in December 2024. CT REIT had no borrowings under its bank line as at June 27, 2020. • Scotiabank has provided CTB with a $250.0 million unsecured committed bank line of credit expiring in October 2022. CTB had no borrowings under its bank lines as at June 27, 2020. • Helly Hansen has a 350.0 million Norwegian Krone (”NOK”) secured committed bank line of credit and a NOK 350.0 million factoring facility (both $49.9 million C$ equivalent) provided by a Norwegian bank which expire in October 2022. Helly Hansen had a total of $48.1 million of C$ equivalent borrowings (340.9 million NOK) outstanding on its bank lines as at June 27, 2020.
Commercial Paper Programs	• As at June 27, 2020, GCCT had $296.1 million of asset-backed commercial paper notes outstanding. • As at June 27, 2020, the Company had $44.6 million of C$ equivalent U.S. commercial paper outstanding ($32.6 million USD).
Medium-Term Notes and Debentures	• As at June 27, 2020, CTC has an aggregate principal amount of $1.2 billion of medium-term notes outstanding. CTC repaid the $250.0 million Series E unsecured medium-term notes on July 6, 2020. • As at June 27, 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 are provided in section 6.5 of the Company’s 2019 MD&A.
GCCT Term Senior and Subordinated Notes	• Scotiabank has provided CTB with $2.0 billion in note purchase facilities for the purchase of senior and subordinated notes issued by GCCT, expiring in October 2022. • During the quarter ended June 27, 2020, a total of $700 million of series 2020-A senior and subordinated 2-year pre-payable term notes were issued to Scotiabank, which remained outstanding as at June 27, 2020. The Company expects to repay this amount before the end of October. • Additional details on the Company’s sources of funding are provided in section 6.5 of the Company’s 2019 MD&A.
Broker GIC Deposits	• Funds continue to be readily available to CTB through broker networks. As at June 27, 2020, CTB held $2,492.6 million in broker guaranteed investment certificate (“GIC”) deposits.
Retail Deposits	• Retail deposits consist of High Interest Savings and retail GIC deposits held by CTB, available both within and outside a Tax-Free Savings Account. As at June 27, 2020, CTB held $562.4 million in retail deposits.

Credit Ratings

Citing 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 June 5, 2020, DBRS Morningstar also downgraded the Company’s long-term rating from BBB (high) to BBB (Stable Trend).

5.5.1 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 June 27, 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.

6.0 Equity

6.1 Shares Outstanding

(C$ in millions)	**June 27, 2020**	June 29, 2019	December 28, 2019
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (June 29, 2019 – 3,423,366; December 28, 2019 – 3,423,366)	**$ 0.2**	$ 0.2	$ 0.2
57,383,758 Class A Non-Voting Shares (June 29, 2019 – 58,212,090; December 28, 2019 – 58,096,958)	**589.9**	586.0	587.8
	$ 590.1	$ 586.2	$ 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.

Purchases of Class A Non-Voting Shares pursuant to the 2020 Share Repurchase Intention were paused after March 13, 2020 and continued to be paused during the second quarter of 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**

6.2 Dividends

The Company has had a consistent record of increasing its annual dividend and has 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 December 1, 2020 to shareholders of record as of October 31, 2020. The dividend is considered an "eligible dividend" for tax purposes.

6.3 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, 300,000 equity forwards that hedged stock options and performance share units settled and resulted in a cash payment to the counterparties of approximately $9.4 million. Also during the quarter, the Company entered into 500,000 floating-rate equity forwards at a weighted average purchase price of $119.7 to offset its exposure to stock options and performance share units.

7.0 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 17 to the Company's interim consolidated financial statements for the second quarter of 2020.

Income taxes for the 13 weeks ended June 27, 2020 were an expense of $6.0 million, compared to $57.5 million in the prior year. The decrease in income tax expense is primarily due to lower income and higher non-controlling interest related to CT REIT, partially offset by higher non-deductible stock option expense attributable to share price fluctuations in the period.

Income taxes for the 26 weeks ended June 27, 2020 were a recovery of $3.3 million, compared to an expense of $83.5 million in the prior year. The decrease in income tax is primarily due to lower income, favourable adjustments to tax estimates and higher non-controlling interest related to CT REIT in the period.

8.0 Accounting Policies, Estimates, and Non-GAAP Measures

8.1 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.

8.2 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 to 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 June 2020, the IASB issued 'Amendments to IFRS 17' to address concerns and implementation challenges that were identified after IFRS 17 was published in 2017. The amendment also deferred 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. In July 2020, due to COVID-19, the IASB deferred the effective date by one year to provide companies with more time to implement any classification changes resulting from the amendments.

Amendment to IFRS 16 Leases – COVID-19-Related Rent Concessions

In May 2020, the IASB issued an amendment to IFRS 16 – *Leases* to make it easier for lessees to account for COVID-19-related rent concessions such as rent holidays and temporary rent reductions. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. The Company is assessing the potential impact of this amendment.

Annual Improvements 2018-2020 and Package of Narrow-Scope Amendments

In May 2020, the IASB issued the package of narrow-scope amendments to three Standards (IFRS 3 – *Business Combinations*, IAS 16 – *Property, Plant and Equipment*, and IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*) as well as the IASB's Annual Improvements 2018-2020, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards. The Company is assessing the potential impact of these narrow scope amendments. These amendments will be effective for annual periods beginning on or after January 1, 2022.

8.3 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.

8.3.1 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 4.2.2 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 4.2.2 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 4.2.2 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 the 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.

8.3.2 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 June 27, 2020 and June 29, 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)	**Q2 2020**	Q2 2019	**YTD Q2 2020**	YTD Q2 2019
Normalized EBITDA adjusted for rent expense	**$ 167.1**	$ 400.0	**$ 323.5**	$ 663.1
Add:				
Depreciation of right-of-use assets	**70.5**	64.6	**140.2**	127.8
Net finance costs, related to leases	**23.4**	26.0	**47.5**	51.5
Normalized EBITDA	**$ 261.0**	$ 490.6	**$ 511.2**	$ 842.4
Less normalizing items:				
Operational Efficiency program	**6.3**	8.1	**13.8**	8.1
EBITDA	**$ 254.7**	$ 482.5	**$ 497.4**	$ 834.3
Less:				
Depreciation and amortization, other than right-of-use assets[1]	**106.5**	94.3	**208.4**	192.5
Depreciation of right-of-use assets	**70.5**	64.6	**140.2**	127.8
Net finance costs, other than related to leases	**46.0**	36.3	**90.1**	77.8
Net finance costs, related to leases	**23.4**	26.0	**47.5**	51.5
Income before income taxes	**$ 8.3**	$ 261.3	**$ 11.2**	$ 384.7
Income taxes expense (recovery)	**6.0**	57.5	**(3.3)**	83.5
Net income	**$ 2.3**	$ 203.8	**$ 14.5**	$ 301.2
Net income attributable to non-controlling interests	**22.3**	26.4	**47.8**	54.1
Net (loss) income attributable to shareholders of Canadian Tire Corporation	**$ (20.0)**	$ 177.4	**$ (33.3)**	$ 247.1

[1] *Depreciation and amortization reported in cost of producing revenue for the 13 and 26 weeks ended June 27, 2020 was $3.2 million (2019 – $2.3 million) and 6.3 million (2019 - 4.3 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 June 27, 2020 and June 29, 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)	**Q2 2020**	Q2 2019	**YTD Q2 2020**	YTD Q2 2019
Normalized EBITDA adjusted for rent expense	**$ 31.1**	$ 221.7	**$ 25.9**	$ 291.9
Add:				
Depreciation of right-of-use assets	**128.7**	123.1	**257.7**	243.6
Net finance costs, related to leases	**55.4**	60.2	**112.4**	119.7
Normalized EBITDA	**$ 215.2**	$ 405.0	**$ 396.0**	$ 655.2
Less normalizing items:				
Operational Efficiency program	**6.3**	8.1	**13.8**	8.1
EBITDA	**$ 208.9**	$ 396.9	**$ 382.2**	$ 647.1
Less:				
Depreciation and amortization, other than right-of-use assets[1]	**87.7**	78.0	**171.8**	159.2
Depreciation of right-of-use assets	**128.7**	123.1	**257.7**	243.6
Net finance costs, other than related to leases	**3.3**	(3.5)	**6.1**	(1.0)
Net finance costs, related to leases	**55.4**	60.2	**112.4**	119.7
(Loss) income before income taxes	**$ (66.2)**	$ 139.1	**$ (165.8)**	$ 125.6

[1] *Depreciation and amortization reported in cost of producing revenue for the 13 and 26 weeks ended weeks ended June 27, 2020 was $3.2 million (2019 – $2.3 million) and 6.3 million (2019 - 4.3 million).*

Normalized Selling, General and Administrative Expenses Adjusted for Rent Expense

The following table reconciles the normalized SG&A expenses, adjusted for rent expenses, and, 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 June 27, 2020 and June 29, 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)	**Q2 2020**	Q2 2019	**YTD Q2 2020**	YTD Q2 2019
Normalized selling, general and administrative expenses adjusted for rent expense	**$ 744.0**	$ 774.5	**$1,538.5**	$1,516.7
Add:				
Depreciation and amortization, other than right-of-use assets	**103.3**	92.0	**202.1**	188.2
Less:				
Net finance costs, related to leases	**23.4**	26.0	**47.5**	51.5
Normalized selling, general and administrative expenses	**$ 823.9**	$ 840.5	**$1,693.1**	$1,653.4
Add normalizing items:				
Operational Efficiency program	**6.3**	8.1	**13.8**	8.1
Selling, general and administrative expenses	**$ 830.2**	$ 848.6	**$1,706.9**	$1,661.5

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, and, 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 June 27, 2020 and June 29, 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)	**Q2 2020**	Q2 2019	**YTD Q2 2020**	YTD Q2 2019
Normalized selling, general and administrative expenses adjusted for rent expense	**$ 764.7**	$ 796.1	**$1,581.9**	$1,558.1
Add:				
Depreciation and amortization, other than right-of-use assets	**84.5**	75.8	**165.5**	155.0
Less:				
Net finance costs, related to leases	**55.4**	60.2	**112.4**	119.7
Normalized selling, general and administrative expenses	**$ 793.8**	$ 811.7	**$1,635.0**	$1,593.4
Add normalizing items:				
Operational Efficiency program	**6.3**	8.1	**13.8**	8.1
Selling, general and administrative expenses	**$ 800.1**	$ 819.8	**$1,648.8**	$1,601.5

Normalized Net Income

The following table reconciles normalized net income to net income which is a GAAP measure reported in the notes to the condensed interim consolidated financial statements for the periods ended June 27, 2020 and June 29, 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)	**Q2 2020**	Q2 2019	**YTD Q2 2020**	YTD Q2 2019
Normalized net income	**$ 6.9**	$ 209.7	**$ 24.6**	$ 307.1
Less normalizing items:				
Operational Efficiency program	**4.6**	5.9	**10.1**	5.9
Net income	**$ 2.3**	$ 203.8	**$ 14.5**	$ 301.2

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)	**Q2 2020**	**EPS**	Q2 2019	EPS	**YTD Q2 2020**	**EPS**	YTD Q2 2019	EPS
Net (loss) income/basic EPS	**$ (20.0)**	**$ (0.33)**	$ 177.4	$ 2.87	**$ (33.3)**	**$ (0.55)**	$ 247.1	$ 3.99
Add the after-tax impact of the following, attributable to shareholders of the Company:								
Operational Efficiency program	**4.6**	**0.08**	5.9	0.10	**10.1**	**0.17**	5.9	0.10
Normalized net (loss) income/normalized basic EPS	**$ (15.4)**	**$ (0.25)**	$ 183.3	$ 2.97	**$ (23.2)**	**$ (0.38)**	$ 253.0	$ 4.09
Normalized net (loss) income/normalized diluted EPS	**$ (15.4)**	**$ (0.25)**	$ 183.3	$ 2.97	**$ (23.2)**	**$ (0.38)**	$ 253.0	$ 4.08

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 June 27, 2020 (C$ in millions)	Consolidated	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	**$ —**	**$ —**	**$ —**	**$ —**
Short-term deposits	**827.4**	**—**	**—**	**827.4**
Long-term deposits	**2,227.8**	**—**	**—**	**2,227.8**
Short-term borrowings	**388.9**	**92.7**	**—**	**296.2**
Current portion of long-term debt	**900.4**	**250.0**	**150.4**	**500.0**
Long-term debt	**4,336.4**	**951.0**	**987.1**	**2,398.3**
Debt	**8,680.9**	**1,293.7**	**1,137.5**	**6,249.7**
Liquid assets[1]	**(2,348.6)**	**(144.9)**	**(26.0)**	**(2,177.7)**
Net debt (cash)	**6,332.3**	**1,148.8**	**1,111.5**	**4,072.0**
Inter-company debt	**—**	**(1,515.7)**	**1,451.6**	**64.1**
Adjusted net debt (cash)	**$ 6,332.3**	**$ (366.9)**	**$ 2,563.1**	**$ 4,136.1**

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

As at June 29, 2019 (C$ in millions)	Consolidated	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	$ 18.9	$ 18.9	$ —	$ —
Short-term deposits	918.2	—	—	918.2
Long-term deposits	1,628.4	—	—	1,628.4
Short-term borrowings	568.9	288.6	39.0	241.3
Current portion of long-term debt	538.5	0.9	37.6	500.0
Long-term debt	4,478.0	1,199.9	1,081.3	2,196.8
Debt	8,150.9	1,508.3	1,157.9	5,484.7
Liquid assets[1]	(948.0)	(60.6)	(8.1)	(879.3)
Net debt (cash)	7,202.9	1,447.7	1,149.8	4,605.4
Inter-company debt	—	(1,536.5)	1,451.6	84.9
Adjusted net debt (cash)	$ 7,202.9	$ (88.8)	$ 2,601.4	$ 4,690.3

[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)	Q2 2020	Q2 2019	YTD Q2 2020	YTD Q2 2019
Property revenue	**$ 125.5**	$ 122.0	**$ 252.3**	$243.6
Less:				
Property expense	**28.5**	27.1	**57.4**	55.1
Property straight-line rent revenue	**2.8**	3.4	**5.4**	7.1
Net operating income	**$ 94.2**	$ 91.5	**$ 189.5**	$ 181.4

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 the notes to the condensed interim consolidated financial statements for the periods ended June 27, 2020 and June 29, 2019, to FFO and AFFO:

(C$ in millions)	Q2 2020	Q2 2019	YTD Q2 2020	YTD Q2 2019
Income before income taxes	**$ 62.0**	$ 78.8	**$ 105.2**	$ 150.2
Fair value loss (gain) adjustment	**4.9**	(14.1)	**29.1**	(23.7)
Deferred taxes	**(0.4)**	(0.4)	**0.7**	0.2
Lease principal payments on right-of-use assets	**(0.1)**	(0.1)	**(0.3)**	(0.2)
Fair value of equity awards	**0.7**	—	**(0.9)**	1.1
Internal leasing expense	**0.2**	0.1	**0.3**	0.1
Funds from operations	**67.3**	64.3	**134.1**	127.7
Properties straight-line rent adjustment	**(2.8)**	(3.4)	**(5.4)**	(7.1)
Capital expenditure reserve	**(5.9)**	(5.9)	**(12.1)**	(11.6)
Adjusted funds from operations	**$ 58.6**	$ 55.0	**$ 116.6**	$ 109.0

9.0 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.

For additional potential risks associated with COVID-19 refer to section 3.0 and section 12.0 in this MD&A and section 3.0 in the Company's first quarter 2020 MD&A.

10.0 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 June 27, 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.

11.0 Environmental and Social Responsibility

11.1 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

11.2 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.

11.3 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.

11.4 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/.

12.0 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 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 6.1.

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 and the Q1 2020 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 9.0 (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.

August 5, 2020

CANADIAN TIRE CORPORATION, LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Q2 2020

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Condensed Interim Consolidated Balance Sheets

As at (C$ in millions)(unaudited)	June 27, 2020	June 29, 2019	December 28, 2019
ASSETS			
Cash and cash equivalents (Note 15)	**$ 1,991.8**	$ 599.5	$ 205.5
Short-term investments	**202.0**	242.4	201.7
Trade and other receivables	**685.2**	580.2	938.3
Loans receivable (Note 6)	**5,102.1**	5,572.1	5,813.8
Merchandise inventories	**2,114.3**	2,278.4	2,212.9
Income taxes recoverable	**63.6**	87.6	33.2
Prepaid expenses and deposits	**155.0**	183.2	139.3
Assets classified as held for sale	**17.5**	4.2	10.6
Total current assets	**10,331.5**	9,547.6	9,555.3
Long-term receivables and other assets	**754.2**	781.8	807.8
Long-term investments	**154.8**	106.1	138.9
Goodwill and intangible assets	**2,337.0**	2,297.1	2,414.3
Investment property	**391.1**	375.5	389.1
Property and equipment	**4,273.1**	4,186.9	4,283.3
Right-of-use assets	**1,521.8**	1,605.9	1,610.4
Deferred income taxes	**287.5**	336.4	319.2
Total assets	**$ 20,051.0**	$ 19,237.3	$ 19,518.3
LIABILITIES			
Bank indebtedness (Note 15)	**$ —**	$ 18.9	$ 10.4
Deposits	**827.4**	918.2	790.8
Trade and other payables	**2,142.8**	2,072.8	2,492.4
Provisions	**219.2**	161.3	190.2
Short-term borrowings	**388.9**	568.9	450.0
Loans	**612.3**	665.2	621.5
Current portion of lease liabilities	**344.8**	291.1	335.3
Income taxes payable	**76.9**	43.3	72.6
Current portion of long-term debt (Note 7)	**900.4**	538.5	788.2
Total current liabilities	**5,512.7**	5,278.2	5,751.4
Long-term provisions	**72.3**	58.0	61.1
Long-term debt (Note 7)	**4,336.4**	4,478.0	3,730.2
Long-term deposits	**2,227.8**	1,628.4	1,653.4
Long-term lease liabilities	**1,747.1**	1,904.6	1,871.0
Deferred income taxes	**121.0**	142.0	136.4
Other long-term liabilities	**775.4**	785.7	810.1
Total liabilities	**14,792.7**	14,274.9	14,013.6
EQUITY			
Share capital (Note 8)	**590.1**	586.2	588.0
Contributed surplus	**2.9**	2.9	2.9
Accumulated other comprehensive (loss)	**(164.3)**	(97.9)	(129.9)
Retained earnings	**3,508.9**	3,413.7	3,729.6
Equity attributable to shareholders of Canadian Tire Corporation	**3,937.6**	3,904.9	4,190.6
Non-controlling interests	**1,320.7**	1,057.5	1,314.1
Total equity	**5,258.3**	4,962.4	5,504.7
Total liabilities and equity	**$ 20,051.0**	$ 19,237.3	$ 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 June 27, 2020	13 weeks ended June 29, 2019	26 weeks ended June 27, 2020	26 weeks ended June 29, 2019
Revenue (Note 10)	**$ 3,161.8**	$ 3,686.6	**$ 6,010.1**	$ 6,581.0
Cost of producing revenue (Note 11)	**2,221.1**	2,542.7	**4,130.2**	4,438.8
Gross margin	**940.7**	1,143.9	**1,879.9**	2,142.2
Other expense (income)	**32.8**	(28.3)	**24.2**	(33.3)
Selling, general and administrative expenses (Note 12)	**830.2**	848.6	**1,706.9**	1,661.5
Net finance costs (Note 13)	**69.4**	62.3	**137.6**	129.3
Income before income taxes	**8.3**	261.3	**11.2**	384.7
Income tax expense (recovery)	**6.0**	57.5	**(3.3)**	83.5
Net income	**$ 2.3**	$ 203.8	**$ 14.5**	$ 301.2
Net (loss) income attributable to:				
Shareholders of Canadian Tire Corporation	**$ (20.0)**	$ 177.4	**$ (33.3)**	$ 247.1
Non-controlling interests	**22.3**	26.4	**47.8**	54.1
	$ 2.3	$ 203.8	**$ 14.5**	$ 301.2
Basic (loss) earnings per share	**$ (0.33)**	$ 2.87	**$ (0.55)**	$ 3.99
Diluted (loss) earnings per share	**$ (0.33)**	$ 2.87	**$ (0.55)**	$ 3.98
Weighted average number of Common and Class A Non-Voting Shares outstanding:				
Basic	**60,808,137**	61,722,798	**60,989,252**	61,982,957
Diluted	**60,808,137**	61,792,649	**60,989,252**	62,058,127

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

Condensed Interim Consolidated Statements of Comprehensive Income

For the	13 weeks ended		26 weeks ended	
(C$ in millions)(unaudited)	**June 27, 2020**	June 29, 2019	**June 27, 2020**	June 29, 2019
Net income	**$ 2.3**	$ 203.8	**$ 14.5**	$ 301.2
Other comprehensive (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	**(4.4)**	(8.6)	**(31.7)**	(22.5)
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	**(21.9)**	(3.7)	**(7.5)**	(8.6)
Reclassification of (gains) losses to income	**—**	(0.3)	**0.5**	(0.6)
Currency translation adjustment	**22.7**	(24.6)	**(51.7)**	(29.2)
Items that will not be reclassified subsequently to net income:				
Net fair value (losses) gains on hedging instruments entered into for cash flow hedges subject to basis adjustment	**(24.7)**	(20.9)	**80.2**	(56.9)
Other comprehensive (loss)	**$ (28.3)**	$ (58.1)	**$ (10.2)**	$ (117.8)
Other comprehensive (loss) attributable to:				
Shareholders of Canadian Tire Corporation	**$ (23.1)**	$ (55.5)	**$ (2.5)**	$ (111.5)
Non-controlling interests	**(5.2)**	(2.6)	**(7.7)**	(6.3)
	$ (28.3)	$ (58.1)	**$ (10.2)**	$ (117.8)
Comprehensive (loss) income	**$ (26.0)**	$ 145.7	**$ 4.3**	$ 183.4
Comprehensive (loss) income attributable to:				
Shareholders of Canadian Tire Corporation	**$ (43.1)**	$ 121.9	**$ (35.8)**	$ 135.6
Non-controlling interests	**17.1**	23.8	**40.1**	47.8
	$ (26.0)	$ 145.7	**$ 4.3**	$ 183.4

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 **June 27, 2020**	 June 29, 2019	26 weeks ended **June 27, 2020**	 June 29, 2019
Cash (used for) generated from:				
Operating activities				
Net income	**$ 2.3**	$ 203.8	**$ 14.5**	$ 301.2
Adjustments for:				
Depreciation of property and equipment, investment property, assets held for sale and right-of-use assets (Notes 11 and 12)	**145.4**	132.9	**290.7**	266.9
Impairment on property and equipment, right-of-use and intangible assets (Note 2)	**27.9**	—	**27.9**	0.6
Income tax expense (recovery)	**6.0**	57.5	**(3.3)**	83.5
Net finance costs (Note 13)	**69.4**	62.3	**137.6**	129.3
Amortization of intangible assets (Note 12)	**31.6**	26.0	**57.9**	53.4
Loss (gain) on disposal of property and equipment, investment property, assets held for sale and right-of-use assets	**2.1**	(18.0)	**(8.8)**	(29.5)
Total except as noted below	**284.7**	464.5	**516.5**	805.4
Interest paid	**(66.3)**	(76.3)	**(144.6)**	(162.9)
Interest received	**4.3**	4.5	**8.4**	9.0
Income taxes recovery (paid)	**18.9**	(60.6)	**(5.5)**	(247.2)
Change in loans receivable	**367.1**	(243.8)	**742.7**	(37.4)
Change in operating working capital and other	**730.4**	451.2	**74.5**	(289.0)
Cash generated from operating activities	**1,339.1**	539.5	**1,192.0**	77.9
Investing activities				
Additions to property and equipment and investment property	**(49.4)**	(41.5)	**(134.2)**	(156.6)
Additions to intangible assets	**(9.4)**	(77.0)	**(47.8)**	(113.5)
Total additions	**(58.8)**	(118.5)	**(182.0)**	(270.1)
Acquisition of short-term investments	**(83.0)**	(36.3)	**(160.0)**	(151.1)
Proceeds from maturity and disposition of short-term investments	**85.7**	61.3	**190.1**	139.7
Proceeds on disposition of property and equipment, investment property and assets held for sale	**0.8**	5.7	**1.6**	18.3
Lease payments for finance subleases (principal portion)	**4.1**	3.5	**8.4**	7.6
Acquisition of long-term investments and other	**(38.8)**	(4.3)	**(47.2)**	—
Cash (used for) investing activities	**(90.0)**	(88.6)	**(189.1)**	(255.6)
Financing activities				
Dividends paid	**(65.7)**	(60.8)	**(132.0)**	(121.1)
Distributions paid to non-controlling interests	**(13.8)**	(19.0)	**(41.3)**	(39.0)
Total dividends and distributions paid	**(79.5)**	(79.8)	**(173.3)**	(160.1)
Net (repayment) issuance of short-term borrowings	**(765.6)**	(508.6)	**(61.1)**	190.8
Issuance of loans	**79.5**	93.3	**151.1**	150.4
Repayment of loans	**(97.1)**	(90.5)	**(160.2)**	(139.7)
Issuance of long-term debt	**700.0**	560.0	**718.6**	570.9
Repayment of long-term debt	**(0.1)**	(0.6)	**(0.6)**	(0.6)
Payment of lease liabilities (principal portion)	**(86.2)**	(93.2)	**(170.1)**	(169.5)
Payment of transaction costs related to long-term debt	**(0.3)**	(2.1)	**(0.3)**	(2.1)
Repurchase of share capital	**(3.8)**	(19.5)	**(104.2)**	(195.7)
Payments on financial instruments	**(14.2)**	(17.1)	**(14.8)**	(29.9)
Change in deposits	**566.6**	(3.2)	**608.7**	73.4
Cash generated from (used for) financing activities	**299.3**	(161.3)	**793.8**	287.9
Cash generated in the period	**1,548.4**	289.6	**1,796.7**	110.2
Cash and cash equivalents, net of bank indebtedness, beginning of period	**443.4**	291.0	**195.1**	470.4
Cash and cash equivalents, net of bank indebtedness, end of period	**$ 1,991.8**	$ 580.6	**$ 1,991.8**	$ 580.6

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

Condensed Interim Consolidated Statements of Changes in Equity

			Total accumulated other comprehensive income (loss)						
(C$ in millions)(unaudited)	**Share capital**	**Contributed surplus**	**Cashflow hedges**	**Currency translation adjustment**	**Total accumulated other comprehensive income (loss)**	**Retained earnings**	**Equity attributable to shareholders of Canadian Tire Corporation**	**Equity attributable to non-controlling interests**	**Total equity**
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	**—**	**—**	**—**	**—**	**—**	**(33.3)**	**(33.3)**	**47.8**	**14.5**
Other comprehensive income (loss)	**—**	**—**	**49.2**	**(51.7)**	**(2.5)**	**—**	**(2.5)**	**(7.7)**	**(10.2)**
Total comprehensive income (loss)	**—**	**—**	**49.2**	**(51.7)**	**(2.5)**	**(33.3)**	**(35.8)**	**40.1**	**4.3**
Transfers of cash flow hedge (gains) to non-financial assets	**—**	**—**	**(31.9)**	**—**	**(31.9)**	**—**	**(31.9)**	**—**	**(31.9)**
Contributions and distributions to shareholders of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 8)	**6.9**	**—**	**—**	**—**	**—**	**—**	**6.9**	**—**	**6.9**
Repurchase of Class A Non-Voting Shares (Note 8)	**(103.4)**	**—**	**—**	**—**	**—**	**—**	**(103.4)**	**—**	**(103.4)**
Reversal of accrued liability for automatic share purchase plan commitment (Note 8)	**3.0**	**—**	**—**	**—**	**—**	**46.1**	**49.1**	**—**	**49.1**
Excess of purchase price over average cost (Note 8)	**95.6**	**—**	**—**	**—**	**—**	**(95.6)**	**—**	**—**	**—**
Dividends	**—**	**—**	**—**	**—**	**—**	**(137.9)**	**(137.9)**	**—**	**(137.9)**
Contributions and distributions to non-controlling interests									
Issuance of trust units to non-controlling interests, net of transaction costs	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**7.9**	**7.9**
Distributions and dividends to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(41.4)**	**(41.4)**
Total contributions and distributions	**2.1**	**—**	**(31.9)**	**—**	**(31.9)**	**(187.4)**	**(217.2)**	**(33.5)**	**(250.7)**
Balance at June 27, 2020	**$ 590.1**	**$ 2.9**	**$ (11.0)**	**$ (153.3)**	**$ (164.3)**	**$ 3,508.9**	**$ 3,937.6**	**$ 1,320.7**	**$ 5,258.3**

			Total accumulated other comprehensive income (loss)						
(C$ in millions)(unaudited)	Share capital	Contributed surplus	Cashflow hedges	Currency translation adjustment	Total accumulated other comprehensive income (loss)	Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
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	—	—	—	—	—	247.1	247.1	54.1	301.2
Other comprehensive (loss)	—	—	(82.3)	(29.2)	(111.5)	—	(111.5)	(6.3)	(117.8)
Total comprehensive (loss) income	—	—	(82.3)	(29.2)	(111.5)	247.1	135.6	47.8	183.4
Transfers of cash flow hedge (gains) to non-financial assets	—	—	(37.5)	—	(37.5)	—	(37.5)	—	(37.5)
Contributions and distributions to shareholders of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 8)	7.8	—	—	—	—	—	7.8	—	7.8
Repurchase of Class A Non-Voting Shares (Note 8)	(192.7)	—	—	—	—	—	(192.7)	—	(192.7)
Excess of purchase price over average cost (Note 8)	179.6	—	—	—	—	(179.6)	—	—	—
Dividends	—	—	—	—	—	(127.6)	(127.6)	—	(127.6)
Contributions and distributions to non-controlling interests									
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	—	—	4.0	4.0
Distributions and dividends to non-controlling interests	—	—	—	—	—	—	—	(43.0)	(43.0)
Total contributions and distributions	(5.3)	—	(37.5)	—	(37.5)	(307.2)	(350.0)	(39.0)	(389.0)
Balance at June 29, 2019	$ 586.2	$ 2.9	$ (27.8)	$ (70.1)	$ (97.9)	$ 3,413.7	$ 3,904.9	$ 1,057.5	$ 4,962.4

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.

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2. Basis of Preparation

Statement of Compliance

These condensed interim consolidated financial statements (“interim financial statements”) for the 13 and 26 weeks ended June 27, 2020 (and comparative results for the 13 and 26 weeks ended June 29, 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 August 5, 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.

Indicators of impairments existed in the quarter for certain banners of the Corporation due to adverse changes in the economic environment related to the COVID-19 pandemic. As a result, Management performed impairment testing of the Company's investment property, right-of-use assets, property and equipment and goodwill and intangible assets for those banners.

IAS 36 – *Impairment of Assets* requires companies to assess the recoverable amount of assets, being the higher of fair value less cost of disposal and value in use. The key assumptions used in the Company's impairment testing included the weighted-average cost of capital, or discount rates, growth rates, terminal growth rates, and expected changes in cash flows. When the recoverable amount of a CGU was less than the carrying amount, an impairment loss was recognized.

As a result of these tests, the Company recognized an impairment charge of $27.9 million reflecting the broader economic challenges COVID-19 is having on the timing of certain growth strategies, future cash flows and the discount rate related to the Company's Musto sailing brand and select SportChek stores (right-of-use assets and property and equipment). The impairment charge is recorded within Other expense (income) in the Consolidated Interim Statements of Income.

Management will continue to monitor each of its banners for changes in the business environment that could impact the recoverable amounts in future periods. The recoverable amounts are dependent upon the continued growth of revenue and cash flows from business activities and could be impacted by the Company's ability to execute its growth objectives both in Canada and internationally. Examples of events or circumstances that could result in changes to the underlying key assumptions and judgments used in the impairment tests, and therefore impact the recoverable amounts may include, but are not limited to: the length, duration and impact of COVID-19 on the economy, including measures adopted by governmental or public authorities in response to the pandemic; adverse macro economic conditions; volatility in the equity and debt markets which could result in higher discount rates; current and future competitive conditions and the Company's position in the competitive environment; expectations around the availability of sufficient liquidity, and changes in consumer behaviour. Recoverable amounts for each of our banners are currently expected to be and historically has been, higher than carrying values, except for the $27.9 million impairment charge discussed above. However, if assumptions are not realized, it is possible that further impairment charges may need to be recorded in the future.

COVID-19 also impacted the assumptions and 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.

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.

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 to 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 June 2020, the IASB issued 'Amendments to IFRS 17' to address concerns and implementation challenges that were identified after IFRS 17 was published in 2017. The amendment also deferred 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. In July 2020, due to COVID-19, the IASB deferred the effective date by one year to provide companies with more time to implement any classification changes resulting from the amendments.

Amendment to IFRS 16 Leases – COVID-19-Related Rent Concessions

In May 2020, the IASB issued an amendment to IFRS 16 – *Leases* to make it easier for lessees to account for COVID-19-related rent concessions such as rent holidays and temporary rent reductions. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. The Company is assessing the potential impact of this amendment.

Annual Improvements 2018-2020 and Package of Narrow-Scope Amendments

In May 2020, the IASB issued the package of narrow-scope amendments to three Standards (IFRS 3 – *Business Combinations*, IAS 16 – *Property, Plant and Equipment*, and IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*) as well as the IASB's Annual Improvements 2018-2020, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards. The Company is assessing the potential impact of these narrow scope amendments. These amendments will be effective for annual periods beginning on or after January 1, 2022.

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 June 27, 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 June 27, 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 June 27, 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 June 27, 2020, CTB was in compliance with all external regulatory capital requirements and all financial covenants under its bank credit agreement.

4. Liquidity and Financing

During the second quarter of 2020, the Company entered into a one-year committed bank credit facility for $710 million with five Canadian financial institutions. The new facility expires on March 30, 2021.

As at June 27, 2020, Glacier Credit Card Trust ("GCCT") had $296.1 million of asset-backed commercial paper and $700 million on its note purchase facilities notes outstanding.

As at June 27, 2020, the Company (excluding Helly Hansen and CT REIT) had no borrowings on its committed bank lines of credit and $44.6 million of C$ equivalent ($32.6 million USD) U.S. Commercial Paper outstanding. Helly Hansen had a total of $48.1 million of C$ equivalent borrowings outstanding on its committed bank line of credit (180 million Norwegian Krone ["NOK"]) and its factoring facility (160.9 million NOK), CT REIT had no borrowings under its committed bank line of credit and CTB had no borrowings outstanding under either 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**									
					June 27, 2020					June 29, 2019
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Eliminations and adjustments**	**Total**	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	**$ 2,849.2**	**$ 13.3**	**$ 301.5**	**$ (2.2)**	**$ 3,161.8**	$ 3,358.9	$ 11.7	$ 318.8	$ (2.8)	$ 3,686.6
Intercompany revenue	**0.6**	**112.2**	**8.4**	**(121.2)**	**—**	1.4	110.3	10.5	(122.2)	—
Total revenue	**2,849.8**	**125.5**	**309.9**	**(123.4)**	**3,161.8**	3,360.3	122.0	329.3	(125.0)	3,686.6
Cost of producing revenue	**2,056.1**	**—**	**183.6**	**(18.6)**	**2,221.1**	2,405.6	—	153.9	(16.8)	2,542.7
Gross margin	**793.7**	**125.5**	**126.3**	**(104.8)**	**940.7**	954.7	122.0	175.4	(108.2)	1,143.9
Other expense (income)	**1.1**	**—**	**0.5**	**31.2**	**32.8**	(60.9)	—	0.8	31.8	(28.3)
Selling, general and administrative expenses	**800.1**	**31.7**	**75.2**	**(76.8)**	**830.2**	819.8	30.0	79.4	(80.6)	848.6
Net finance costs (income)	**58.7**	**26.9**	**(0.4)**	**(15.8)**	**69.4**	56.7	27.3	(0.3)	(21.4)	62.3
Fair value loss (gain) on investment properties	**—**	**4.9**	**—**	**(4.9)**	**—**	—	(14.1)	—	14.1	—
(Loss) income before income taxes	**$ (66.2)**	**$ 62.0**	**$ 51.0**	**$ (38.5)**	**$ 8.3**	$ 139.1	$ 78.8	$ 95.5	$ (52.1)	$ 261.3
Items included in the above:										
Depreciation and amortization	**$ 216.4**	**$ —**	**$ 3.7**	**$ (43.1)**	**$ 177.0**	$ 201.1	$ —	$ 3.1	$ (45.3)	$ 158.9
Interest income	**22.3**	**—**	**261.9**	**(16.6)**	**267.6**	27.5	0.1	271.8	(17.1)	282.3
Interest expense	**77.4**	**26.9**	**37.7**	**(49.8)**	**92.2**	79.0	27.4	34.0	(52.6)	87.8

For the	26 weeks ended									
	June 27, 2020					June 29, 2019				
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Eliminations and adjustments**	**Total**	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	**$ 5,351.8**	**$ 27.2**	**$ 636.0**	**$ (4.9)**	**$ 6,010.1**	$ 5,921.3	$ 25.0	$ 640.0	$ (5.3)	$ 6,581.0
Intercompany revenue	**1.2**	**225.1**	**15.8**	**(242.1)**	**—**	3.0	218.6	18.1	(239.7)	—
Total revenue	**5,353.0**	**252.3**	**651.8**	**(247.0)**	**6,010.1**	5,924.3	243.6	658.1	(245.0)	6,581.0
Cost of producing revenue	**3,786.0**	**—**	**380.3**	**(36.1)**	**4,130.2**	4,175.7	—	296.1	(33.0)	4,438.8
Gross margin	**1,567.0**	**252.3**	**271.5**	**(210.9)**	**1,879.9**	1,748.6	243.6	362.0	(212.0)	2,142.2
Other (income) expense	**(34.5)**	**—**	**0.6**	**58.1**	**24.2**	(97.2)	—	0.5	63.4	(33.3)
Selling, general and administrative expenses	**1,648.8**	**63.6**	**150.2**	**(155.7)**	**1,706.9**	1,601.5	62.8	154.1	(156.9)	1,661.5
Net finance costs (income)	**118.5**	**54.4**	**(0.5)**	**(34.8)**	**137.6**	118.7	54.3	(0.5)	(43.2)	129.3
Fair value loss (gain) on investment properties	**—**	**29.1**	**—**	**(29.1)**	**—**	—	(23.7)	—	23.7	—
(Loss) income before income taxes	**$ (165.8)**	**$ 105.2**	**$ 121.2**	**$ (49.4)**	**$ 11.2**	$ 125.6	$ 150.2	$ 207.9	$ (99.0)	$ 384.7
Items included in the above:										
Depreciation and amortization	**$ 429.5**	**$ —**	**$ 6.7**	**$ (87.6)**	**$ 348.6**	$ 402.8	$ —	$ 6.3	$ (88.8)	$ 320.3
Interest income	**47.1**	**0.1**	**550.9**	**(34.8)**	**563.3**	55.1	0.1	543.5	(34.3)	564.4
Interest expense	**157.3**	**54.5**	**71.2**	**(102.4)**	**180.6**	163.3	54.4	66.6	(105.0)	179.3

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 and 26 weeks ended June 27, 2020 amounted to $64.7 million (2019 – $83.3 million) and $179.0 million (2019 – $206.1 million), respectively. Property and equipment, intangible assets (brand and goodwill) and right-of-use assets located outside of Canada was $917.3 million as at June 27, 2020 (2019 – $1.0 billion).

Capital expenditures by reportable operating segment are as follows:

For the	13 weeks ended							
	June 27, 2020				June 29, 2019			
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Total**	Retail	CT REIT	Financial Services	Total
Capital expenditures[1]	**$ 64.1**	**$ 6.6**	**$ 0.7**	**$ 71.4**	$ 113.7	$ 10.4	$ 2.4	$ 126.5

[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.*

For the	26 weeks ended							
	June 27, 2020				June 29, 2019			
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Total**	Retail	CT REIT	Financial Services	Total
Capital expenditures[1]	**$ 136.5**	**$ 47.6**	**$ 1.6**	**$ 185.7**	$ 189.8	$ 37.5	$ 6.1	$ 233.4

[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							
	June 27, 2020				June 29, 2019			
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Total**	Retail	CT REIT	Financial Services	Total
Right-of-use asset additions	**$ 65.8**	**$ —**	**$ —**	**$ 65.8**	$ 112.7	$ —	$ —	$ 112.7

For the	26 weeks ended							
	June 27, 2020				June 29, 2019			
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Total**	Retail	CT REIT	Financial Services	Total
Right-of-use asset additions	**$ 77.1**	**$ 3.0**	**$ 1.8**	**$ 81.9**	$ 156.5	$ —	$ —	$ 156.5

Total assets by reportable operating segment are as follows:

(C$ in millions) As at	**June 27, 2020**	June 29, 2019	December 28, 2019
Retail	**$ 15,174.9**	$ 15,601.9	$ 15,995.4
CT REIT	**6,112.8**	5,928.0	6,024.5
Financial Services	**7,575.5**	6,727.8	6,606.4
Eliminations and adjustments	**(8,812.2)**	(9,020.4)	(9,108.0)
Total assets[1]	**$ 20,051.0**	$ 19,237.3	$ 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) As at	**June 27, 2020**	June 29, 2019	December 28, 2019
Retail	**$ 9,318.2**	$ 9,710.7	$ 9,870.2
CT REIT	**2,755.6**	2,768.0	2,690.4
Financial Services	**6,578.2**	5,787.9	5,589.9
Eliminations and adjustments	**(3,859.3)**	(3,991.7)	(4,136.9)
Total liabilities[1]	**$ 14,792.7**	$ 14,274.9	$ 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)	Total principal amount of receivables[1]		
As at	**June 27, 2020**	June 29, 2019	December 28, 2019
Credit card loans[2]	**$ 5,060.5**	$ 5,516.4	$ 5,794.1
Dealer loans[3]	**613.4**	667.2	622.5
Total loans receivable	**5,673.9**	6,183.6	6,416.6
Less: long-term portion[4]	**571.8**	611.5	602.8
Current portion of loans receivable	**$ 5,102.1**	$ 5,572.1	$ 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 $570.6 million (June 29, 2019 – $610.6 million and December 28, 2019 – $601.6 million).*

The Company's allowance for loans receivable increased by $94.6 million from December 28, 2019 primarily due to the economic uncertainty as a result of COVID-19. This increase in allowance was driven by an increase in the ECL model's economic overlay resulting from changes in Management's assumptions on forward looking economic indicators and from increased probability of cardholder delinquency and default.

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

				2020
(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 28, 2019	**$ 300.5**	**$ 192.1**	**$ 304.2**	**$ 796.8**
Increase (decrease) during the period				
Write-offs	**(3.7)**	**(20.1)**	**(216.2)**	**(240.0)**
Recoveries	**—**	**—**	**40.8**	**40.8**
New loans originated	**4.5**	**—**	**—**	**4.5**
Transfers				
to Stage 1	**85.5**	**(62.0)**	**(23.5)**	**—**
to Stage 2	**(14.9)**	**18.1**	**(3.2)**	**—**
to Stage 3	**(20.7)**	**(43.4)**	**64.1**	**—**
Net remeasurements	**49.4**	**80.9**	**159.0**	**289.3**
Balance at June 27, 2020	**$ 400.6**	**$ 165.6**	**$ 325.2**	**$ 891.4**

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		(4.2)		(16.8)		(211.1)		(232.1)
Recoveries		—		—		40.7		40.7
New loans originated		14.9		—		—		14.9
Transfers								
to Stage 1		61.7		(51.1)		(10.6)		—
to Stage 2		(21.2)		23.0		(1.8)		—
to Stage 3		(14.6)		(27.5)		42.1		—
Net remeasurements		(17.7)		79.1		137.8		199.2
Balance at June 29, 2019	$	271.9	$	192.8	$	322.6	$	787.3

[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:

								June 27, 2020
(C$ in millions)		**Stage 1**		**Stage 2**		**Stage 3**		**Total**
Low risk	**$**	**2,231.6**	**$**	**55.6**	**$**	**—**	**$**	**2,287.2**
Moderate risk		**1,865.7**		**101.1**		**—**		**1,966.8**
High risk		**799.9**		**213.4**		**684.6**		**1,697.9**
Total gross carrying amount		**4,897.2**		**370.1**		**684.6**		**5,951.9**
ECL allowance		**400.6**		**165.6**		**325.2**		**891.4**
Net carrying amount	**$**	**4,496.6**	**$**	**204.5**	**$**	**359.4**	**$**	**5,060.5**

								June 29, 2019
(C$ in millions)		Stage 1		Stage 2		Stage 3		Total
Low risk	$	2,130.0	$	201.3	$	—	$	2,331.3
Moderate risk		1,895.7		242.0		—		2,137.7
High risk		867.8		289.2		677.7		1,834.7
Total gross carrying amount		4,893.5		732.5		677.7		6,303.7
ECL allowance		271.9		192.8		322.6		787.3
Net carrying amount	$	4,621.6	$	539.7	$	355.1	$	5,516.4

				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 and 26 weeks ended June 27, 2020, the amount of cash received from interest earned on credit cards and loans was $259.6 million (2019 – $247.0 million) and $529.8 million (2019 – $503.3 million), respectively.

7. Long-Term Debt

During the second quarter of 2020, CTB pre-emptively raised $700 million of funding through a draw under its note purchase facility. Pursuant to this transaction, GCCT issued Series 2020-A two-year pre-payable term notes totalling $700 million to Scotiabank, which remained outstanding as at June 27, 2020.

8. Share Capital

Share capital consists of the following:

(C$ in millions) As at	**June 27, 2020**	June 29, 2019	December 28, 2019
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (June 29, 2019 – 3,423,366; December 28, 2019 – 3,423,366)	**$ 0.2**	$ 0.2	$ 0.2
57,383,758 Class A Non-Voting Shares (June 29, 2019 – 58,212,090; December 28, 2019 – 58,096,958)	**589.9**	586.0	587.8
	$ 590.1	$ 586.2	$ 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 Q2 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	13 Weeks Ended				26 Weeks Ended			
	June 27, 2020		June 29, 2019		**June 27, 2020**		June 29, 2019	
(C$ in millions)	**Number**	**$**	Number	$	**Number**	**$**	Number	$
Shares outstanding at beginning of the period	**57,383,758**	**$ 586.7**	58,352,090	$ 584.2	**58,096,958**	**$ 587.8**	59,478,460	$ 591.3
Issued under the dividend reinvestment plan and stock option plan	**30,732**	**3.5**	24,375	3.4	**55,703**	**6.9**	54,805	7.8
Repurchased[1]	**(30,732)**	**(3.8)**	(164,375)	(22.9)	**(768,903)**	**(103.4)**	(1,321,175)	(192.7)
Reversal of accrued liability for ASPP commitment	**—**	**—**	—	—	**—**	**3.0**	—	—
Excess of repurchase price over average cost	**—**	**3.5**	—	21.3	**—**	**95.6**	—	179.6
Shares outstanding at end of the period	**57,383,758**	**$ 589.9**	58,212,090	$ 586.0	**57,383,758**	**$ 589.9**	58,212,090	$ 586.0

[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 June 27, 2020, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of $69.2 million (2019 – $63.9 million) at a rate of $1.1375 per share (2019 – $1.0375 per share).

On August 5, 2020, the Company's Board of Directors declared dividends at a rate of $1.1375 payable on December 1, 2020 to shareholders of record as of October 31, 2020.

For the 13 and 26 weeks ended June 27, 2020, 237,342 and 169,100 stock options, respectively, 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.

9. Share-Based Payments

During the 26 weeks ended June 27, 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).

10. Revenue

Revenue by reportable operating segment is as follows:

For the	13 weeks ended									
					June 27, 2020					June 29, 2019
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Adjust-ments**	**Total**	Retail	CT REIT	Financial Services	Adjust-ments	Total
Sale of goods	**$ 2,729.8**	**$ —**	**$ —**	**$ —**	**$ 2,729.8**	$ 3,237.1	$ —	$ —	$ —	$ 3,237.1
Interest income on loans receivable	**3.6**	**—**	**261.3**	**(1.3)**	**263.6**	5.2	—	271.4	(2.8)	273.8
Royalties and licence fees	**7.2**	**—**	**—**	**—**	**7.2**	12.7	—	—	—	12.7
Services rendered	**4.8**	**—**	**40.2**	**(0.9)**	**44.1**	4.4	—	47.4	—	51.8
Rental income	**103.8**	**13.3**	**—**	**—**	**117.1**	99.5	11.7	—	—	111.2
	$ 2,849.2	**$ 13.3**	**$ 301.5**	**$ (2.2)**	**$ 3,161.8**	$ 3,358.9	$ 11.7	$ 318.8	$ (2.8)	$ 3,686.6

For the	26 weeks ended									
					June 27, 2020					June 29, 2019
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Adjust-ments**	**Total**	Retail	CT REIT	Financial Services	Adjust-ments	Total
Sale of goods	**$ 5,113.8**	**$ —**	**$ —**	**$ —**	**$ 5,113.8**	$ 5,678.2	$ —	$ —	$ —	$ 5,678.2
Interest income on loans receivable	**8.3**	**—**	**549.9**	**(3.1)**	**555.1**	10.4	—	542.7	(5.3)	547.8
Royalties and licence fees	**18.9**	**—**	**—**	**—**	**18.9**	25.2	—	—	—	25.2
Services rendered	**8.9**	**—**	**86.1**	**(1.8)**	**93.2**	8.1	—	97.3	—	105.4
Rental income	**201.9**	**27.2**	**—**	**—**	**229.1**	199.4	25.0	—	—	224.4
	$ 5,351.8	**$ 27.2**	**$ 636.0**	**$ (4.9)**	**$ 6,010.1**	$ 5,921.3	$ 25.0	$ 640.0	$ (5.3)	$ 6,581.0

Retail revenue breakdown is as follows:

For the	13 weeks ended		26 weeks ended	
(C$ in millions)	**June 27, 2020**	June 29, 2019	**June 27, 2020**	June 29, 2019
Canadian Tire	**$ 2,047.4**	$ 2,019.5	**$ 3,452.8**	$ 3,371.1
SportChek	**306.7**	452.5	**676.8**	873.6
Mark's	**181.0**	285.7	**393.5**	531.4
Helly Hansen[1]	**68.9**	87.7	**190.4**	218.7
Petroleum	**239.2**	510.4	**629.2**	921.6
Other and intersegment eliminations[1]	**6.0**	3.1	**9.1**	4.9
	$ 2,849.2	$ 3,358.9	**$ 5,351.8**	$ 5,921.3

[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.

11. Cost of Producing Revenue

For the	13 weeks ended		26 weeks ended	
(C$ in millions)	**June 27, 2020**	June 29, 2019	**June 27, 2020**	June 29, 2019
Inventory cost of sales[1]	**$ 2,056.8**	$ 2,406.6	**$ 3,781.7**	$ 4,176.4
Net impairment loss on loans receivable	**132.7**	105.3	**284.5**	203.8
Finance costs	**18.8**	17.1	**34.8**	33.5
Other	**12.8**	13.7	**29.2**	25.1
	$ 2,221.1	$ 2,542.7	**$ 4,130.2**	$ 4,438.8

[1] *Inventory cost of sales includes depreciation for the 13 and 26 weeks ended June 27, 2020 of $3.2 million (2019 – $2.3 million) and $6.3 million (2019 – $4.3 million), respectively.*

Inventory writedowns as a result of net realizable value being lower than cost, recognized in the 13 and 26 weeks ended June 27, 2020 were $25.8 million (2019 – $9.6 million) and $39.8 million (2019 – $20.2 million), respectively.

Inventory writedowns recognized in prior periods and reversed in the 13 and 26 weeks ended June 27, 2020 were $1.0 million (2019 – $1.6 million) and $2.9 million (2019 – $3.0 million), respectively. 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.

12. Selling, General and Administrative Expenses

For the	13 weeks ended		26 weeks ended	
(C$ in millions)	**June 27, 2020**	June 29, 2019	**June 27, 2020**	June 29, 2019
Personnel expenses	**$ 307.5**	$ 332.7	**$ 671.9**	$ 646.0
Occupancy	**104.3**	109.1	**216.9**	215.8
Marketing and advertising	**63.8**	83.8	**121.7**	145.6
Depreciation of property and equipment and investment property[1]	**71.7**	66.0	**144.2**	134.8
Depreciation of right-of-use assets	**70.5**	64.6	**140.2**	127.8
Amortization of intangible assets	**31.6**	26.0	**57.9**	53.4
Information systems	**50.8**	48.6	**101.7**	92.3
Other	**130.0**	117.8	**252.4**	245.8
	$ 830.2	$ 848.6	**$ 1,706.9**	$ 1,661.5

[1] *Refer to Note 11 for depreciation included in cost of producing revenue.*

13. Net Finance Costs

For the	13 weeks ended		26 weeks ended	
(C$ in millions)	**June 27, 2020**	June 29, 2019	**June 27, 2020**	June 29, 2019
Finance (income)	**$ (2.6)**	$ (7.0)	**$ (5.3)**	$ (13.5)
Finance (income) on lease receivables[1]	**(1.4)**	(1.4)	**(2.9)**	(3.0)
Finance costs	**48.6**	43.3	**95.4**	91.3
Finance costs on lease liabilities	**24.8**	27.4	**50.4**	54.5
	$ 69.4	$ 62.3	**$ 137.6**	$ 129.3

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

14. Income Taxes

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

For the	13 weeks ended		26 weeks ended	
(C$ in millions)	**June 27, 2020**	June 29, 2019	**June 27, 2020**	June 29, 2019
Net fair value (losses) on hedging instruments entered into for cash flow hedges not subject to basis adjustment	**$ (1.6)**	$ (3.1)	**$ (11.4)**	$ (8.1)
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	**(7.9)**	(1.3)	**(2.7)**	(3.1)
Reclassification of (gains) losses to income	**—**	(0.1)	**0.2**	(0.2)
Net fair value (losses) gains on hedging instruments entered into for cash flow hedges subject to basis adjustment	**(8.9)**	(7.6)	**28.9**	(20.8)
	$ (18.4)	$ (12.1)	**$ 15.0**	$ (32.2)

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.

15. 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	**June 27, 2020**	June 29, 2019	December 28, 2019
Cash	**$ 680.6**	$ 90.4	$ 117.9
Cash equivalents	**1,288.8**	484.3	69.4
Restricted cash and cash equivalents[1]	**22.4**	24.8	18.2
Total cash and cash equivalents[2]	**1,991.8**	599.5	205.5
Bank indebtedness	**—**	(18.9)	(10.4)
Cash and cash equivalents, net of bank indebtedness	**$ 1,991.8**	$ 580.6	$ 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 $16.5 million (June 29, 2019 – $20.6 million and December 28, 2019 – $12.8 million) and other operational items $5.9 million (June 29, 2019 – $4.2 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 and 26 weeks ended June 27, 2020 was $110.5 million (2019 – $134.9 million) and $219.6 million (2019 – $237.9 million), respectively.

Capital Commitments
As at June 27, 2020, the Company had capital commitments for the acquisition of property and equipment, investment property and intangible assets for an aggregate cost of approximately $188.2 million (2019 – $233.3 million).

16. Financial Instruments

16.1 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.

16.2 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		**June 27, 2020**			June 29, 2019			December 28, 2019	
Balance sheet line	**Category**	**Level**			Level			Level	
Trade and other receivables	FVTPL[1]	**2**	**$**	**23.4**	2	$	13.1	2	$ 12.1
Trade and other receivables	Effective hedging instruments	**2**		**55.4**	2		16.7	2	9.1
Long-term receivables and other assets	FVTPL[1]	**2**		**13.9**	2		—	2	—
Long-term receivables and other assets	Effective hedging instruments	**2**		**22.2**	2		18.9	2	42.9
Trade and other payables	FVTPL[1]	**2**		**21.6**	2		7.1	2	9.2
Trade and other payables	Effective hedging instruments	**2**		**22.4**	2		13.2	2	19.1
Redeemable financial instrument	FVTPL	**3**		**567.0**	3		567.0	3	567.0
Other long-term liabilities	FVTPL[1]	**2**		**1.1**	2		—	2	0.4
Other long-term liabilities	Effective hedging instruments	**2**		**1.3**	2		15.8	2	5.2

[1] *Relates to derivatives not designated as hedging instruments.*

There were no transfers in either direction among categories during the 13 and 26 weeks ended June 27, 2020 or the 13 and 26 weeks ended June 29, 2019.

16.3 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	**June 27, 2020**		June 29, 2019		December 28, 2019	
(C$ in millions)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short-term investments	**$ 202.0**	**$ 202.1**	$ 242.4	$ 242.6	$ 201.7	$ 201.7
Long-term investments	**154.8**	**154.9**	106.1	106.7	138.9	139.5
Debt	**5,236.8**	**5,439.6**	5,016.5	5,251.7	4,518.4	4,711.7
Deposits	**3,055.2**	**3,139.2**	2,546.6	2,576.8	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.

17. 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 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 it is more likely than not 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 second quarter of 2020 would not be significant.