# Management's Discussion and Analysis

Canadian Tire Corporation, Limited
Third Quarter 2020

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# 1.0 Preface

## 1.1 Definitions

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

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

In this document:

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

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

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

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

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

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

“Jumpstart” refers to Canadian Tire Jumpstart Charities.

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

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

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

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

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

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

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

## 1.2 Forward-Looking Statements

This Management's Discussion and Analysis ("MD&A") contains statements that are forward-looking and may constitute "forward-looking information" within the meaning of applicable securities legislation. Actual results or events may differ materially from those forecasted and from statements of the Company's plans or aspirations that are made in this MD&A because of the risks and uncertainties associated with the Corporation's businesses and the general economic environment. The Company cannot provide any assurance that any forecast financial or operational performance, plans, or aspirations will actually be achieved or, if achieved, will result in an increase in the Company's share price. Refer to section 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 November 4, 2020.

## 1.4 Quarterly and Annual Comparisons in the MD&A

Unless otherwise indicated, all comparisons of results for Q3 2020 (39 weeks ended September 26, 2020) are compared against results for Q3 2019 (39 weeks ended September 28, 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 Events that Impacted the Company this Quarter

## Operating performance

During the third quarter of 2020, the global spread of Coronavirus ("COVID-19") continued to have an impact on the Canadian and global economy and customer purchasing behaviours. Refer to section 3.0 of the first and second quarter MD&A for additional details on events that impacted the Company's operations, financial results over the first half of the year, and forward-looking information.

After widespread store closures in the second quarter, the Company's store network was open during the third quarter but continued to be impacted by restricted operating hours, enhanced cleaning protocols and actions to support physical distancing. The Company's eCommerce channel continued to see increased customer demand in the quarter. While eCommerce penetration rates decreased relative to the second quarter, they were still significantly higher than last year and stabilized at almost double the 2019 rates. On a year-to-date basis, total eCommerce sales have surpassed $1 billion.

During the quarter, the Company continued to prioritize meeting the needs of Canadians and communities, while protecting the health and well-being of its employees, customers, Dealers and franchisees and maintaining a financially strong business. On September 12, 2020 the Company launched the $8 million Jumpstart Sport Relief Fund to provide assistance to community sport organizations across Canada in their response to COVID-19 related program stoppages.

As customer behaviour continues to evolve, the Company's ongoing ability to satisfy its customers' shopping habits and demand and achieve its operational objectives depends upon its ability to maintain key supply chain operations including distribution, logistics and transportation arrangements. The Company continues to focus on enhancing its operational objectives relating to its supply chain capabilities to address the unprecedented demand it has seen throughout 2020 from Dealers and customers.

The Company also continued to focus on executing against its Operational Efficiency initiatives and remains committed and on track to deliver its targeted $200+ million in annualized savings by 2022.

## Financial performance

During the quarter, the Company's Retail segment selling, general and administrative expenses ("SG&A") were impacted by COVID-19 in two measurable respects:

- $18.3 million in 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. The special support payment was discontinued mid August; and
- $16.2 million reduction of expenses due to the continued 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.

As a result of the above, in the quarter there was an increase in net expenses of $2.1 million and a net decrease in consolidated earnings per share of $0.07.

On a year-to-date basis, the Company has estimated that COVID-19 related net expenses have negatively impacted consolidated results by $137.6 million, or $1.60 earnings per share, impacting the Retail segment by $92.7 million and the Financial Services segment by $44.9 million. Refer to section 3.0 of the first and second quarter MD&A in addition to the impact noted above.

# 4.0 Financial Performance

## 4.1 Consolidated Financial Performance

### 4.1.1 Consolidated Financial Results

| (C$ in millions, except where noted) | Q3 2020 | Q3 2019 | Change | YTD Q3 2020 | YTD Q3 2019 | Change |
|---|---|---|---|---|---|---|
| Retail sales[1] | $ 4,414.4 | $ 3,904.3 | 13.1 % | $ 11,547.2 | $ 11,040.8 | 4.6 % |
| Revenue | $ 3,986.4 | $ 3,636.7 | 9.6 % | $ 9,996.5 | $ 10,217.7 | (2.2)% |
| Gross margin dollars | $ 1,346.8 | $ 1,228.6 | 9.6 % | $ 3,226.7 | $ 3,370.8 | (4.3)% |
| Gross margin as a % of revenue | 33.8 % | 33.8 % | — bps | 32.3 % | 33.0 % | (71) bps |
| Other expense (income) | $ 5.6 | $ 17.9 | (69.0)% | $ 29.8 | $ (15.4) | (293.8)% |
| Selling, general and administrative expenses | 838.8 | 832.3 | 0.8 % | 2,545.7 | 2,493.8 | 2.1 % |
| Net finance costs | 60.1 | 71.5 | (15.9)% | 197.7 | 200.8 | (1.5)% |
| Income before income taxes | $ 442.3 | $ 306.9 | 44.1 % | $ 453.5 | $ 691.6 | (34.4)% |
| Income taxes expense | 116.0 | 79.2 | 46.4 % | 112.7 | 162.7 | (30.8)% |
| Effective tax rate | 26.2 % | 25.8 % | | 24.9 % | 23.5 % | |
| Net income | $ 326.3 | $ 227.7 | 43.3 % | $ 340.8 | $ 528.9 | (35.6)% |
| Net income attributable to: | | | | | | |
| Shareholders of Canadian Tire Corporation | $ 296.3 | $ 197.2 | 50.3 % | $ 263.0 | $ 444.3 | (40.8)% |
| Non-controlling interests | 30.0 | 30.5 | (1.5)% | 77.8 | 84.6 | (8.0)% |
| | $ 326.3 | $ 227.7 | 43.3 % | $ 340.8 | $ 528.9 | (35.6)% |
| Basic EPS | $ 4.87 | $ 3.20 | 52.3 % | $ 4.32 | $ 7.18 | (39.9)% |
| Diluted EPS | $ 4.84 | $ 3.20 | 51.5 % | $ 4.30 | $ 7.17 | (40.0)% |
| Weighted average number of Common and Class A Non-Voting Shares outstanding: | | | | | | |
| Basic | 60,808,021 | 61,619,653 | NM[2] | 60,928,842 | 61,861,892 | NM[2] |
| Diluted | 61,185,383 | 61,678,957 | NM[2] | 61,101,887 | 61,930,350 | NM[2] |

[1] *Retail sales is a key operating performance measure. 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) | Q3 2020 | Q3 2019 | YTD Q3 2020 | YTD Q3 2019 |
|---|---|---|---|---|
| Financial Services<br>Non-controlling interest percentage 20.0% (2019 – 20.0%) | $ 13.1 | $ 15.8 | $ 30.5 | $ 45.8 |
| CT REIT<br>Non-controlling interest percentage 30.9% (2019 – 30.7%) | 15.9 | 13.2 | 46.7 | 36.1 |
| Retail segment subsidiary<br>Non-controlling interest percentage 50.0% (2019 – 50.0%) | 1.0 | 1.5 | 0.6 | 2.7 |
| Net income attributable to non-controlling interests | $ 30.0 | $ 30.5 | $ 77.8 | $ 84.6 |

## Normalizing Items

The results of operations in 2020 and 2019 include costs related to the Company's Operational Efficiency Program and Party City acquisition-related costs which were considered as normalizing items.

| (C$ in millions) | Q3 2020 | Q3 2019 | YTD Q3 2020 | YTD Q3 2019 |
|---|---|---|---|---|
| Operating Efficiency program | **$ 7.6** | $ 19.8 | **$ 21.4** | $ 27.9 |
| Party City - acquisition-related costs | **—** | 2.3 | **—** | 2.3 |
| Total | **$ 7.6** | $ 22.1 | **$ 21.4** | $ 30.2 |

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) | Q3 2020 | Normalizing Items[1] | Normalized Q3 2020 | Q3 2019 | Normalizing Items[1] | Normalized Q3 2019 | Change[2] |
|---|---|---|---|---|---|---|---|
| Revenue | **$ 3,986.4** | **$ —** | **$ 3,986.4** | $ 3,636.7 | $ — | $ 3,636.7 | 9.6% |
| Cost of producing revenue | **2,639.6** | **—** | **2,639.6** | 2,408.1 | — | 2,408.1 | 9.6% |
| Gross margin | **$ 1,346.8** | **$ —** | **$ 1,346.8** | $ 1,228.6 | $ — | $ 1,228.6 | 9.6% |
| Gross margin rate | **33.8 %** | **—** | **33.8 %** | 33.8 % | — | 33.8 % | — bps |
| Other expense | **$ 5.6** | **$ —** | **$ 5.6** | $ 17.9 | $ — | $ 17.9 | (69.0)% |
| Selling, general and administrative expenses | **838.8** | **(7.6)** | **831.2** | 832.3 | (22.1) | 810.2 | 2.6% |
| Net finance costs | **60.1** | **—** | **60.1** | 71.5 | — | 71.5 | (15.9)% |
| Income before income taxes | **$ 442.3** | **$ 7.6** | **$ 449.9** | $ 306.9 | $ 22.1 | $ 329.0 | 36.7% |
| Income tax expense | **116.0** | **2.0** | **118.0** | 79.2 | 6.0 | 85.2 | 38.5% |
| Net income | **$ 326.3** | **$ 5.6** | **$ 331.9** | $ 227.7 | $ 16.1 | $ 243.8 | 36.1% |
| Net income attributable to shareholders of CTC | **296.3** | **5.6** | **301.9** | 197.2 | 16.1 | 213.3 | 41.5% |
| Diluted EPS | **$ 4.84** | **$ 0.09** | **$ 4.93** | $ 3.20 | $ 0.26 | $ 3.46 | 42.5% |

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

| (C$ in millions, except where noted) | YTD Q3 2020 | Normalizing Items[1] | Normalized YTD Q3 2020 | YTD Q3 2019 | Normalizing Items[1] | Normalized YTD Q3 2019 | Change[2] |
|---|---|---|---|---|---|---|---|
| Revenue | **$ 9,996.5** | **$ —** | **$ 9,996.5** | $ 10,217.7 | $ — | $ 10,217.7 | (2.2)% |
| Cost of producing revenue | **6,769.8** | **—** | **6,769.8** | 6,846.9 | — | 6,846.9 | (1.1)% |
| Gross margin | **$ 3,226.7** | **$ —** | **$ 3,226.7** | $ 3,370.8 | $ — | $ 3,370.8 | (4.3)% |
| Gross margin rate | **32.3 %** | — | **32.3 %** | 33.0 % | — | 33.0 % | (71) bps |
| Other expense (income) | **$ 29.8** | **$ —** | **$ 29.8** | $ (15.4) | $ — | $ (15.4) | (293.8)% |
| Selling, general and administrative expenses | **2,545.7** | **(21.4)** | **2,524.3** | 2,493.8 | (30.2) | 2,463.6 | 2.5% |
| Net finance costs | **197.7** | **—** | **197.7** | 200.8 | — | 200.8 | (1.5)% |
| Income before income taxes | **$ 453.5** | **$ 21.4** | **$ 474.9** | $ 691.6 | $ 30.2 | $ 721.8 | (34.2)% |
| Income tax expense | **112.7** | **5.7** | **118.4** | 162.7 | 8.2 | 170.9 | (30.7)% |
| Net income | **$ 340.8** | **$ 15.7** | **$ 356.5** | $ 528.9 | $ 22.0 | $ 550.9 | (35.3)% |
| Net income attributable to shareholders of CTC | **263.0** | **15.7** | **278.7** | 444.3 | 22.0 | 466.3 | (40.2)% |
| Diluted EPS | **$ 4.30** | **$ 0.26** | **$ 4.56** | $ 7.17 | $ 0.36 | $ 7.53 | (39.4)% |

[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 2020. Refer to section 3.0 in this MD&A for further information regarding the events that impacted the Company this quarter and on a year-to-date basis.

| | Q3 2020 | Year-to-Date |
|---|---|---|
| **Consolidated Results Summary** | ▲ **Diluted EPS: $1.64 per share, or 51.5%** | ▼ **Diluted EPS: $2.87 per share, or 40.0%** |
| | • Consolidated revenue increased $349.7 million, or 9.6 percent. Excluding Petroleum, consolidated revenue increased 15.3 percent mainly attributable to strong revenue growth in the Retail segment, partially offset by lower revenue in Financial Services segment. Retail segment revenue increase was mainly attributable to strong growth at Canadian Tire driven by higher shipments and inclusion of Party City, an increase in revenue at Mark's, which was partially offset by lower revenue at SportChek. The revenue decline in the Financial Services segment was mainly attributable to lower credit charges and lower card sales revenue. | • Consolidated revenue decreased $221.2 million, or 2.2 percent. Excluding Petroleum, consolidated revenue increased 2.3 percent mainly attributable to a revenue increase in the Retail segment, partially offset by a revenue decline in the Financial Services segment. Retail segment revenue increase was driven by Canadian Tire attributable to higher shipments volume and the inclusion of Party City, partially offset by the temporary store closures at SportChek and Mark's during the first half of the year. The revenue decline in Financial Services segment was mainly attributable to lower card sales revenue and lower credit charges. |
| | • Consolidated gross margin increased $118.2 million or 9.6 percent which is primarily attributable to the Retail segment driven by growth at Canadian Tire, Mark's and SportChek, partially offset by a decrease in the Financial Services segment attributable to a decline in revenue. | • Consolidated gross margin dollars decreased $144.1 million, or 4.3 percent, which is mainly attributable to the temporary store closures during the first half of the year across all banners in the Retail segment, partially offset by growth at Canadian Tire. Lower revenue and an increase in the Expected Credit Loss ("ECL") allowance in the Financial Services segment also contributed the decline. |
| | • Other expense decreased by $12.3 million attributable mainly to lower non-operating foreign exchange losses at Helly Hansen compared to the prior year. | • Other income decreased by $45.2 million, attributable mainly to an impairment charge of $27.9 million related to the Retail segment in Q2, 2020, and higher real estate gains related to property disposition incurred in the prior year, partially offset by lower non-operating foreign exchange losses at Helly Hansen. |
| | • Consolidated SG&A expenses increased by $6.5 million, or 0.8 percent. Normalized consolidated SG&A increased $21.0 million, or 2.6 percent, mainly due to the inclusion of Party City and an increase in IT-related costs, partially offset by lower marketing spend and Operational Efficiency program savings compared to the prior year. | • Consolidated SG&A expenses increased by $51.9 million or 2.1 percent. Normalized consolidated SG&A expenses increased by $60.7 million or 2.5 percent. Excluding the net costs in relation to events that impacted the Company this year of $57.7 million, normalized consolidated SG&A was relatively flat to prior year with a slight increase by $3.0 million or 0.1 percent. |
| | • Net finance costs during the quarter decreased primarily due to lower medium-term and short-term funding volume and rates compared to the prior year. | • Net finance costs were lower compared to the prior year mainly attributable to lower medium-term and short-term funding volume and rates, which was partially offset by 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 $116.0 million, compared to $79.2 million in the prior year. The increase in income tax expense was primarily due to higher income and higher non-deductible stock-option expense attributable mainly to share price fluctuations in the quarter. | • Income taxes for the period was $112.7 million compared to $162.7 million, a decrease of $50.0 million compared to the prior year due to lower income. There was an increase in the tax rate during this year, primarily driven by higher non-deductible stock-option expense, lower favourable adjustments to prior years' tax settlement, partially offset by higher non-controlling interest relating to CT REIT. |

**Consolidated Results Commentary** *(continued)*

| | Q3 2020 | Year-to-Date |
|---|---|---|
| | • Normalized diluted EPS in the quarter was $4.93, an increase of $1.47, or 42.5 percent, from prior year. The increase in earnings was primarily driven by strong growth in the Retail segment driven by Canadian Tire and the inclusion of Party City, partially offset by lower earnings in the Financial Services segment and higher income taxes. | • Normalized diluted EPS was $4.56, a decrease of $2.97, or 39.4 percent, 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 $1.60 due to the net expenses relating to 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) | **Q3 2020** | Q3 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] | **20.9 %** | 23.6 % | (264) bps |
| Normalized[1] EBITDA adjusted for rent expense[2] and excluding Petroleum, as a percentage of revenue[4, 5] | **14.9 %** | 13.7 % | 126 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 $97.4 million (2019 - $96.2 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.*

| (C$ in millions) increase/(decrease) | **YTD Q3 2020** | YTD Q3 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 %** | 25.7 % | (13) bps |
| Normalized[1] EBITDA adjusted for rent expense[2] and excluding Petroleum, as a percentage of revenue[4, 5] | **8.8 %** | 11.5 % | (270) 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 $299.5 million (2019 - $284.4 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.*

## Consolidated Key Operating Performance Measures, Excluding Petroleum, Commentary

As a result of COVID-19, key operating performance measures, excluding Petroleum, were impacted by a number of items. Refer to section 3.0 in this MD&A for further information regarding the events that impacted the Company this quarter and on a year-to-date basis.

### Consolidated Results Commentary

| | Q3 2020 | Year-to-Date |
|---|---|---|
| **Normalized SG&A expenses adjusted for rent expense (excluding depreciation and amortization) and excluding Petroleum as a percentage of Revenue** | ▼ **264 bps**<br>• Normalized SG&A expenses adjusted for rent (excluding depreciation and amortization) and Petroleum, as a percentage of revenue, decreased 264 bps. The decrease in rate is mainly attributable to the increase in revenue excluding Petroleum which was $479.6 million, or 15.3 percent, compared to prior year driven by the increase in the Retail segment, partially offset by an increase in SG&A.<br><br>The increase in SG&A was mainly due to the inclusion of Party City and an increase in IT-related costs. These increases in costs were partially offset by a decrease in marketing spend and Operational Efficiency program savings compared to the prior year. | ▼ **13 bps**<br>• Normalized SG&A expenses adjusted for rent (excluding depreciation and amortization) and Petroleum, as a percentage of revenue decreased 13 bps. The decrease in rate is mainly attributable to the increase in revenue, excluding Petroleum, compared to prior year driven by the increase in the Retail segment, partially offset by an increase in SG&A which included net costs in relation to events that impacted the Company during the year of $57.7 million.<br><br>Excluding the above-noted impacts, normalized SG&A expenses adjusted for rent expense (excluding depreciation and amortization) was relatively flat to last year as an increase in costs from the inclusion of Party City was partially offset by a decrease in marketing spend and Operational Efficiency program savings. |
| **Normalized EBITDA adjusted for rent expense and excluding Petroleum, as a percentage of Revenue** | ▲ **126 bps**<br>• Normalized EBITDA adjusted for rent expense as a percentage of revenue, excluding Petroleum, increased 126 bps. The increase in rate is mainly attributable to the increase in Retail segment revenue.<br><br>The rate also benefited from lower foreign exchange losses at Helly Hansen, lower marketing spend and Operational Efficiency program savings in the Retail segment, which were partially offset by lower earnings in Financial Services segment. | ▼ **270 bps**<br>• Normalized EBITDA adjusted for rent expense as a percentage of revenue, excluding Petroleum, decreased 270 bps. The decrease in rate is mainly attributable to the decrease in earnings in the Retail and Financial Services segments, which included net costs of $137.6 million relating to events that impacted the Company this year. Retail segment earnings were negatively impacted by the temporary store closures in the first half of the year. |

### 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) | **Q3 2020** | Q2 2020 | Q1 2020 | Q4 2019 | **Q3 2019** | Q2 2019 | Q1 2019 | Q4 2018 |
|---|---|---|---|---|---|---|---|---|
| Revenue | **$ 3,986.4** | $ 3,161.8 | $ 2,848.3 | $ 4,316.7 | **$ 3,636.7** | $ 3,686.6 | $ 2,894.4 | $ 4,131.7 |
| Net income | **326.3** | 2.3 | 12.2 | 365.9 | **227.7** | 203.8 | 97.4 | 278.2 |
| Normalized net income[1] | **331.9** | 6.9 | 17.7 | 372.4 | **243.8** | 209.7 | 97.4 | 328.2 |
| Diluted EPS | **4.84** | (0.33) | (0.22) | 5.42 | **3.20** | 2.87 | 1.12 | 3.99 |
| Normalized diluted EPS[1] | **4.93** | (0.25) | (0.13) | 5.53 | **3.46** | 2.97 | 1.12 | 4.78 |

[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) | **Q3 2020** | Q3 2019 | Change | **YTD Q3 2020** | YTD Q3 2019 | Change |
|---|---|---|---|---|---|---|
| Retail sales[1] | **$ 4,414.4** | $ 3,904.3 | 13.1% | **$ 11,547.2** | $ 11,040.8 | 4.6% |
| Revenue | **$ 3,684.8** | $ 3,296.3 | 11.8% | **$ 9,037.8** | $ 9,220.6 | (2.0)% |
| Gross margin dollars | **$ 1,161.4** | $ 1,023.0 | 13.5% | **$ 2,728.4** | $ 2,771.6 | (1.6)% |
| Gross margin as a % of revenue | **31.5%** | 31.0% | 48 bps | **30.2%** | 30.1% | 13 bps |
| Other (income) | **$ (26.2)** | $ (13.3) | 95.0% | **$ (60.7)** | $ (110.5) | (45.1)% |
| Selling, general and administrative expenses | **810.3** | 802.1 | 1.0% | **2,459.1** | 2,403.6 | 2.3% |
| Net finance costs | **51.1** | 63.6 | (19.6)% | **169.6** | 182.3 | (6.9)% |
| Income before income taxes | **$ 326.2** | $ 170.6 | 91.2% | **$ 160.4** | $ 296.2 | (45.8)% |

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) | **Q3 2020** | **Normalizing Items[1]** | **Normalized Q3 2020** | Q3 2019 | Normalizing Items[1] | Normalized Q3 2019 | Change[2] |
|---|---|---|---|---|---|---|---|
| Revenue | **$ 3,684.8** | **$ —** | **$ 3,684.8** | $ 3,296.3 | $ — | $ 3,296.3 | 11.8% |
| Cost of producing revenue | **2,523.4** | **—** | **2,523.4** | 2,273.3 | — | 2,273.3 | 11.0% |
| Gross margin | **$ 1,161.4** | **$ —** | **$ 1,161.4** | $ 1,023.0 | $ — | $ 1,023.0 | 13.5% |
| Gross margin rate | **31.5%** | **—** | **31.5%** | 31.0% | — | 31.0% | 48 bps |
| Other (income) | **$ (26.2)** | **$ —** | **$ (26.2)** | $ (13.3) | $ — | $ (13.3) | 95.0% |
| Selling, general and administrative expenses | **810.3** | **(7.6)** | **802.7** | 802.1 | (22.1) | 780.0 | 2.9% |
| Net finance costs | **51.1** | **—** | **51.1** | 63.6 | — | 63.6 | (19.6%) |
| Income before income taxes | **$ 326.2** | **$ 7.6** | **$ 333.8** | $ 170.6 | $ 22.1 | $ 192.7 | 73.2% |

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 Q3 2020** | **Normalizing Items[1]** | **Normalized YTD Q3 2020** | YTD Q3 2019 | Normalizing Items[1] | Normalized YTD Q3 2019 | Change[2] |
|---|---|---|---|---|---|---|---|
| Revenue | **$ 9,037.8** | **$ —** | **$ 9,037.8** | $ 9,220.6 | $ — | $ 9,220.6 | (2.0%) |
| Cost of producing revenue | **6,309.4** | **—** | **6,309.4** | 6,449.0 | — | 6,449.0 | (2.2%) |
| Gross margin | **$ 2,728.4** | **$ —** | **$ 2,728.4** | $ 2,771.6 | $ — | $ 2,771.6 | (1.6%) |
| Gross margin rate | **30.2%** | — | **30.2%** | 30.1% | — | 30.1% | 13 bps |
| Other (income) | **$ (60.7)** | **$ —** | **$ (60.7)** | $ (110.5) | $ — | $ (110.5) | (45.1%) |
| Selling, general and administrative expenses | **2,459.1** | **(21.4)** | **2,437.7** | 2,403.6 | (30.2) | 2,373.4 | 2.7% |
| Net finance costs | **169.6** | **—** | **169.6** | 182.3 | — | 182.3 | (6.9%) |
| Income before income taxes | **$ 160.4** | **$ 21.4** | **$ 181.8** | $ 296.2 | $ 30.2 | $ 326.4 | (44.3%) |

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

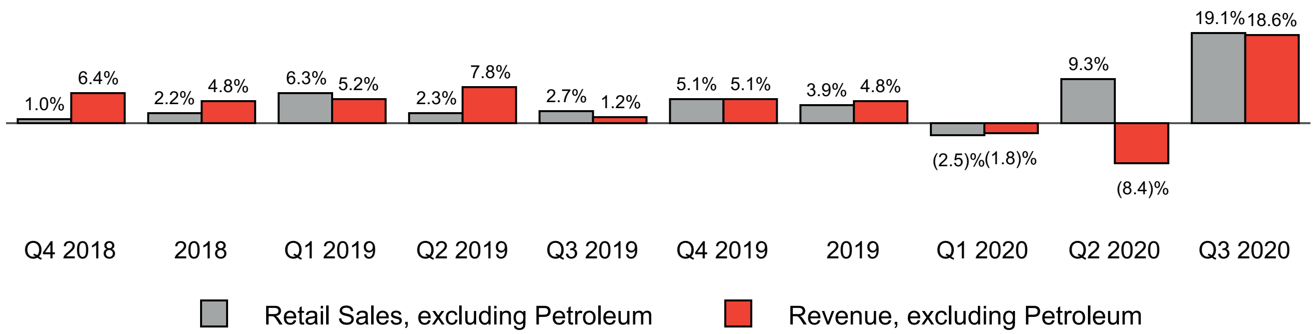
Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 8.3.1 in this MD&A for further information. Due to the pervasive temporary store closures across all banners in the first half of the year, Management believes the comparable sales year-to-date metric is not meaningful. 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 the metric was also materially impacted by store closures during the year.

| | (Year-over-year percentage change, C$ in millions, except as noted) | **Q3 2020** | Q3 2019 | Change | **YTD Q3 2020** | YTD Q3 2019 | Change |
|---|---|---|---|---|---|---|---|
| | Revenue[1] | **$ 3,684.8** | $ 3,296.3 | 11.8 % | **$ 9,037.8** | $ 9,220.6 | (2.0)% |
| | Revenue, excluding Petroleum | **3,310.2** | 2,791.8 | 18.6 % | **8,034.0** | 7,794.5 | 3.1 % |
| | Store count | **1,742** | 1,685 | | | | |
| | Retail square footage (in millions) | **34.5** | 33.7 | | | | |
| | Retail sales growth | **13.1 %** | 1.0 % | | **4.6 %** | 1.7 % | |
| | Retail sales growth, excluding Petroleum | **19.1 %** | 2.7 % | | **9.8 %** | 3.4 % | |
| | Consolidated comparable sales growth[2] | **18.9 %** | 2.7 % | | **NM[12]** | 3.4 % | |
| | Retail ROIC[3] | **7.7 %** | 9.0 % | | **n/a** | n/a | |
| CANADIAN TIRE | Revenue[1, 4] | **$ 2,322.7** | $ 1,813.2 | 28.1 % | **$ 5,775.5** | $ 5,184.3 | 11.4 % |
| | Store count[5] | **667** | 605 | | | | |
| | Retail square footage (in millions) | **23.4** | 22.6 | | | | |
| | Sales per square foot[6] | **$ 490** | $ 437 | 12.1 % | **n/a** | n/a | |
| | Retail sales growth[7] | **25.7 %** | 2.7 % | | **17.9 %** | 3.5 % | |
| | Comparable sales growth[2, 7] | **25.1 %** | 2.4 % | | **NM[12]** | 3.3 % | |
| SPORTCHEK | Revenue[1] | **$ 533.2** | $ 543.3 | (1.9)% | **$ 1,210.0** | $ 1,416.9 | (14.6)% |
| | Store count | **397** | 403 | | | | |
| | Retail square footage (in millions) | **7.5** | 7.5 | | | | |
| | Sales per square foot[8] | **$ 277** | $ 304 | (8.7)% | **n/a** | n/a | |
| | Retail sales growth[9] | **(1.7)%** | 3.8 % | | **(12.8)%** | 3.2 % | |
| | Comparable sales growth[2] | **(1.4)%** | 4.6 % | | **NM[12]** | 4.0 % | |
| Mark's | Revenue[1, 10] | **$ 286.3** | $ 266.6 | 7.4 % | **$ 679.8** | $ 798.0 | (14.8)% |
| | Store count | **381** | 381 | | | | |
| | Retail square footage (in millions) | **3.6** | 3.6 | | | | |
| | Sales per square foot[8] | **$ 320** | $ 360 | (11.1)% | **n/a** | n/a | |
| | Retail sales growth[11] | **4.9 %** | 0.9 % | | **(16.2)%** | 2.9 % | |
| | Comparable sales growth[2] | **5.7 %** | 1.2 % | | **NM[12]** | 3.0 % | |
| HH HELLY HANSEN | Revenue[1] | **$ 155.4** | $ 159.5 | (2.5)% | **$ 345.8** | $ 378.2 | (8.6)% |
| GAS+ | Revenue[1] | **$ 374.6** | $ 504.5 | (25.8)% | **$ 1,003.8** | $ 1,426.1 | (29.6)% |
| | Gas bar locations | **297** | 296 | | | | |
| | Gross margin dollars | **$ 48.6** | $ 46.2 | 4.9 % | **$ 121.4** | $ 127.5 | (4.8)% |
| | Retail sales growth | **(21.2)%** | (7.7)% | | **(25.0)%** | (7.1)% | |
| | Gasoline volume growth in litres | **(14.9)%** | (1.4)% | | **(20.5)%** | 0.1 % | |
| | Comparable store gasoline volume growth in litres[2] | **(16.5)%** | (1.1)% | | **(20.5)%** | 0.3 % | |

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: 101 stores). Other banners include PartSource, PHL and Party City.*
6 *Sales per square foot figures are calculated on a rolling 12-month basis, for the current year, this calculation includes the period in which the stores were temporarily closed across the Retail segment. 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, PartSource, PHL, Party City 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. For the current year, this calculation includes the period in which the stores were temporarily closed across the Retail segment.*
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 COVID-19, Retail segment earnings were impacted by a number of items in 2020. Refer to section 3.0 in this MD&A for further information regarding the events that impacted the Company this quarter and on a year-to-date basis.

| | Q3 2020 | Year-to-Date |
|---|---|---|
| **Retail Sales** | ▲ **$510.1 million or 13.1%**<br>▲ **18.9% in comparable sales growth** | ▲ **$506.4 million or 4.6%** |
| | • The third quarter results reflected strong growth in retail sales and comparable sales driven by Canadian Tire retail and Mark's, partially offset by a decline in SportChek.<br><br>Retail sales, excluding Petroleum, grew 19.1 percent or $635.0 million. Higher eCommerce penetration across all banners continues to contribute to retail sales growth. | • Retail sales grew despite being negatively impacted by temporary store closures in the first half of the year. Excluding Petroleum, retail sales grew by 9.8 percent or $922.0 million.<br><br>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 had strong growth of 25.7 percent. The increase in retail sales was across the majority of categories led by strong growth in Kitchen and Tools as well as seasonally-relevant businesses such as Camping, Gardening and Backyard Living. The banner saw strong growth in customer trips and basket size. Owned brands sales growth driven by Mastercraft and 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 had strong growth of 17.9 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 Kitchen, Tools and Back Yard Living. The inclusion of Party City also contributed to the increase in retail sales. |
| | • SPORTCHEK retail sales were lower by 1.7 percent. Sales were lower due to fewer promotional events, a slower back-to-school season and declines in hockey & team sports compared to prior year. eCommerce sales continued to deliver strong growth. Clothing Accessories, Hiking & Camping and Golf categories were up for the quarter compared to the prior year. | • SPORTCHEK retail sales decreased 12.8 percent primarily attributable to temporary store closures in the first half of the year. eCommerce continued to contribute positively to retail sales with an increase in penetration rates. |
| | • Mark's retail sales were higher by 4.9 percent. eCommerce sales continued to contribute to retail sales growth as did the Industrial Businesses category driven by Workwear, Industrial Footwear and Healthwear. | • Mark's retail sales decreased 16.2 percent primarily attributable to temporary store closures in the first half of the year. eCommerce continued to contribute positively to retail sales with an increase in penetration rates. |
| | • GAS+ **Petroleum** retail sales decreased 21.2 percent due to lower gas volume and lower per litre gas prices compared to the prior year, partially offset by higher non-gas sales. | • GAS+ **Petroleum** retail sales decreased by 25.0 percent mainly attributable to lower per litre gas prices, lower gas volume, which were partially offset by higher non-gas sales. |

### Retail Segment Commentary *(continued)*

| | Q3 2020 | Year-to-Date |
|---|---|---|
| **Revenue** | ▲ **$388.5 million or 11.8%**<br>▲ **18.6% excluding Petroleum**<br>• Strong growth in revenue led by growth at Canadian Tire and Mark's and the inclusion of Party City, partially offset by revenue declines at SportChek and Helly Hansen. | ▼ **$182.8 million or 2.0%**<br>▲ **3.1% excluding Petroleum**<br>• Retail revenue decreased primarily driven by temporary store closures at SportChek and Mark's during the first half of the year, which was partially offset by an increase in revenue at Canadian Tire mainly attributable to strong shipment growth and the inclusion of Party City. |
| **Gross Margin** | ▲ **$138.4 million or 13.5%**<br>▲ **48 bps in gross margin rate**<br>▲ **13.9% excluding Petroleum**<br>▼ **137 bps in gross margin rate, excluding Petroleum**<br>• Excluding Petroleum, gross margin dollars increased by $136.0 million, primarily driven by a strong increase at Canadian Tire attributable to higher shipments and the inclusion of Party City compared to the prior year.<br>• Excluding Petroleum, gross margin rate decreased by 137 bps attributable mainly to unfavourable sales mix between banners in the quarter, weighted toward Canadian Tire given the strong revenue performance. Canadian Tire gross margin rate was negatively impacted by both foreign exchange rates and business mix. These declines were partially offset by a margin rate increase at SportChek, mainly attributable to fewer promotional activities compared to prior year. | ▼ **$43.2 million or 1.6%**<br>▲ **13 bps in gross margin rate**<br>▼ **1.4% excluding Petroleum**<br>▼ **147 bps in gross margin rate, excluding Petroleum**<br>• Excluding Petroleum, gross margin dollars decreased by $37.1 million, which was mainly attributable to lower revenue at SportChek and Mark's due to temporary store closures during the first half of the year. These declines were partially offset by an increase in gross margin at Canadian Tire mainly attributable to an increase in shipments and the inclusion of Party City.<br>• Excluding Petroleum, gross margin rate declined by 147 bps attributable mainly to the unfavourable sales mix among banners due to temporary store closures at Mark's and SportChek during the first half of the year. |

### Retail Segment Commentary *(continued)*

| | Q3 2020 | Year-to-Date |
|---|---|---|
| **Other Income** | ▲ **$12.9 million or 95.0%**<br>• Other Income was higher by $12.9 million primarily attributable to lower non-operational foreign exchange losses at Helly Hansen during the quarter, compared to the prior year. | ▼ **$49.8 million or 45.1%**<br>• The decrease in other income is mainly attributable to an impairment charge of $27.9 million and a decline in real estate gains, partially offset by lower non-operational foreign exchange losses at Helly Hansen compared to the prior year. |
| **Selling, General & Administr-ative Expenses** | ▲ **$8.2 million or 1.0%**<br>• Normalized SG&A expenses increased by $22.7 million, or 2.9 percent, mainly attributable to the inclusion of Party City and an increase in IT-related costs. These increases were partially offset by a decrease in marketing spend, travel costs and Operational Efficiency program savings compared to the prior year. | ▲ **$55.5 million or 2.3%**<br>• Normalized selling, general and administrative expenses included costs in relation to events that impacted the Company this year which amounted to $57.7 million.<br>Excluding this impact, normalized SG&A expenses increased by $6.6 million, or 0.3 percent, mainly related to the inclusion of Party City and an increase in IT-related costs. These increases were offset by a decrease in marketing spend and Operational Efficiency program savings compared to the prior year. |
| **Earnings Summary** | ▲ **$155.6 million or 91.2%**<br>• Normalized income before income taxes increased $141.1 million. The increase in income was attributable mainly to higher gross margin driven by strong shipments at Canadian Tire and higher other income. These increases were partially offset by an increase in the SG&A expenses mainly attributable to the inclusion of Party City. | ▼ **$135.8 million or 45.8%**<br>• Normalized income before income taxes decreased by $144.6 million due to $92.7 million in higher net expenses relating to events that impacted the Company this year. Excluding these impacts, normalized net income before income taxes decreased $51.9 million primarily attributable to lower gross margin resulting from temporary store closures during the first half of the year across the banners. Earnings were also negatively impacted by lower other income attributable to the reasons described above. SG&A was relatively flat to 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) | **Q3 2020** | Q2 2020 | Q1 2020 | Q4 2019 | **Q3 2019** | Q2 2019 | Q1 2019 | Q4 2018 |
|---|---|---|---|---|---|---|---|---|
| Retail sales | **$ 4,414.4** | $ 4,375.7 | $ 2,757.1 | $ 4,838.2 | **$ 3,904.3** | $ 4,303.7 | $ 2,832.8 | $ 4,637.7 |
| Revenue | **3,684.8** | 2,849.8 | 2,503.2 | 3,989.2 | **3,296.3** | 3,360.3 | 2,564.0 | 3,816.9 |
| Income (loss) before income taxes | **326.2** | (66.2) | (99.6) | 351.6 | **170.6** | 139.1 | (13.5) | 328.8 |
| Normalized[1] income (loss) before income taxes | **333.8** | (59.9) | (92.1) | 360.5 | **192.7** | 147.2 | (13.5) | 328.8 |

[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) | **Q3 2020** | Q3 2019 | Change | **2020** | 2019 | Change |
|---|---|---|---|---|---|---|
| Revenue | **$ 301.3** | $ 343.0 | (12.2)% | **$ 953.1** | $ 1,001.1 | (4.8)% |
| Gross margin dollars | **$ 167.6** | $ 188.7 | (11.2)% | **$ 439.1** | $ 550.7 | (20.3)% |
| Gross margin as a % of revenue | **55.6%** | 55.0% | 61 bps | **46.1%** | 55.0% | (894) bps |
| Other expense | **$ 0.2** | $ 0.9 | (88.2)% | **$ 0.8** | $ 1.4 | (47.7)% |
| Selling, general and administrative expenses | **77.5** | 79.1 | (1.9)% | **227.7** | 233.2 | (2.3)% |
| Net finance (income) | **(0.6)** | (0.2) | 167.6% | **(1.1)** | (0.7) | 60.4% |
| Income before income taxes | **$ 90.5** | $ 108.9 | (16.9)% | **$ 211.7** | $ 316.8 | (33.2)% |

### Financial Services Segment Commentary

Refer to section 3.0 in the Company's first and second quarter MD&A for further information regarding the events that impacted the Financial Services segment on a year-to-date basis.

During the third quarter, income before income taxes declined $18.4 million resulting primarily from a revenue decline of $41.7 million, which was primarily attributable to lower credit card sales and receivables volume continuing trends from the previous quarter. The credit card receivables portfolio continues to be operationally strong, having ended the quarter with an 83 bps improvement to the past due credit card receivables ("PD2+") rate mainly attributable to strong customer payments. As such, in the third quarter of 2020, the credit card ECL allowance was flat to the second quarter of 2020. Management continued to observe lower than expected insolvency volumes and delinquency attributed to government backed financial stimulus and financial institution relief programs and noted little change quarter over quarter in the economic trends and overall performance metrics that inform the assumptions related to the ECL allowance. The ECL allowance reflects management's estimate of future loss resulting from the anticipated end of government and industry relief programs and high levels of unemployment.

**Financial Services Segment Commentary** *(continued)*

| | Q3 2020 | Year-to-Date |
|---|---|---|
| **Revenue** | ▼ **$41.7 million or 12.2%**<br>• The decline in revenue was mainly attributable to lower credit card sales which drove lower receivables leading to reduced credit charges, transaction fee revenue and insurance revenue compared to prior year. | ▼ **$48.0 million or 4.8%**<br>• The decline in revenue was primarily attributable to lower credit card sales leading to lower credit charges, transaction fee revenue and insurance revenue. |
| **Gross Margin** | ▼ **11.2% in gross margin dollars**<br>• The decrease in gross margin dollars was primarily attributable to a decrease in revenue as a result of lower credit card sales which drove lower receivables compared to prior year. | ▼ **20.3% in gross margin dollars**<br>• The decrease in gross margin dollars was primarily attributable to a decline in revenue and an increase in net impairment losses of $58.4 million driven by incremental allowance charges in the first half of the year to account for Management's expectations of future increases in customer delinquencies and defaults. |
| **SG&A Expenses** | ▼ **$1.6 million or 1.9%**<br>• The decrease in SG&A expenses was primarily due to lower volume-driven operational expenses. | ▼ **$5.5 million or 2.3%**<br>• The decline in SG&A expenses was primarily due to savings in lower volume-driven operational expenses and personnel costs. |
| **Earnings Summary** | ▼ **$18.4 million or 16.9%**<br>• Earnings were negatively impacted by a decline in revenue due to lower gross average accounts receivable ("GAAR") and credit card sales, which was partially offset by lower SG&A expenses relating to volume-driven operational expenses. | ▼ **$105.1 million or 33.2%**<br>• The decrease in 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 | **Q3 2020** | Q3 2019 | Change | **YTD Q3 2020** | YTD Q3 2019 | Change |
|---|---|---|---|---|---|---|
| Credit card sales growth[1] | **(3.6)%** | 7.9% | | **(5.8)%** | 6.2% | |
| GAAR | **$ 5,874.6** | $ 6,324.0 | (7.1)% | **$ 6,066.8** | $ 6,205.3 | (2.2)% |
| Revenue[2] (as a % of GAAR) | **20.91%** | 21.43% | | **n/a** | n/a | |
| Average number of accounts with a balance[3] (thousands) | **2,045** | 2,126 | (3.8)% | **2,056** | 2,101 | (2.1)% |
| Average account balance[3] (whole $) | **$ 2,871** | $ 2,973 | (3.4)% | **$ 2,950** | $ 2,953 | (0.1)% |
| Net credit card write-off rate[2, 3] | **6.26%** | 6.01% | | **n/a** | n/a | |
| Past due credit card receivables[3, 4] ("PD2+") | **1.91%** | 2.74% | | **n/a** | n/a | |
| Allowance rate[5] | **15.32%** | 12.51% | | **n/a** | n/a | |
| Operating expenses[2] ("OPEX") (as a % of GAAR) | **4.95%** | 5.04% | | **n/a** | n/a | |
| Return on receivables[2] | **5.22%** | 6.63% | | **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 *Credit card receivables more than 30 days past due as a percentage of total-ending credit card receivables.*
5 *The allowance rate was calculated based on the total-managed portfolio of loans receivable.*

### Financial Services Segment Scorecard

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

| Q3 2020 vs Q3 2019 | |
|---|---|
| **Growth** | ▼ **7.1% in GAAR**<br>▼ **3.6% in credit card sales growth**<br>▼ **3.8% in average number of accounts with a balance**<br>▼ **3.4% in average account balance**<br>• GAAR declined by 7.1% relative to last year mainly due to the decline in credit card sales of 3.6%, which also contributed to a 3.4% decline in average account balances. The decrease in average active accounts was due primarily to lower new credit card acquisitions as a result of channel limitations due to COVID-19. |
| **Performance** | ▼ **141 bps in return on receivables**<br>▼ **52 bps in revenue as a % of GAAR**<br>▼ **9 bps in OPEX as a % of GAAR**<br>• Operating expenses remained well controlled during the quarter as operating expenses a percentage of GAAR measured 9 bps better compared to the prior year.<br>• Return on receivables declined by 141 bps compared to the prior year due to a decrease in earnings, partially offset by lower GAAR. Lower earnings were mainly due to a decrease in revenue and an increase in net impairment losses resulting from an increase in ECL allowance. |
| **Operational metrics** | ▼ **83 bps in PD2+ rate**<br>▲ **25 bps in net credit card write-off rate**<br>▲ **15.32% allowance rate, up 281 bps**<br>• Strong customer payments contributed to a significant improvement in the PD2+ rate, which was as a result of economic relief programs.<br>• 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.<br>• The allowance rate increased by 281 bps to 15.32 percent due to the decline in receivables and an increase in ECL in the first half of the year as a result of Management's expectation of increases in future delinquencies due to the continuing impact of COVID-19 on the economy and the eventual end of debt 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 Financial Services segment's 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) | **Q3 2020** | Q2 2020 | Q1 2020 | Q4 2019 | **Q3 2019** | Q2 2019 | Q1 2019 | Q4 2018 |
|---|---|---|---|---|---|---|---|---|
| Revenue | **$ 301.3** | $ 309.9 | $ 341.9 | $ 333.0 | **$ 343.0** | $ 329.3 | $ 328.8 | $ 322.8 |
| Income before income taxes | **90.5** | 51.0 | 70.2 | 109.5 | **108.9** | 95.5 | 112.4 | 92.1 |

## 4.4 CT REIT Segment Performance

### 4.4.1 CT REIT Segment Financial Results

| (C$ in millions) | **Q3 2020** | Q3 2019 | Change | **YTD Q3 2020** | YTD Q3 2019 | Change |
|---|---|---|---|---|---|---|
| Property revenue | **$ 123.2** | $ 121.7 | 1.2 % | **$ 375.5** | $ 365.3 | 2.8 % |
| Property expense | **25.6** | 24.2 | 5.9 % | **83.0** | 79.3 | 4.7 % |
| General and administrative expense | **2.8** | 3.0 | (3.4)% | **9.0** | 10.7 | (14.7)% |
| Net finance costs | **26.3** | 27.4 | (4.3)% | **80.7** | 81.7 | (1.3)% |
| Fair value loss (gain) adjustment | **4.4** | (13.0) | (133.5)% | **33.5** | (36.7) | (191.3)% |
| Income before income taxes | **$ 64.1** | $ 80.1 | (20.0)% | **$ 169.3** | $ 230.3 | (26.5)% |

## CT REIT Segment Commentary

| | Q3 2020 | Year-to-Date |
|---|---|---|
| **Property Revenue** | ▲ **$1.5 million or 1.2%**<br>• The $1.5 million increase was mainly due to contractual rent escalation, additional base rent relating to properties acquired and intensifications completed during 2020 and 2019. | ▲ **$10.2 million or 2.8%**<br>• The $10.2 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 5.9%**<br>• The increase of $1.4 million in property expense was mainly attributable to credit losses recognized for some of the REIT's tenants and due to increased operating expenses related to property acquisitions completed during 2020 and 2019. | ▲ **$3.7 million or 4.7%**<br>• The increase of $3.7 million in property expense was mainly attributable to credit losses recognized for some of the REIT's tenants and due to increased operating expenses related to property acquisitions completed during 2020 and 2019. |
| **SG&A Expenses** | ▼ **$0.2 million or 3.4%**<br>• SG&A is overall in line with prior year. | ▼ **$1.7 million or 14.7%**<br>• The decrease in SG&A was mainly attributable to lower personnel-related expenses and lower operating costs, partially offset by higher income tax expense. |
| **Net Finance Cost** | ▼ **$1.1 million or 4.3%**<br>• Decrease was primarily attributable to lower interest on Class C LP Units. | ▼ **$1.0 million or 1.3%**<br>• Decrease was mainly attributable to lower utilization of credit facilities and lower interest on Class C LP Units, partially offset by higher interest expense on lease liabilities and lower interest capitalization on development projects in 2020. |
| **Fair Value Adjustment on Investment Properties** | ▲ **$17.4 million or 133.5%**<br>• The fair value adjustment on investment properties was a loss mainly 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. | ▲ **$70.2 million or 191.3%**<br>• The fair value adjustment on investment properties was a loss mainly 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** | ▼ **$16.0 million or 20.0%**<br>• The decrease in earnings was primarily due to the fair value adjustments on investment properties and higher property expense, partially offset by an increase in property revenue and lower net finance costs. | ▼ **$61.0 million or 26.5%**<br>• The decrease in earnings was primarily due to the fair value adjustments on investment properties and higher property expense, partially offset by an increase in property revenue and a decrease in SG&A and net finance costs. |

### 4.4.2 CT REIT Segment Key Operating Performance Measures

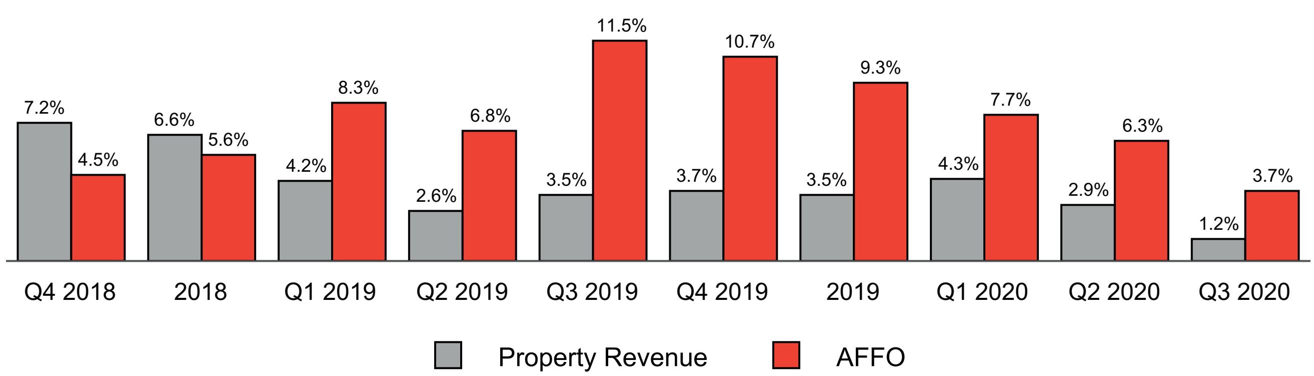
Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 8.3.1 in this MD&A for definitions and further information on performance measures.

| (C$ in millions) | **Q3 2020** | Q3 2019 | Change | **YTD Q3 2020** | YTD Q3 2019 | Change |
|---|---|---|---|---|---|---|
| Net operating income[1] | **$ 95.2** | $ 93.9 | 1.2 % | **$ 284.7** | $ 275.4 | 3.4 % |
| Funds from operations[1] | **68.6** | 67.3 | 1.7 % | **202.5** | 195.1 | 3.9 % |
| Adjusted funds from operations[1] | **60.1** | 57.9 | 3.7 % | **176.6** | 166.9 | 5.8 % |

[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 referenced 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 1.2 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 1.7 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 3.7 percent compared to the prior year, 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

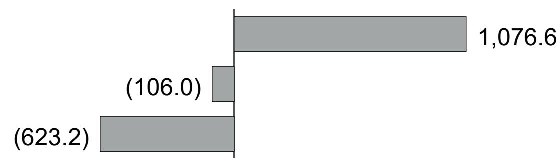
## 5.1 Selected Balance Sheet Highlights

Selected line items from the Company's assets and liabilities, as at September 26, 2020 and the year-over-year change versus September 28, 2019, are noted below:

| Total change | ▲ $ 357.5 |
|---|---|

| Selected Asset | September 26, 2020 |
|---|---|
| Cash and cash equivalents | 1,302.8 |
| Merchandise inventories | 2,505.1 |
| Loans receivable | 4,975.0 |

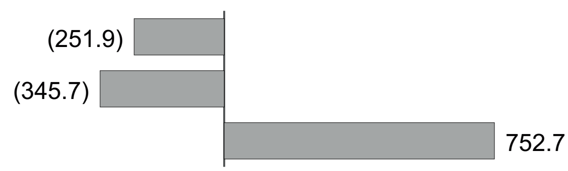
**Year-over-year change in assets**




| Total change | ▲ $ 196.5 |
|---|---|

| Selected Liability | September 26, 2020 |
|---|---|
| Long-term debt (current and long-term portion) | 4,265.3 |
| Short-term borrowings | 563.9 |
| Deposits and long-term deposits | 3,249.0 |

**Year-over-year change in liabilities**




| Assets | | | |
|---|---|---|---|
| Cash and cash equivalents | ▲ | **$1,076.6 million** | Increase was primarily due to cash generated from operating activities attributable mainly to a decrease in loans receivable relating to the credit card portfolio partially offset by an increase in investing activities driven by an increase in acquisition of short-term investments. Refer to section 5.2 for further details. |
| Merchandise inventory | ▼ | **$106.0 million** | Decrease was mainly due to lower inventory levels at SportChek and Mark's attributable mainly to lower purchases in the first half of the year, partially offset by the inclusion of Party City and higher inventory at Canadian Tire due to inventory in-transit. |
| Loans receivable | ▼ | **$623.2 million** | Decrease was mainly attributable to lower credit card sales, strong customer payments and lower active accounts. |

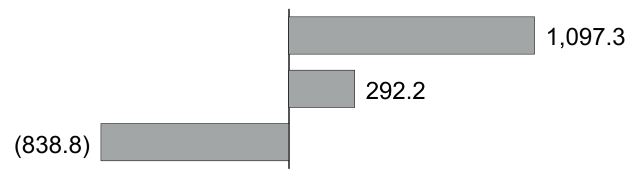
| Liabilities | | | |
|---|---|---|---|
| Long-term debt (current and long-term portion) | ▼ | **$251.9 million** | Decrease was mainly attributable to repayment of the $250 million medium-term notes by CTC on July 6, 2020. Refer to section 5.5 for further details on financing activity during the quarter. |
| Short-term borrowings | ▼ | **$345.7 million** | Decrease was mainly due to a decline in the amount of commercial paper notes outstanding. |
| Deposits and long-term deposits | ▲ | **$752.7 million** | Increase was mainly due to increases in High Interest Saving ("HIS") deposits and long-term Guaranteed Investment Certificates ("GICs") in the Financial Services segment. |

Selected line items from the Company's assets and liabilities, as at September 26, 2020 and the change versus December 28, 2019, are noted below:

| **Total change** | ▲ $ **454.6** |
|---|---|

| **Selected Asset** | **September 26, 2020** |
|---|---|
| Cash and cash equivalents | 1,302.8 |
| Merchandise inventories | 2,505.1 |
| Loans receivable | 4,975.0 |

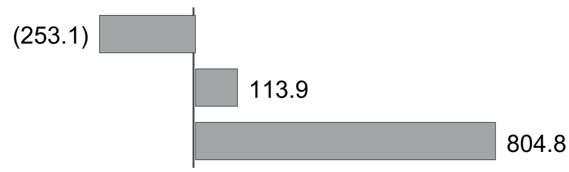
**Change in assets**




| **Total change** | ▲ $ **502.9** |
|---|---|

| **Selected Liability** | **September 26, 2020** |
|---|---|
| Long-term debt (current and long-term portion) | 4,265.3 |
| Short-term borrowings | 563.9 |
| Deposits and long-term deposits | 3,249.0 |

**Change in liabilities**




| **Assets** | | | |
|---|---|---|---|
| Cash and cash equivalents | ▲ | **$1,097.3 million** | Increase was primarily due to cash generated from operating activities attributable mainly due to a decrease in loans receivable relating to the credit card portfolio, partially offset by an increase in investing activities driven by an increase in acquisition of short-term investments. Refer to section 5.2 for further details. |
| Merchandise inventory | ▲ | **$292.2 million** | Higher merchandise inventory driven mainly by seasonality. |
| Loans receivable | ▼ | **$838.8 million** | Decrease was mainly attributable to lower credit card sales, strong customer payments and lower active accounts. |

| **Liabilities** | | | |
|---|---|---|---|
| Long-term debt (current and long-term portion) | ▼ | **$253.1 million** | Decrease was mainly attributable to repayment of the $250 million medium-term notes by CTC on July 6, 2020. Refer to section 5.5 for further details on financing activity during the quarter. |
| Short-term borrowings | ▲ | **$113.9 million** | The increase in short-term borrowing was driven by seasonality. |
| Deposits and long-term deposits | ▲ | **$804.8 million** | Increase was mainly due to increases in HIS deposits and long-term GICs in the Financial Services segment. |

## 5.2 Summary Cash Flows

The Company's cash and cash equivalents position, net of bank indebtedness, was $1,296.0 million as at September 26, 2020. Selected line items from the Company's Condensed Interim Consolidated Statements of Cash Flows for the quarters ended September 26, 2020 and September 28, 2019 are noted in the following table:

| (C$ in millions) | **Q3 2020** | Q3 2019 | Change |
|---|---|---|---|
| Cash generated from (used for) operating activities | **$ 488.2** | $ (97.1) | $ 585.3 |
| Cash (used for) investing activities | **(326.4)** | (149.1) | (177.3) |
| Cash (used for) financing activities | **(857.6)** | (147.8) | (709.8) |
| Cash (used) in the period | **$ (695.8)** | $ (394.0) | $ (301.8) |

| (C$ in millions) | **YTD Q3 2020** | YTD Q3 2019 | Change |
|---|---|---|---|
| Cash generated from (used for) operating activities | **$ 1,680.2** | $ (19.2) | $ 1,699.4 |
| Cash (used for) investing activities | **(515.5)** | (404.7) | (110.8) |
| Cash (used for) generated from financing activities | **(63.8)** | 140.1 | (203.9) |
| Cash generated (used) in the period | **$ 1,100.9** | $ (283.8) | $ 1,384.7 |

| | Q3 2020 | Year-to-Date |
|---|---|---|
| **Operating activities** | ▲ **$585.3 million change**<br>• Excluding the impact of change in loans receivable, operating activities generated $341.5 million in cash from higher net income as well as changes within Retail working capital. The change in loans receivable further improved the cash balance by $243.8 million as less cash was used in the quarter. Loans receivable balance has declined as a result of lower cardholder activity and strong payments received against credit card receivables. | ▲ **$1,699.4 million change**<br>• Excluding the impact of change in loans receivable, operating activities generated $675.5 million in cash primarily from changes within Retail working capital and lower income tax paid as income tax installments were deferred due to the Federal Government COVID-19 Emergency Tax Measures, partially offset by lower net income year-to-date. The change in loans receivable further improved the cash balance by $1,023.9 million as less cash was used in the year. Loans receivable balance has declined as a result of lower cardholder activity and strong payments received against credit card receivables. |
| **Investing activities** | ▲ **$177.3 million change**<br>• The increase in cash used for investing activities was primarily due to higher acquisition of short-term investments due to the Company's improved liquidity position, partially offset by lower spending on capital expenditures. | ▲ **$110.8 million change**<br>• The increase in cash used for investing activities was primarily due to higher acquisition of short-term investments due to the Company's improved liquidity position, partially offset by lower spending on capital expenditures. |
| **Financing activities** | ▲ **$709.8 million change**<br>• The increase in cash used for financing activities was primarily driven by the early full repayment of $700 million GCCT issued Series 2020-A two-year pre-payable term notes, which were issued in Q2 2020, in addition to the Company's repayment of $250 million medium-term notes, and repayment of $500 million senior term notes, partially offset by GCCT's issuance of $480 million term notes this quarter.<br>Furthermore, in the prior year, additional cash was generated from net proceeds from the sale and issuance of CT REIT units amounting to $228.9 million. | ▲ **$203.9 million change**<br>• The increase in cash used for financing activities year-to-date are for the same reasons outlined in the quarter-to-date section, in addition to the decrease in short-term borrowings within the Retail segment due to the Company's improved liquidity position. This was offset by an increase in long-term deposits as a significant number of GICs were issued in Q2 2020 due to the market uncertainty created by COVID-19. |

### 5.3 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.

#### 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:

- holding 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 Q3 2020 and 2019, CTB 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 September 26, 2020 and September 28, 2019 were as follows:

| (C$ in millions) | **Q3 2020** | Q3 2019 | **YTD Q3 2020** | YTD Q3 2019 |
|---|---|---|---|---|
| Real estate | **$ 15.1** | $ 65.6 | **$ 64.2** | $ 155.3 |
| Information technology | **20.8** | 27.7 | **51.3** | 85.5 |
| Other operating | **9.2** | 18.9 | **30.8** | 67.3 |
| Operational Efficiency program | **13.2** | — | **33.0** | — |
| **Operating capital expenditures** | **58.3** | 112.2 | **179.3** | 308.1 |
| CT REIT acquisitions and developments excluding vend-ins from CTC | **11.0** | 19.1 | **58.6** | 56.6 |
| Distribution capacity | **11.9** | — | **29.0** | — |
| **Total capital expenditures[1]** | **$ 81.2** | $ 131.3 | **$ 266.9** | $ 364.7 |

[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.*

| | **Q3 2020** | **Year-to-Date** |
|---|---|---|
| **Total CAPEX** | ▼ **$50.1 million** | ▼ **$97.8 million** |
| | • During the quarter and year-to-date, 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. | |

Given the uncertainty regarding the potential future impact of COVID-19 on the economy, the Company believes it is premature to disclose the expected 2021 capital expenditures range. The Company is however, committed to investing in the business for long term and continues to allocate capital to strategic initiatives, such as eCommerce.

### Capital Commitments

The Company had commitments of approximately $237.1 million as at September 26, 2020 (2019 – $235.3 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 September 26, 2020, the Company had 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:

- CTC repaid $250.0 million of Series E unsecured medium-term notes;
- GCCT repaid $700.0 million under Financial Services' note purchase facility with Scotiabank;
- GCCT repaid $500.0 million of term notes, consisting of $465.0 million of senior notes and $35.0 million of subordinated notes; and
- GCCT issued $480.0 million of term notes that have an expected repayment date of September 22, 2025, consisting of $448.8 million senior notes and $31.2 million of subordinated notes.

The Company ended the quarter with $1.7 billion in cash and marketable securities and $2.5 billion, $2.3 billion and $294.0 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. There were no borrowings under this bank line as at September 26, 2020.<br><br>In Q2, CTC entered into a one-year committed bank line of credit for $710.0 million, provided by five Canadian financial institutions that expires on March 30, 2021. There were no borrowings under this bank line as at September 26, 2020.<br>• 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. There were no borrowings under this bank line as at September 26, 2020.<br>• Scotiabank has provided CTB with a $250.0 million unsecured committed bank line of credit expiring in October 2022. There were no borrowings under this bank line as at September 26, 2020.<br>• 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 $48.9 million C$ equivalent) provided by a Norwegian bank which expire in October 2022. A total of $57.0 million of C$ equivalent borrowings (227.6 million NOK) was outstanding on these bank lines as at September 26, 2020. |
| Commercial Paper Programs | • As at September 26, 2020, GCCT had $296.8 million of asset-backed commercial papers.<br>• As at September 26, 2020, CTC had $210.2 million of C$ equivalent U.S. commercial paper outstanding ($157 million USD). |
| Medium-Term Notes and Debentures | • As at September 26, 2020, CTC had an aggregate principal amount of $950.0 million of medium-term notes outstanding.<br>• As at September 26, 2020, CT REIT had an aggregate principal amount of $1.075 billion of senior unsecured debentures outstanding.<br>• 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 committed note-purchase facilities for the purchase of senior and subordinated notes issued by GCCT, expiring in October 2022. GCCT had no principal amount outstanding under these facilities as at September 26, 2020.<br>• As at September 26, 2020, GCCT had an aggregate principal amount of $2.184 billion of senior and subordinated term notes outstanding.<br>• 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 September 26, 2020, CTB held $2,529.4 million in broker GIC deposits. |
| Retail Deposits | • Retail deposits consist of HIS and retail GIC deposits held by CTB, available both within and outside a Tax-Free Savings Account. As at September 26, 2020, CTB held $719.6 million in retail deposits. |

## Credit Ratings

There have been no changes to the Company’s credit ratings as provided in section 6.5 in the Company’s 2019 MD&A and in section 5.5 of the Q2, 2020 MD&A.

## 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 September 26, 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) | **September 26, 2020** | September 28, 2019 | December 28, 2019 |
|---|---|---|---|
| **Authorized** | | | |
| 3,423,366 Common Shares | | | |
| 100,000,000 Class A Non-Voting Shares | | | |
| **Issued** | | | |
| 3,423,366 Common Shares (September 28, 2019 – 3,423,366; December 28, 2019 – 3,423,366) | **$ 0.2** | $ 0.2 | $ 0.2 |
| 57,383,757 Class A Non-Voting Shares (September 28, 2019 – 58,177,090; December 28, 2019 – 58,096,958) | **593.3** | 588.6 | 587.8 |
| | **$ 593.5** | $ 588.8 | $ 588.0 |

*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”). Each year, the Company files a normal course issuer bid (“NCIB”) with the Toronto Stock Exchange (“TSX”) which allows it to purchase its Class A Non-Voting Shares on the open market. 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 on March 13, 2020 as a result of the COVID-19 pandemic and at present, the Company does not expect any further purchases other than for anti-dilutive purposes.

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 a long-term 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 payout ratio may fluctuate in any particular year due to unusual or non-recurring events, such as in the current year due to the impact of COVID-19 on the Company.

On November 4, 2020, the Company approved a 3.3 percent increase in its annual dividend from $4.55 to $4.70 per share and declared dividends payable to holders of Class A Non-Voting Shares and Common Shares at a rate of $1.175 per share, payable on March 1, 2021 to shareholders of record as of January 31, 2021. This reflects 11 years of consecutive increases. 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, 250,000 equity forwards that hedged stock-options and performance share units settled and resulted in a cash payment to the counterparties of approximately $3.9 million. Also during the quarter, the Company entered into 500,000 floating-rate equity forwards at a weighted average purchase price of $135.5 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 third quarter of 2020.

Income taxes for the 13 weeks ended September 26, 2020 were $116.0 million, compared to $79.2 million in the prior year. The effective tax rate for the 13 weeks ended September 26, 2020 increased to 26.2 percent (2019 – 25.8 percent) primarily due to higher non-deductible stock-option expense in the period.

Income taxes for the 39 weeks ended September 26, 2020 were a recovery of $112.7 million, compared to $162.7 million in the prior year. The effective tax rate for the 39 weeks ended September 26, 2020 increased to 24.9 percent (2019 – 23.5 percent), primarily due to higher non-deductible stock-option expense and lower favourable adjustments to prior years' tax settlement, partially offset by higher non-controlling interest related to CT REIT in the period.

Given the uncertainty regarding the potential future impact of COVID-19 on the economy, the Company believes it is premature to disclose the expected 2021 annual effective tax rate.

# 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 – Phase 1 (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 ["IBORs"]).

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.

## 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 International Accounting Standards Board ("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.

### *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*

In August 2020, upon completion of the IFRS amendments to facilitate the IBOR reform, the IASB issued Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ("Phase 2 Amendments"). In relation to changes in financial instruments that are directly required by the IBOR reform, Phase 2 Amendments mainly provide (i) a practical expedient to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by the IBOR reform by updating the effective interest rate of the financial asset or financial liability; (ii) exceptions to the hedge accounting requirements providing relief from discontinuing hedge relationships because of changes to hedge documentation required by the IBOR reform; and (iii) certain additional disclosures on additional information about the Company's exposure to risks arising from the IBOR reform and related risk management activities.

IFRS 16 has also been amended to provide a temporary exception addressing situations where lease agreements specifically refer to an IBOR and will need to be amended as a result of the IBOR reform. Lessees are required to remeasure their lease liabilities in a similar fashion to any other change in estimate, rather than as a lease modification. The amount of the remeasurement is recognized as an adjustment to the right-of-use asset.

Phase 2 Amendments are effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

## 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 September 26, 2020 and September 28, 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) | **Q3 2020** | Q3 2019 | **YTD Q3 2020** | YTD Q3 2019 |
|---|---|---|---|---|
| Normalized EBITDA adjusted for rent expense | **$ 588.1** | $ 474.6 | **$ 911.6** | $ 1,137.7 |
| Add: | | | | |
| Depreciation of right-of-use assets | **70.5** | 64.7 | **210.7** | 192.5 |
| Net finance costs, related to leases | **22.7** | 24.7 | **70.2** | 76.2 |
| Normalized EBITDA | **$ 681.3** | $ 564.0 | **$ 1,192.5** | $ 1,406.4 |
| Less normalizing items: | | | | |
| Operational Efficiency program | **7.6** | 19.8 | **21.4** | 27.9 |
| Party City - acquisition-related costs | **—** | 2.3 | **—** | 2.3 |
| EBITDA | **$ 673.7** | $ 541.9 | **$ 1,171.1** | $ 1,376.2 |
| Less: | | | | |
| Depreciation and amortization, other than right-of-use assets[1] | **100.8** | 98.8 | **309.2** | 291.3 |
| Depreciation of right-of-use assets | **70.5** | 64.7 | **210.7** | 192.5 |
| Net finance costs, other than related to leases | **37.4** | 46.8 | **127.5** | 124.6 |
| Net finance costs, related to leases | **22.7** | 24.7 | **70.2** | 76.2 |
| Income before income taxes | **$ 442.3** | $ 306.9 | **$ 453.5** | $ 691.6 |
| Income taxes expense (recovery) | **116.0** | 79.2 | **112.7** | 162.7 |
| Net income | **$ 326.3** | $ 227.7 | **$ 340.8** | $ 528.9 |
| Net income attributable to non-controlling interests | **30.0** | 30.5 | **77.8** | 84.6 |
| Net income attributable to shareholders of Canadian Tire Corporation | **$ 296.3** | $ 197.2 | **$ 263.0** | $ 444.3 |

[1] *Depreciation and amortization reported in cost of producing revenue for the 13 and 39 weeks ended September 26, 2020 was $3.4 million (2019 – $2.6 million) and $9.7 million (2019 - $6.9 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 September 26, 2020 and September 28, 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) | **Q3 2020** | Q3 2019 | **YTD Q3 2020** | YTD Q3 2019 |
|---|---|---|---|---|
| Normalized EBITDA adjusted for rent expense | **$ 412.6** | $ 277.8 | **$ 438.5** | $ 569.7 |
| Add: | | | | |
| Depreciation of right-of-use assets | **130.2** | 123.2 | **387.9** | 366.8 |
| Net finance costs, related to leases | **54.6** | 58.8 | **167.0** | 178.5 |
| Normalized EBITDA | **$ 597.4** | $ 459.8 | **$ 993.4** | $ 1,115.0 |
| Less normalizing items: | | | | |
| Operational Efficiency program | **7.6** | 19.8 | **21.4** | 27.9 |
| Party City - acquisition-related costs | **—** | 2.3 | **—** | 2.3 |
| EBITDA | **$ 589.8** | $ 437.7 | **$ 972.0** | $ 1,084.8 |
| Less: | | | | |
| Depreciation and amortization, other than right-of-use assets[1] | **82.3** | 80.3 | **254.1** | 239.5 |
| Depreciation of right-of-use assets | **130.2** | 123.2 | **387.9** | 366.8 |
| Net finance costs, other than related to leases | **(3.5)** | 4.8 | **2.6** | 3.8 |
| Net finance costs, related to leases | **54.6** | 58.8 | **167.0** | 178.5 |
| Income before income taxes | **$ 326.2** | $ 170.6 | **$ 160.4** | $ 296.2 |

[1] *Depreciation and amortization reported in cost of producing revenue for the 13 and 39 weeks ended weeks ended September 26, 2020 was $3.4 million (2019 – $2.6 million) and $9.7 million (2019 - $6.9 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 September 26, 2020 and September 28, 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) | **Q3 2020** | Q3 2019 | **YTD Q3 2020** | YTD Q3 2019 |
|---|---|---|---|---|
| Normalized selling, general and administrative expenses adjusted for rent expense | **$ 756.5** | $ 738.7 | **$2,295.0** | $2,255.4 |
| Add: | | | | |
| Depreciation and amortization, other than right-of-use assets | **97.4** | 96.2 | **299.5** | 284.4 |
| Less: | | | | |
| Net finance costs, related to leases | **22.7** | 24.7 | **70.2** | 76.2 |
| Normalized selling, general and administrative expenses | **$ 831.2** | $ 810.2 | **$2,524.3** | $2,463.6 |
| Add normalizing items: | | | | |
| Operational Efficiency program | **7.6** | 19.8 | **21.4** | 27.9 |
| Party City – acquisition-related costs | **—** | 2.3 | **—** | 2.3 |
| Selling, general and administrative expenses | **$ 838.8** | $ 832.3 | **$2,545.7** | $2,493.8 |

### 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 September 26, 2020 and September 28, 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) | **Q3 2020** | Q3 2019 | **YTD Q3 2020** | YTD Q3 2019 |
|---|---|---|---|---|
| Normalized selling, general and administrative expenses adjusted for rent expense | **$ 778.4** | $ 761.1 | **$2,360.3** | $2,319.3 |
| Add: | | | | |
| Depreciation and amortization, other than right-of-use assets | **78.9** | 77.7 | **244.4** | 232.6 |
| Less: | | | | |
| Net finance costs, related to leases | **54.6** | 58.8 | **167.0** | 178.5 |
| Normalized selling, general and administrative expenses | **$ 802.7** | $ 780.0 | **$2,437.7** | $2,373.4 |
| Add normalizing items: | | | | |
| Operational Efficiency program | **7.6** | 19.8 | **21.4** | 27.9 |
| Party City – acquisition-related costs | **—** | 2.3 | **—** | 2.3 |
| Selling, general and administrative expenses | **$ 810.3** | $ 802.1 | **$2,459.1** | $2,403.6 |

## 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 September 26, 2020 and September 28, 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) | **Q3 2020** | Q3 2019 | **YTD Q3 2020** | YTD Q3 2019 |
|---|---|---|---|---|
| Normalized net income | **$ 331.9** | $ 243.8 | **$ 356.5** | $ 550.9 |
| Less normalizing items: | | | | |
| Operational Efficiency program | **5.6** | 14.4 | **15.7** | 20.3 |
| Party City - acquisition-related costs | **—** | 1.7 | **—** | 1.7 |
| Net income | **$ 326.3** | $ 227.7 | **$ 340.8** | $ 528.9 |

## 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) | **Q3 2020** | **EPS** | Q3 2019 | EPS | **YTD Q3 2020** | **EPS** | YTD Q3 2019 | EPS |
|---|---|---|---|---|---|---|---|---|
| Net income/basic EPS | **$ 296.3** | **$ 4.87** | $ 197.2 | $ 3.20 | **$ 263.0** | **$ 4.32** | $ 444.3 | $ 7.18 |
| Add the after-tax impact of the following, attributable to shareholders of the Company: | | | | | | | | |
| Operational Efficiency program | **5.6** | **0.09** | 14.4 | 0.23 | **15.7** | **0.26** | 20.3 | 0.33 |
| Party City – acquisition-related costs | **—** | **—** | 1.7 | 0.03 | **—** | **—** | 1.7 | 0.03 |
| Normalized net income/normalized basic EPS | **$ 301.9** | **$ 4.96** | $ 213.3 | $ 3.46 | **$ 278.7** | **$ 4.58** | $ 466.3 | $ 7.54 |
| Normalized net income/normalized diluted EPS | **$ 301.9** | **$ 4.93** | $ 213.3 | $ 3.46 | **$ 278.7** | **$ 4.56** | $ 466.3 | $ 7.53 |

## 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 September 26, 2020<br>(C$ in millions) | Consolidated | Retail | CT REIT | Financial Services |
|---|---|---|---|---|
| Consolidated net debt | | | | |
| Bank indebtedness | $ 6.8 | $ 6.8 | $ — | $ — |
| Short-term deposits | 966.6 | — | — | 966.6 |
| Long-term deposits | 2,282.4 | — | — | 2,282.4 |
| Short-term borrowings | 563.9 | 267.1 | — | 296.8 |
| Current portion of long-term debt | 150.5 | 0.1 | 150.4 | — |
| Long-term debt | 4,114.8 | 950.5 | 987.2 | 2,177.1 |
| Debt | 8,085.0 | 1,224.5 | 1,137.6 | 5,722.9 |
| Liquid assets[1] | (1,881.3) | (77.7) | (36.5) | (1,767.1) |
| Net debt (cash) | 6,203.7 | 1,146.8 | 1,101.1 | 3,955.8 |
| Inter-company debt | — | (1,526.3) | 1,451.6 | 74.7 |
| Adjusted net debt (cash) | $ 6,203.7 | $ (379.5) | $ 2,552.7 | $ 4,030.5 |

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

| As at September 28, 2019<br>(C$ in millions) | Consolidated | Retail | CT REIT | Financial Services |
|---|---|---|---|---|
| Consolidated net debt | | | | |
| Bank indebtedness | $ 39.6 | $ 24.9 | $ — | $ 14.7 |
| Short-term deposits | 829.8 | — | — | 829.8 |
| Long-term deposits | 1,666.5 | — | — | 1,666.5 |
| Short-term borrowings | 909.6 | 614.3 | — | 295.3 |
| Current portion of long-term debt | 538.4 | 0.7 | 37.7 | 500.0 |
| Long-term debt | 3,978.8 | 1,200.1 | 1,081.3 | 1,697.4 |
| Debt | 7,962.7 | 1,840.0 | 1,119.0 | 5,003.7 |
| Liquid assets[1] | (575.5) | (133.7) | (47.7) | (394.1) |
| Net debt (cash) | 7,387.2 | 1,706.3 | 1,071.3 | 4,609.6 |
| Inter-company debt | — | (1,535.6) | 1,451.6 | 84.0 |
| Adjusted net debt (cash) | $ 7,387.2 | $ 170.7 | $ 2,522.9 | $ 4,693.6 |

[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) | **Q3 2020** | Q3 2019 | **YTD Q3 2020** | YTD Q3 2019 |
|---|---|---|---|---|
| Property revenue | **$ 123.2** | $ 121.7 | **$ 375.5** | $ 365.3 |
| Less: | | | | |
| Property expense | **25.6** | 24.2 | **83.0** | 79.3 |
| Property straight-line rent revenue | **2.4** | 3.6 | **7.8** | 10.6 |
| Net operating income | **$ 95.2** | $ 93.9 | **$ 284.7** | $ 275.4 |

## 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 September 26, 2020 and September 28, 2019, to FFO and AFFO:

| (C$ in millions) | **Q3 2020** | Q3 2019 | **YTD Q3 2020** | YTD Q3 2019 |
|---|---|---|---|---|
| Income before income taxes | **$ 64.1** | $ 80.1 | **$ 169.3** | $ 230.3 |
| Fair-value loss (gain) adjustment | **4.4** | (13.0) | **33.5** | (36.7) |
| Deferred taxes | **(0.1)** | (0.2) | **0.5** | 0.1 |
| Lease principal payments on right-of-use assets | **(0.2)** | (0.1) | **(0.6)** | (0.3) |
| Fair value of equity awards | **0.2** | 0.3 | **(0.7)** | 1.4 |
| Internal leasing expense | **0.2** | 0.2 | **0.5** | 0.3 |
| Funds from operations | **68.6** | 67.3 | **202.5** | 195.1 |
| Properties straight-line rent adjustment | **(2.4)** | (3.6) | **(7.8)** | (10.6) |
| Capital expenditure reserve | **(6.1)** | (5.8) | **(18.1)** | (17.6) |
| Adjusted funds from operations | **$ 60.1** | $ 57.9 | **$ 176.6** | $ 166.9 |

## 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 and second 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 September 26, 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 relating 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 (Events that Impacted the Company this Quarter) of this MD&A and the first and second quarter 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.

November 4, 2020

## *CANADIAN TIRE CORPORATION, LIMITED*

## *CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS*

## Q3 2020

# Index to the Financial Statements and Notes

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS:**



**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

# Condensed Interim Consolidated Balance Sheets

| As at<br>(C$ in millions)(unaudited) | | September 26, 2020 | | September 28, 2019 | | December 28, 2019 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and cash equivalents (Note 15) | **$** | **1,302.8** | $ | 226.2 | $ | 205.5 |
| Short-term investments | | **402.2** | | 233.3 | | 201.7 |
| Trade and other receivables | | **917.7** | | 1,004.9 | | 938.3 |
| Loans receivable (Note 6) | | **4,975.0** | | 5,598.2 | | 5,813.8 |
| Merchandise inventories | | **2,505.1** | | 2,611.1 | | 2,212.9 |
| Income taxes recoverable | | **36.0** | | 46.7 | | 33.2 |
| Prepaid expenses and deposits | | **179.7** | | 165.3 | | 139.3 |
| Assets classified as held for sale | | **15.6** | | 7.2 | | 10.6 |
| **Total current assets** | | **10,334.1** | | 9,892.9 | | 9,555.3 |
| Long-term receivables and other assets | | **683.1** | | 825.6 | | 807.8 |
| Long-term investments | | **176.3** | | 116.0 | | 138.9 |
| Goodwill and intangible assets | | **2,331.3** | | 2,275.6 | | 2,414.3 |
| Investment property | | **391.1** | | 374.8 | | 389.1 |
| Property and equipment | | **4,247.1** | | 4,219.8 | | 4,283.3 |
| Right-of-use assets | | **1,512.4** | | 1,562.9 | | 1,610.4 |
| Deferred income taxes | | **297.5** | | 347.8 | | 319.2 |
| **Total assets** | **$** | **19,972.9** | $ | 19,615.4 | $ | 19,518.3 |
| **LIABILITIES** | | | | | | |
| Bank indebtedness (Note 15) | **$** | **6.8** | $ | 39.6 | $ | 10.4 |
| Deposits | | **966.6** | | 829.8 | | 790.8 |
| Trade and other payables | | **2,555.6** | | 2,310.6 | | 2,492.4 |
| Provisions | | **169.3** | | 164.8 | | 190.2 |
| Short-term borrowings | | **563.9** | | 909.6 | | 450.0 |
| Loans | | **552.4** | | 659.3 | | 621.5 |
| Current portion of lease liabilities | | **355.7** | | 316.2 | | 335.3 |
| Income taxes payable | | **100.2** | | 66.5 | | 72.6 |
| Current portion of long-term debt | | **150.5** | | 538.4 | | 788.2 |
| **Total current liabilities** | | **5,421.0** | | 5,834.8 | | 5,751.4 |
| Long-term provisions | | **68.3** | | 58.4 | | 61.1 |
| Long-term debt | | **4,114.8** | | 3,978.8 | | 3,730.2 |
| Long-term deposits | | **2,282.4** | | 1,666.5 | | 1,653.4 |
| Long-term lease liabilities | | **1,719.1** | | 1,861.1 | | 1,871.0 |
| Deferred income taxes | | **121.3** | | 140.7 | | 136.4 |
| Other long-term liabilities | | **789.6** | | 779.7 | | 810.1 |
| **Total liabilities** | | **14,516.5** | | 14,320.0 | | 14,013.6 |
| **EQUITY** | | | | | | |
| Share capital (Note 8) | | **593.5** | | 588.8 | | 588.0 |
| Contributed surplus | | **2.9** | | 2.9 | | 2.9 |
| Accumulated other comprehensive (loss) | | **(203.4)** | | (138.0) | | (129.9) |
| Retained earnings | | **3,732.3** | | 3,539.6 | | 3,729.6 |
| **Equity attributable to shareholders of Canadian Tire Corporation** | | **4,125.3** | | 3,993.3 | | 4,190.6 |
| Non-controlling interests | | **1,331.1** | | 1,302.1 | | 1,314.1 |
| **Total equity** | | **5,456.4** | | 5,295.4 | | 5,504.7 |
| **Total liabilities and equity** | **$** | **19,972.9** | $ | 19,615.4 | $ | 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 | 13 weeks ended | | 39 weeks ended | |
|---|---|---|---|---|
| (C$ in millions, except share and per share amounts)(unaudited) | **September 26, 2020** | September 28, 2019 | **September 26, 2020** | September 28, 2019 |
| **Revenue** (Note 10) | **$ 3,986.4** | $ 3,636.7 | **$ 9,996.5** | $ 10,217.7 |
| Cost of producing revenue (Note 11) | **2,639.6** | 2,408.1 | **6,769.8** | 6,846.9 |
| **Gross margin** | **1,346.8** | 1,228.6 | **3,226.7** | 3,370.8 |
| Other expense (income) | **5.6** | 17.9 | **29.8** | (15.4) |
| Selling, general and administrative expenses (Note 12) | **838.8** | 832.3 | **2,545.7** | 2,493.8 |
| Net finance costs (Note 13) | **60.1** | 71.5 | **197.7** | 200.8 |
| **Income before income taxes** | **442.3** | 306.9 | **453.5** | 691.6 |
| **Income taxes** | **116.0** | 79.2 | **112.7** | 162.7 |
| **Net income** | **$ 326.3** | $ 227.7 | **$ 340.8** | $ 528.9 |
| Net income attributable to: | | | | |
| Shareholders of Canadian Tire Corporation | **$ 296.3** | $ 197.2 | **$ 263.0** | $ 444.3 |
| Non-controlling interests | **30.0** | 30.5 | **77.8** | 84.6 |
| | **$ 326.3** | $ 227.7 | **$ 340.8** | $ 528.9 |
| **Basic earnings per share** | **$ 4.87** | $ 3.20 | **$ 4.32** | $ 7.18 |
| **Diluted earnings per share** | **$ 4.84** | $ 3.20 | **$ 4.30** | $ 7.17 |
| **Weighted average number of Common and Class A Non-Voting Shares outstanding:** | | | | |
| **Basic** | **60,808,021** | 61,619,653 | **60,928,842** | 61,861,892 |
| **Diluted** | **61,185,383** | 61,678,957 | **61,101,887** | 61,930,350 |

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

# Condensed Interim Consolidated Statements of Comprehensive Income

| For the<br>(C$ in millions)(unaudited) | 13 weeks ended<br>**September 26, 2020** | <br>September 28, 2019 | 39 weeks ended<br>**September 26, 2020** | <br>September 28, 2019 |
|---|---|---|---|---|
| **Net income** | **$ 326.3** | $ 227.7 | **$ 340.8** | $ 528.9 |
| **Other comprehensive (loss), net of taxes** | | | | |
| **Items that may be reclassified subsequently to net income:** | | | | |
| Net fair value (losses) gains on hedging instruments entered into for cash flow hedges not subject to basis adjustment | **(1.5)** | 0.2 | **(33.2)** | (22.3) |
| 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 | **3.9** | (1.7) | **(3.6)** | (10.3) |
| Reclassification of losses to income | **0.5** | 0.9 | **1.0** | 0.3 |
| Currency translation adjustment | **(10.1)** | (51.4) | **(61.8)** | (80.6) |
| **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 | **(25.8)** | 20.2 | **54.4** | (36.7) |
| Other comprehensive (loss) | **$ (33.0)** | $ (31.8) | **$ (43.2)** | $ (149.6) |
| Other comprehensive (loss) income attributable to: | | | | |
| Shareholders of Canadian Tire Corporation | **$ (33.5)** | $ (31.8) | **$ (36.0)** | $ (143.3) |
| Non-controlling interests | **0.5** | — | **(7.2)** | (6.3) |
| | **$ (33.0)** | $ (31.8) | **$ (43.2)** | $ (149.6) |
| **Comprehensive income** | **$ 293.3** | $ 195.9 | **$ 297.6** | $ 379.3 |
| Comprehensive income attributable to: | | | | |
| Shareholders of Canadian Tire Corporation | **$ 262.8** | $ 165.4 | **$ 227.0** | $ 301.0 |
| Non-controlling interests | **30.5** | 30.5 | **70.6** | 78.3 |
| | **$ 293.3** | $ 195.9 | **$ 297.6** | $ 379.3 |

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

# Condensed Interim Consolidated Statements of Cash Flows

| For the<br>(C$ in millions)(unaudited) | 13 weeks ended<br>September 26, 2020 | <br>September 28, 2019 | 39 weeks ended<br>September 26, 2020 | <br>September 28, 2019 |
|---|---|---|---|---|
| **Cash (used for) generated from:** | | | | |
| **Operating activities** | | | | |
| Net income | **$ 326.3** | $ 227.7 | **$ 340.8** | $ 528.9 |
| Adjustments for: | | | | |
| Depreciation of property and equipment, investment property, assets held for sale and right-of-use assets (Notes 11 and 12) | **144.4** | 136.0 | **435.1** | 402.9 |
| Impairment on property and equipment, right-of-use and intangible assets (Note 2) | **—** | — | **27.9** | 0.6 |
| Income taxes | **116.0** | 79.2 | **112.7** | 162.7 |
| Net finance costs (Note 13) | **60.1** | 71.5 | **197.7** | 200.8 |
| Amortization of intangible assets (Note 12) | **26.9** | 27.5 | **84.8** | 80.9 |
| Loss (gain) on disposal of property and equipment, investment property, assets held for sale and right-of-use assets | **2.9** | 2.4 | **(5.9)** | (27.1) |
| Total except as noted below | **676.6** | 544.3 | **1,193.1** | 1,349.7 |
| Interest paid | **(72.7)** | (87.8) | **(217.3)** | (250.7) |
| Interest received | **4.0** | 13.1 | **12.4** | 22.1 |
| Income taxes paid | **(64.3)** | (29.0) | **(69.8)** | (276.2) |
| Change in loans receivable | **192.1** | (51.7) | **934.8** | (89.1) |
| Change in operating working capital and other | **(247.5)** | (486.0) | **(173.0)** | (775.0) |
| **Cash generated from (used for) operating activities** | **488.2** | (97.1) | **1,680.2** | (19.2) |
| **Investing activities** | | | | |
| Additions to property and equipment and investment property | **(54.8)** | (105.2) | **(189.0)** | (261.8) |
| Additions to intangible assets | **(55.4)** | (46.7) | **(103.2)** | (160.2) |
| Total additions | **(110.2)** | (151.9) | **(292.2)** | (422.0) |
| Acquisition of short-term investments | **(307.4)** | (105.0) | **(467.4)** | (256.1) |
| Proceeds from maturity and disposition of short-term investments | **106.7** | 113.2 | **296.8** | 252.9 |
| Proceeds on disposition of property and equipment, investment property and assets held for sale | **1.9** | (0.6) | **3.5** | 17.7 |
| Lease payments for finance subleases (principal portion) | **4.2** | 5.2 | **12.6** | 12.8 |
| Acquisition of long-term investments and other | **(21.6)** | (10.0) | **(68.8)** | (10.0) |
| **Cash (used for) investing activities** | **(326.4)** | (149.1) | **(515.5)** | (404.7) |
| **Financing activities** | | | | |
| Dividends paid | **(65.4)** | (60.7) | **(197.4)** | (181.8) |
| Distributions paid to non-controlling interests | **(24.2)** | (19.9) | **(65.5)** | (58.9) |
| Total dividends and distributions paid | **(89.6)** | (80.6) | **(262.9)** | (240.7) |
| Net issuance of short-term borrowings | **175.0** | 340.7 | **113.9** | 531.5 |
| Issuance of loans | **13.6** | 76.4 | **164.7** | 226.8 |
| Repayment of loans | **(73.5)** | (82.4) | **(233.7)** | (222.1) |
| Issuance of long-term debt | **480.0** | — | **1,198.6** | 570.9 |
| Repayment of long-term debt | **(1,450.1)** | (500.1) | **(1,450.7)** | (500.7) |
| Payment of lease liabilities (principal portion) | **(84.5)** | (62.0) | **(254.6)** | (231.5) |
| Payment of transaction costs related to long-term debt | **(1.9)** | (0.5) | **(2.2)** | (2.6) |
| Repurchase of share capital | **(3.7)** | (11.5) | **(107.9)** | (207.2) |
| Proceeds on disposal of partial interest in CT REIT | **—** | 142.6 | **—** | 142.6 |
| Net proceeds from issue of trust units to non-controlling interests | **—** | 86.3 | **—** | 86.3 |
| Payments on financial instruments | **(15.6)** | (5.4) | **(30.4)** | (35.3) |
| Change in deposits | **192.7** | (51.3) | **801.4** | 22.1 |
| **Cash (used for) generated from financing activities** | **(857.6)** | (147.8) | **(63.8)** | 140.1 |
| **Cash (used) generated in the period** | **(695.8)** | (394.0) | **1,100.9** | (283.8) |
| **Cash and cash equivalents, net of bank indebtedness, beginning of period** | **1,991.8** | 580.6 | **195.1** | 470.4 |
| **Cash and cash equivalents, net of bank indebtedness, end of period** | **$ 1,296.0** | $ 186.6 | **$ 1,296.0** | $ 186.6 |

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** | **Cash flow 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 income** | **—** | **—** | **—** | **—** | **—** | **263.0** | **263.0** | **77.8** | **340.8** |
| **Other comprehensive income (loss)** | **—** | **—** | **25.8** | **(61.8)** | **(36.0)** | **—** | **(36.0)** | **(7.2)** | **(43.2)** |
| **Total comprehensive income (loss)** | **—** | **—** | **25.8** | **(61.8)** | **(36.0)** | **263.0** | **227.0** | **70.6** | **297.6** |
| **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) | **10.6** | **—** | **—** | **—** | **—** | **—** | **10.6** | **—** | **10.6** |
| Repurchase of Class A Non-Voting Shares (Note 8) | **(107.1)** | **—** | **—** | **—** | **—** | **—** | **(107.1)** | **—** | **(107.1)** |
| 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) | **99.0** | **—** | **—** | **—** | **—** | **(99.0)** | **—** | **—** | **—** |
| Dividends | **—** | **—** | **—** | **—** | **—** | **(207.4)** | **(207.4)** | **—** | **(207.4)** |
| **Contributions and distributions to non-controlling interests** | | | | | | | | | |
| Issuance of trust units to non-controlling interests, net of transaction costs | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **12.1** | **12.1** |
| Distributions and dividends to non-controlling interests | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **(65.7)** | **(65.7)** |
| **Total contributions and distributions** | **5.5** | **—** | **(37.5)** | **—** | **(37.5)** | **(260.3)** | **(292.3)** | **(53.6)** | **(345.9)** |
| **Balance at September 26, 2020** | **$ 593.5** | **$ 2.9** | **$ (40.0)** | **$ (163.4)** | **$ (203.4)** | **$ 3,732.3** | **$ 4,125.3** | **$ 1,331.1** | **$ 5,456.4** |

| | | | Total accumulated other comprehensive income (loss) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (C$ in millions)(unaudited) | Share capital | Contributed surplus | Cash flow 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** | — | — | — | — | — | 444.3 | 444.3 | 84.6 | 528.9 |
| **Other comprehensive (loss)** | — | — | (62.7) | (80.6) | (143.3) | — | (143.3) | (6.3) | (149.6) |
| **Total comprehensive (loss) income** | — | — | (62.7) | (80.6) | (143.3) | 444.3 | 301.0 | 78.3 | 379.3 |
| **Transfers of cash flow hedge (gains) to non-financial assets** | — | — | (45.8) | — | (45.8) | — | (45.8) | — | (45.8) |
| **Contributions and distributions to shareholders of Canadian Tire Corporation** | | | | | | | | | |
| Issuance of Class A Non-Voting Shares (Note 8) | 11.0 | — | — | — | — | — | 11.0 | — | 11.0 |
| Repurchase of Class A Non-Voting Shares (Note 8) | (200.7) | — | — | — | — | — | (200.7) | — | (200.7) |
| Excess of purchase price over average cost (Note 8) | 187.0 | — | — | — | — | (187.0) | — | — | — |
| Dividends | — | — | — | — | — | (191.5) | (191.5) | — | (191.5) |
| **Contributions and distributions to non-controlling interests** | | | | | | | | | |
| Sale of ownership interests in the CT REIT business, net of transaction costs | — | — | — | — | — | — | — | 142.7 | 142.7 |
| Issuance of trust units to non-controlling interests, net of transaction costs | — | — | — | — | — | — | — | 92.7 | 92.7 |
| Distributions and dividends to non-controlling interests | — | — | — | — | — | — | — | (60.3) | (60.3) |
| **Total contributions and distributions** | (2.7) | — | (45.8) | — | (45.8) | (378.5) | (427.0) | 175.1 | (251.9) |
| **Balance at September 28, 2019** | $ 588.8 | $ 2.9 | $ (16.5) | $ (121.5) | $ (138.0) | $ 3,539.6 | $ 3,993.3 | $ 1,302.1 | $ 5,295.4 |

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

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

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

# 2. Basis of Preparation

## Statement of Compliance

These condensed interim consolidated financial statements ("interim financial statements") for the 13 and 39 weeks ended September 26, 2020 (and comparative results for the 13 and 39 weeks ended September 28, 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 November 4, 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.

During the second quarter of 2020, indicators of impairment existed 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 cash-generating unit ("CGU") was less than the carrying amount, an impairment loss was recognized.

As a result of these tests in the second quarter of 2020, 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 was recorded within Other expense (income) in the Consolidated Interim Statements of Income.

No additional impairment losses were required during the third quarter of 2020. 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 macroeconomic 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 have been, higher than carrying values. However, if assumptions are not realized, it is possible that further impairment charges may need to be recorded in the future. Consistent with its policy, the Company will perform its annual impairment test on investment property, right-of-use assets, property and equipment, goodwill and indefinite-life intangible assets for all CGUs during the fourth quarter of 2020.

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 for 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 allowances for 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 – Phase 1 (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 ["IBORs"]).

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.

## 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 International Accounting Standards Board ("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.

### *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*

In August 2020, upon completion of the IFRS amendments to facilitate the IBOR reform, the IASB issued Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ("Phase 2 Amendments"). In relation to changes in financial instruments that are directly required by the IBOR reform, Phase 2 Amendments mainly provide (i) a practical expedient to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by the IBOR reform by updating the effective interest rate of the financial asset or financial liability; (ii) exceptions to the hedge accounting requirements providing relief from discontinuing hedge relationships because of changes to hedge documentation required by the IBOR reform; and (iii) certain additional disclosures on additional information about the Company's exposure to risks arising from the IBOR reform and related risk management activities.

IFRS 16 has also been amended to provide a temporary exception addressing situations where lease agreements specifically refer to an IBOR and will need to be amended as a result of the IBOR reform. Lessees are required to remeasure their lease liabilities in a similar fashion to any other change in estimate, rather than as a lease modification. The amount of the remeasurement is recognized as an adjustment to the right-of-use asset.

Phase 2 Amendments are effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

## 3. Capital Management

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

The Company manages its capital structure over the long term to optimize the balance among capital efficiency, financial flexibility, and risk mitigation. Management calculates credit metrics 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 metrics against the target range for the rating.

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 September 26, 2020. The Company believes it has sufficient flexibility in the current COVID-19 environment to support growth in its business, while remaining in compliance with its financial covenants.

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 September 26, 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 September 26, 2020.

In addition, the Company is required to comply with regulatory requirements for capital associated with the operations of Canadian Tire Bank ("CTB" or "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 September 26, 2020, CTB complied with all regulatory capital guidelines established by the Office of the Superintendent of Financial Institutions of Canada ("OSFI") 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 September 26, 2020, the Company (excluding Helly Hansen) had no borrowings on its committed bank lines of credit and $210.2 million of C$ equivalent ($157 million USD) U.S. Commercial Paper outstanding. Helly Hansen had a total of $57.0 million of C$ equivalent borrowings outstanding on its committed bank line of credit (180 million Norwegian Krone ["NOK"]) and its factoring facility (227.6 million NOK). CT REIT had no borrowings under its committed bank line of credit.

As at September 26, 2020, Glacier Credit Card Trust ("GCCT") had $296.8 million of asset-backed commercial paper and no notes outstanding on Financial Services' committed note purchase facilities. CTB had no borrowings outstanding under its committed bank line of credit.

## 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, tax-free savings accounts ("TFSA") and guaranteed investment certificate ("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 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | September 26, 2020 | | | | | September 28, 2019 | | | | |
| (C$ in millions) | Retail | CT REIT | Financial Services | Eliminations and adjustments | Total | Retail | CT REIT | Financial Services | Eliminations and adjustments | Total |
| External revenue | $ 3,684.2 | $ 12.6 | $ 291.4 | $ (1.8) | $ 3,986.4 | $ 3,295.5 | $ 13.2 | $ 332.1 | $ (4.1) | $ 3,636.7 |
| Intercompany revenue | 0.6 | 110.6 | 9.9 | (121.1) | — | 0.8 | 108.5 | 10.9 | (120.2) | — |
| Total revenue | 3,684.8 | 123.2 | 301.3 | (122.9) | 3,986.4 | 3,296.3 | 121.7 | 343.0 | (124.3) | 3,636.7 |
| Cost of producing revenue | 2,523.4 | — | 133.7 | (17.5) | 2,639.6 | 2,273.3 | — | 154.3 | (19.5) | 2,408.1 |
| Gross margin | 1,161.4 | 123.2 | 167.6 | (105.4) | 1,346.8 | 1,023.0 | 121.7 | 188.7 | (104.8) | 1,228.6 |
| Other (income) expense | (26.2) | — | 0.2 | 31.6 | 5.6 | (13.3) | — | 0.9 | 30.3 | 17.9 |
| Selling, general and administrative expenses | 810.3 | 28.4 | 77.5 | (77.4) | 838.8 | 802.1 | 27.2 | 79.1 | (76.1) | 832.3 |
| Net finance costs (income) | 51.1 | 26.3 | (0.6) | (16.7) | 60.1 | 63.6 | 27.4 | (0.2) | (19.3) | 71.5 |
| Fair value loss (gain) on investment properties | — | 4.4 | — | (4.4) | — | — | (13.0) | — | 13.0 | — |
| Income before income taxes | $ 326.2 | $ 64.1 | $ 90.5 | $ (38.5) | $ 442.3 | $ 170.6 | $ 80.1 | $ 108.9 | $ (52.7) | $ 306.9 |
| Items included in the above: | | | | | | | | | | |
| Depreciation and amortization | $ 212.5 | $ — | $ 3.3 | $ (44.5) | $ 171.3 | $ 203.5 | $ — | $ 3.3 | $ (43.3) | $ 163.5 |
| Interest income | 20.6 | — | 255.4 | (16.1) | 259.9 | 24.6 | 0.1 | 286.1 | (17.1) | 293.7 |
| Interest expense | 69.1 | 26.3 | 38.1 | (49.3) | 84.2 | 83.0 | 27.5 | 36.4 | (52.5) | 94.4 |

| For the | 39 weeks ended | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | September 26, 2020 | | | | | September 28, 2019 | | | | |
| (C$ in millions) | Retail | CT REIT | Financial Services | Eliminations and adjustments | Total | Retail | CT REIT | Financial Services | Eliminations and adjustments | Total |
| External revenue | $ 9,036.0 | $ 39.8 | $ 927.4 | $ (6.7) | $ 9,996.5 | $ 9,216.8 | $ 38.2 | $ 972.1 | $ (9.4) | $10,217.7 |
| Intercompany revenue | 1.8 | 335.7 | 25.7 | (363.2) | — | 3.8 | 327.1 | 29.0 | (359.9) | — |
| Total revenue | 9,037.8 | 375.5 | 953.1 | (369.9) | 9,996.5 | 9,220.6 | 365.3 | 1,001.1 | (369.3) | 10,217.7 |
| Cost of producing revenue | 6,309.4 | — | 514.0 | (53.6) | 6,769.8 | 6,449.0 | — | 450.4 | (52.5) | 6,846.9 |
| Gross margin | 2,728.4 | 375.5 | 439.1 | (316.3) | 3,226.7 | 2,771.6 | 365.3 | 550.7 | (316.8) | 3,370.8 |
| Other (income) expense | (60.7) | — | 0.8 | 89.7 | 29.8 | (110.5) | — | 1.4 | 93.7 | (15.4) |
| Selling, general and administrative expenses | 2,459.1 | 92.0 | 227.7 | (233.1) | 2,545.7 | 2,403.6 | 90.0 | 233.2 | (233.0) | 2,493.8 |
| Net finance costs (income) | 169.6 | 80.7 | (1.1) | (51.5) | 197.7 | 182.3 | 81.7 | (0.7) | (62.5) | 200.8 |
| Fair value loss (gain) on investment properties | — | 33.5 | — | (33.5) | — | — | (36.7) | — | 36.7 | — |
| Income before income taxes | $ 160.4 | $ 169.3 | $ 211.7 | $ (87.9) | $ 453.5 | $ 296.2 | $ 230.3 | $ 316.8 | $ (151.7) | $ 691.6 |
| Items included in the above: | | | | | | | | | | |
| Depreciation and amortization | $ 642.0 | $ — | $ 10.0 | $ (132.1) | $ 519.9 | $ 606.3 | $ — | $ 9.6 | $ (132.1) | $ 483.8 |
| Interest income | 67.7 | 0.1 | 806.3 | (50.9) | 823.2 | 79.7 | 0.2 | 829.6 | (51.4) | 858.1 |
| Interest expense | 226.4 | 80.8 | 109.3 | (151.7) | 264.8 | 246.3 | 81.9 | 103.0 | (157.5) | 273.7 |

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 39 weeks ended September 26, 2020 amounted to

$142.6 million (2019 – $145.9 million) and $321.8 million (2019 – $352.0 million), respectively. Property and equipment, intangible assets (brand and goodwill) and right-of-use assets located outside of Canada was $906.5 million as at September 26, 2020 (2019 – $1.0 billion).

Capital expenditures by reportable operating segment are as follows:

| For the | 13 weeks ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **September 26, 2020** | | | | September 28, 2019 | | | |
| (C$ in millions) | **Retail** | **CT REIT** | **Financial Services** | **Total** | Retail | CT REIT | Financial Services | Total |
| Capital expenditures[1] | **$ 69.3** | **$ 11.0** | **$ 0.9** | **$ 81.2** | $ 110.7 | $ 19.1 | $ 1.5 | $ 131.3 |

[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 | 39 weeks ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **September 26, 2020** | | | | September 28, 2019 | | | |
| (C$ in millions) | **Retail** | **CT REIT** | **Financial Services** | **Total** | Retail | CT REIT | Financial Services | Total |
| Capital expenditures[1] | **$ 205.8** | **$ 58.6** | **$ 2.5** | **$ 266.9** | $ 300.5 | $ 56.6 | $ 7.6 | $ 364.7 |

[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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **September 26, 2020** | | | | September 28, 2019 | | | |
| (C$ in millions) | **Retail** | **CT REIT** | **Financial Services** | **Total** | Retail | CT REIT | Financial Services | Total |
| Right-of-use asset additions | **$ 58.8** | **$ —** | **$ —** | **$ 58.8** | $ 20.4 | $ — | $ — | $ 20.4 |

| For the | 39 weeks ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **September 26, 2020** | | | | September 28, 2019 | | | |
| (C$ in millions) | **Retail** | **CT REIT** | **Financial Services** | **Total** | Retail | CT REIT | Financial Services | Total |
| Right-of-use asset additions | **$ 135.9** | **$ 3.0** | **$ 1.8** | **$ 140.7** | $ 176.9 | $ — | $ — | $ 176.9 |

Total assets by reportable operating segment are as follows:

| (C$ in millions)<br>As at | **September 26, 2020** | September 28, 2019 | December 28, 2019 |
|---|---|---|---|
| Retail | **$ 15,589.5** | $ 16,157.9 | $ 15,995.4 |
| CT REIT | **6,139.6** | 6,001.9 | 6,024.5 |
| Financial Services | **7,034.7** | 6,370.3 | 6,606.4 |
| Eliminations and adjustments | **(8,790.9)** | (8,914.7) | (9,108.0) |
| Total assets[1] | **$ 19,972.9** | $ 19,615.4 | $ 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)<br>As at | September 26, 2020 | September 28, 2019 | December 28, 2019 |
|---|---|---|---|
| Retail | **$ 9,569.6** | $ 10,199.5 | $ 9,870.2 |
| CT REIT | **2,755.3** | 2,715.3 | 2,690.4 |
| Financial Services | **6,016.4** | 5,381.6 | 5,589.9 |
| Eliminations and adjustments | **(3,824.8)** | (3,976.4) | (4,136.9) |
| Total liabilities[1] | **$ 14,516.5** | $ 14,320.0 | $ 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 | September 26, 2020 | September 28, 2019 | December 28, 2019 |
| Credit card loans[2] | **$ 4,928.3** | $ 5,574.2 | $ 5,794.1 |
| Dealer loans[3] | **553.5** | 661.1 | 622.5 |
| Total loans receivable | **5,481.8** | 6,235.3 | 6,416.6 |
| Less: long-term portion[4] | **506.8** | 637.1 | 602.8 |
| Current portion of loans receivable | **$ 4,975.0** | $ 5,598.2 | $ 5,813.8 |

*[1] Amounts shown are net of allowances for loans receivable.*
*[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 $505.7 million (September 28, 2019 – $635.2 million and December 28, 2019 – $601.6 million).*

The Company's allowances for loans receivable increased by $94.5 million from December 28, 2019 primarily due to the economic uncertainty as a result of COVID-19. This increase in allowances, which occurred in the first and second quarter, was driven by an increase in the Expected Credit Loss ("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 (Stage 1)** | **Lifetime ECL – not credit-impaired (Stage 2)** | **Lifetime ECL – 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 | **(7.8)** | **(27.3)** | **(313.5)** | **(348.6)** |
| Recoveries | **—** | **—** | **61.6** | **61.6** |
| New loans originated | **7.7** | **—** | **—** | **7.7** |
| Transfers | | | | |
| to Stage 1 | **106.2** | **(66.3)** | **(39.9)** | **—** |
| to Stage 2 | **(14.4)** | **19.3** | **(4.9)** | **—** |
| to Stage 3 | **(24.8)** | **(42.6)** | **67.4** | **—** |
| Net remeasurements | **60.1** | **95.2** | **218.5** | **373.8** |
| Balance at September 26, 2020 | **$ 427.5** | **$ 170.4** | **$ 293.4** | **$ 891.3** |

| | | | | 2019 |
|---|---|---|---|---|
| (C$ in millions) | 12-month ECL (Stage 1) | Lifetime ECL – not credit-impaired (Stage 2) | Lifetime ECL – 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 | (9.1) | (22.8) | (322.2) | (354.1) |
| Recoveries | — | — | 62.0 | 62.0 |
| New loans originated | 15.4 | — | — | 15.4 |
| Transfers | | | | |
| to Stage 1 | 136.6 | (94.7) | (41.9) | — |
| to Stage 2 | (26.3) | 34.5 | (8.2) | — |
| to Stage 3 | (20.3) | (29.1) | 49.4 | — |
| Net remeasurements | (47.8) | 124.7 | 231.9 | 308.8 |
| Balance at September 28, 2019 | $ 301.5 | $ 198.7 | $ 296.5 | $ 796.7 |

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:

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | **September 26, 2020** |
| (C$ in millions) | | **Stage 1** | | **Stage 2** | | **Stage 3** | | **Total** |
| Low risk | **$** | **2,272.4** | **$** | **57.0** | **$** | **—** | **$** | **2,329.4** |
| Moderate risk | | **1,827.0** | | **103.2** | | **—** | | **1,930.2** |
| High risk | | **733.5** | | **184.8** | | **641.7** | | **1,560.0** |
| Total gross carrying amount | | **4,832.9** | | **345.0** | | **641.7** | | **5,819.6** |
| ECL allowance | | **427.5** | | **170.4** | | **293.4** | | **891.3** |
| Net carrying amount | **$** | **4,405.4** | **$** | **174.6** | **$** | **348.3** | **$** | **4,928.3** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | September 28, 2019 |
| (C$ in millions) | | Stage 1 | | Stage 2 | | Stage 3 | | Total |
| Low risk | $ | 2,401.5 | $ | 67.8 | $ | — | $ | 2,469.3 |
| Moderate risk | | 1,929.7 | | 138.2 | | — | | 2,067.9 |
| High risk | | 897.2 | | 332.2 | | 604.3 | | 1,833.7 |
| Total gross carrying amount | | 5,228.4 | | 538.2 | | 604.3 | | 6,370.9 |
| ECL allowance | | 301.5 | | 198.7 | | 296.5 | | 796.7 |
| Net carrying amount | $ | 4,926.9 | $ | 339.5 | $ | 307.8 | $ | 5,574.2 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 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 39 weeks ended September 26, 2020, the amount of cash received from interest earned on credit cards and loans was $244.0 million (2019 – $261.1 million) and $773.9 million (2019 – $764.4 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 were repaid early, in full, during the current quarter.

On July 6, 2020, the Company repaid $250 million of medium-term notes, which bore interest of 2.646 percent per annum.

On September 20, 2020, GCCT repaid $500 million of term notes consisting of $465 million of senior term notes, which bore an interest rate of 2.237 percent per annum as well as $35 million of subordinated term notes, which bore an interest rate of 3.237 percent per annum.

On September 25, 2020, GCCT issued $480 million of term notes that have an expected repayment date of September 22, 2025, consisting of $448.8 million senior notes bearing an interest rate of 1.388 percent per annum and $31.2 million of subordinated notes that bear an interest rate of 2.438 percent per annum.

## 8. Share Capital

Share capital consists of the following:

| (C$ in millions)<br>As at | | September 26, 2020 | | September 28, 2019 | | December 28, 2019 |
|---|---|---|---|---|---|---|
| Authorized | | | | | | |
| 3,423,366 Common Shares | | | | | | |
| 100,000,000 Class A Non-Voting Shares | | | | | | |
| Issued | | | | | | |
| 3,423,366 Common Shares (September 28, 2019 – 3,423,366; December 28, 2019 – 3,423,366) | **$** | **0.2** | $ | 0.2 | $ | 0.2 |
| 57,383,757 Class A Non-Voting Shares (September 28, 2019 – 58,177,090; December 28, 2019 – 58,096,958) | | **593.3** | | 588.6 | | 587.8 |
| | **$** | **593.5** | $ | 588.8 | $ | 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 the fourth quarter of 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 the first quarter of 2020, upon completion of the purchases made pursuant to the notice issued in the fourth quarter of 2019 under the ASPP, the Company reversed the accrual previously recorded. During the third quarter of 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 | | | | 39 Weeks Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | **September 26, 2020** | | September 28, 2019 | | **September 26, 2020** | | September 28, 2019 | |
| (C$ in millions) | **Number** | **$** | Number | $ | **Number** | **$** | Number | $ |
| Shares outstanding at beginning of the period | **57,383,758** | **$ 589.9** | 58,212,090 | $ 586.0 | **58,096,958** | **$ 587.8** | 59,478,460 | $ 591.3 |
| Issued under the dividend reinvestment plan and stock option plan | **27,214** | **3.7** | 24,227 | 3.2 | **82,917** | **10.6** | 79,032 | 11.0 |
| Repurchased[1] | **(27,215)** | **(3.7)** | (59,227) | (8.0) | **(796,118)** | **(107.1)** | (1,380,402) | (200.7) |
| Reversal of accrued liability for ASPP commitment | **—** | **—** | — | — | **—** | **3.0** | — | — |
| Excess of repurchase price over average cost | **—** | **3.4** | — | 7.4 | **—** | **99.0** | — | 187.0 |
| Shares outstanding at end of the period | **57,383,757** | **$ 593.3** | 58,177,090 | $ 588.6 | **57,383,757** | **$ 593.3** | 58,177,090 | $ 588.6 |

[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 September 26, 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 November 4, 2020, the Company's Board of Directors declared dividends at a rate of $1.175 payable on March 1, 2021 to shareholders of record as of January 31, 2021.

## 9. Share-Based Payments

During the 39 weeks ended September 26, 2020, the Company granted the following share-based payment awards:

### *Stock options*

The Company granted 1,021,688 (2019 – 439,492) 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 and $134.16).

## 10. Revenue

Revenue by reportable operating segment is as follows:

| For the | **13 weeks ended** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **September 26, 2020** | | | | | September 28, 2019 | | | | |
| (C$ in millions) | **Retail** | **CT REIT** | **Financial Services** | **Adjust-ments** | **Total** | Retail | CT REIT | Financial Services | Adjust-ments | Total |
| Sale of goods | **$ 3,532.0** | **$ —** | **$ —** | **$ —** | **$ 3,532.0** | $ 3,170.9 | $ — | $ — | $ — | $ 3,170.9 |
| Interest income on loans receivable | **2.6** | **—** | **254.6** | **(1.0)** | **256.2** | 5.2 | — | 285.7 | (3.4) | 287.5 |
| Royalties and licence fees | **15.7** | **—** | **—** | **—** | **15.7** | 15.4 | — | — | — | 15.4 |
| Services rendered | **5.8** | **—** | **36.8** | **(0.8)** | **41.8** | 3.6 | — | 46.4 | — | 50.0 |
| Rental income | **128.1** | **12.6** | **—** | **—** | **140.7** | 100.4 | 13.2 | — | (0.7) | 112.9 |
| | **$ 3,684.2** | **$ 12.6** | **$ 291.4** | **$ (1.8)** | **$ 3,986.4** | $ 3,295.5 | $ 13.2 | $ 332.1 | $ (4.1) | $ 3,636.7 |

| For the | **39 weeks ended** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **September 26, 2020** | | | | | September 28, 2019 | | | | |
| (C$ in millions) | **Retail** | **CT REIT** | **Financial Services** | **Adjust-ments** | **Total** | Retail | CT REIT | Financial Services | Adjust-ments | Total |
| Sale of goods | **$ 8,645.8** | **$ —** | **$ —** | **$ —** | **$ 8,645.8** | $ 8,849.1 | $ — | $ — | $ — | $ 8,849.1 |
| Interest income on loans receivable | **10.9** | **—** | **804.5** | **(4.1)** | **811.3** | 15.6 | — | 828.4 | (8.7) | 835.3 |
| Royalties and licence fees | **34.6** | **—** | **—** | **—** | **34.6** | 40.6 | — | — | — | 40.6 |
| Services rendered | **14.7** | **—** | **122.9** | **(2.6)** | **135.0** | 11.7 | — | 143.7 | — | 155.4 |
| Rental income | **330.0** | **39.8** | **—** | **—** | **369.8** | 299.8 | 38.2 | — | (0.7) | 337.3 |
| | **$ 9,036.0** | **$ 39.8** | **$ 927.4** | **$ (6.7)** | **$ 9,996.5** | $ 9,216.8 | $ 38.2 | $ 972.1 | $ (9.4) | $10,217.7 |

Retail revenue breakdown is as follows:

| For the | **13 weeks ended** | | **39 weeks ended** | |
|---|---|---|---|---|
| (C$ in millions) | **September 26, 2020** | September 28, 2019 | **September 26, 2020** | September 28, 2019 |
| Canadian Tire | **$ 2,322.7** | $ 1,813.2 | **$ 5,775.5** | $ 5,184.3 |
| SportChek | **533.2** | 543.3 | **1,210.0** | 1,416.9 |
| Mark's | **286.3** | 266.6 | **679.8** | 798.0 |
| Helly Hansen[1] | **155.4** | 159.5 | **345.8** | 378.2 |
| Petroleum | **374.6** | 504.5 | **1,003.8** | 1,426.1 |
| Other and intersegment eliminations[1] | **12.0** | 8.4 | **21.1** | 13.3 |
| | **$ 3,684.2** | $ 3,295.5 | **$ 9,036.0** | $ 9,216.8 |

[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<br>(C$ in millions) | 13 weeks ended<br>**September 26, 2020** | <br>September 28, 2019 | 39 weeks ended<br>**September 26, 2020** | <br>September 28, 2019 |
|---|---|---|---|---|
| Inventory cost of sales[1] | **$ 2,518.8** | $ 2,268.4 | **$ 6,300.5** | $ 6,444.8 |
| Net impairment loss on loans receivable | **83.3** | 105.6 | **367.8** | 309.4 |
| Finance costs | **20.4** | 16.7 | **55.2** | 50.2 |
| Other | **17.1** | 17.4 | **46.3** | 42.5 |
| | **$ 2,639.6** | $ 2,408.1 | **$ 6,769.8** | $ 6,846.9 |

[1] *Inventory cost of sales includes depreciation for the 13 and 39 weeks ended September 26, 2020 of $3.4 million (2019 – $2.6 million) and $9.7 million (2019 – $6.9 million), respectively.*

Inventory writedowns as a result of net realizable value being lower than cost, recognized in the 13 and 39 weeks ended September 26, 2020 were $13.6 million (2019 – $19.0 million) and $53.4 million (2019 – $39.2 million), respectively.

Inventory writedowns recognized in prior periods and reversed in the 13 and 39 weeks ended September 26, 2020 were $2.3 million (2019 – $1.5 million) and $5.2 million (2019 – $4.5 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<br>(C$ in millions) | 13 weeks ended<br>**September 26, 2020** | <br>September 28, 2019 | 39 weeks ended<br>**September 26, 2020** | <br>September 28, 2019 |
|---|---|---|---|---|
| Personnel expenses | **$ 334.1** | $ 335.7 | **$ 1,006.0** | $ 981.7 |
| Occupancy | **104.0** | 97.9 | **320.9** | 313.7 |
| Marketing and advertising | **62.8** | 64.6 | **184.5** | 210.2 |
| Depreciation of property and equipment and investment property[1] | **70.5** | 68.7 | **214.7** | 203.5 |
| Depreciation of right-of-use assets | **70.5** | 64.7 | **210.7** | 192.5 |
| Amortization of intangible assets | **26.9** | 27.5 | **84.8** | 80.9 |
| Information systems | **55.0** | 46.9 | **156.7** | 139.2 |
| Other | **115.0** | 126.3 | **367.4** | 372.1 |
| | **$ 838.8** | $ 832.3 | **$ 2,545.7** | $ 2,493.8 |

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

## 13. Net Finance Costs

| For the (C$ in millions) | 13 weeks ended September 26, 2020 | 13 weeks ended September 28, 2019 | 39 weeks ended September 26, 2020 | 39 weeks ended September 28, 2019 |
|---|---|---|---|---|
| Finance (income) | $ (2.2) | $ (4.6) | $ (7.5) | $ (18.1) |
| Finance (income) on lease receivables[1] | (1.5) | (1.6) | (4.4) | (4.6) |
| Finance costs | 39.6 | 51.4 | 135.0 | 142.7 |
| Finance costs on lease liabilities | 24.2 | 26.3 | 74.6 | 80.8 |
| | $ 60.1 | $ 71.5 | $ 197.7 | $ 200.8 |

[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 (C$ in millions) | 13 weeks ended September 26, 2020 | 13 weeks ended September 28, 2019 | 39 weeks ended September 26, 2020 | 39 weeks ended September 28, 2019 |
|---|---|---|---|---|
| Net fair value (losses) gains on hedging instruments entered into for cash flow hedges not subject to basis adjustment | $ (0.6) | $ 0.3 | $ (12.0) | $ (7.8) |
| 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 | 1.4 | (0.6) | (1.3) | (3.7) |
| Reclassification of losses (gains) to income | 0.1 | 0.1 | 0.3 | (0.1) |
| Net fair value (losses) gains on hedging instruments entered into for cash flow hedges subject to basis adjustment | (9.3) | 7.3 | 19.6 | (13.5) |
| | $ (8.4) | $ 7.1 | $ 6.6 | $ (25.1) |

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

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

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

# 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 | **September 26, 2020** | September 28, 2019 | December 28, 2019 |
|---|---|---|---|
| Cash | **$ 511.7** | $ 117.8 | $ 117.9 |
| Cash equivalents | **779.7** | 97.9 | 69.4 |
| Restricted cash and cash equivalents[1] | **11.4** | 10.5 | 18.2 |
| Total cash and cash equivalents[2] | **1,302.8** | 226.2 | 205.5 |
| Bank indebtedness | **(6.8)** | (39.6) | (10.4) |
| Cash and cash equivalents, net of bank indebtedness | **$ 1,296.0** | $ 186.6 | $ 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 $5.8 million (September 28, 2019 – $5.6 million and December 28, 2019 – $12.8 million) and other operational items $5.6 million (September 28, 2019 – $4.9 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 39 weeks ended September 26, 2020 was $108.3 million (2019 – $73.2 million) and $327.9 million (2019 – $311.1 million), respectively.

### *Capital Commitments*

As at September 26, 2020, the Company had capital commitments for the acquisition of property and equipment, investment property and intangible assets for an aggregate cost of approximately $237.1 million (2019 – $235.3 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 | | **September 26, 2020** | | September 28, 2019 | | December 28, 2019 | |
|---|---|---|---|---|---|---|---|
| **Balance sheet line** | **Category** | **Level** | | Level | | Level | |
| Trade and other receivables | FVTPL[1] | **2** | **$ 30.1** | 2 | $ 16.3 | 2 | $ 12.1 |
| Trade and other receivables | Effective hedging instruments | **2** | **21.4** | 2 | 20.0 | 2 | 9.1 |
| Long-term receivables and other assets | FVTPL[1] | **2** | **16.0** | 2 | — | 2 | — |
| Long-term receivables and other assets | Effective hedging instruments | **2** | **28.9** | 2 | 23.3 | 2 | 42.9 |
| Trade and other payables | FVTPL[1] | **2** | **8.2** | 2 | 9.4 | 2 | 9.2 |
| Trade and other payables | Effective hedging instruments | **2** | **18.3** | 2 | 13.3 | 2 | 19.1 |
| Redeemable financial instrument | FVTPL | **3** | **567.0** | 3 | 567.0 | 3 | 567.0 |
| Other long-term liabilities | FVTPL[1] | **2** | **0.7** | 2 | — | 2 | 0.4 |
| Other long-term liabilities | Effective hedging instruments | **2** | **2.3** | 2 | 4.0 | 2 | 5.2 |

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

There were no transfers in either direction among categories during the 13 and 39 weeks ended September 26, 2020 or the 13 and 39 weeks ended September 28, 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 | **September 26, 2020** | | September 28, 2019 | | December 28, 2019 | |
|---|---|---|---|---|---|---|
| (C$ in millions) | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Short-term investments | **$ 402.2** | **$ 401.6** | $ 233.3 | $ 233.5 | $ 201.7 | $ 201.7 |
| Long-term investments | **176.3** | **176.3** | 116.0 | 116.4 | 138.9 | 139.5 |
| Debt | **4,265.3** | **4,539.1** | 4,517.2 | 4,757.9 | 4,518.4 | 4,711.7 |
| Deposits | **3,249.0** | **3,337.1** | 2,496.3 | 2,515.7 | 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. Management has objected to the reassessments and is awaiting a response from the Canada Revenue Agency. Upon receipt of the response, Management will take the necessary steps to add them to the appeal. The Bank is of the view that certain services provided by Credit Card Networks are exempt financial services under the *Excise Tax Act* (Canada). Although the Court has ruled in a proceeding unrelated to the Bank that similar services are subject to Federal and Quebec sales taxes, that decision is currently under appeal to the Federal Court of Appeal. 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 third quarter of 2020 would not be significant.